

**Keystone Financing PLC**  
*to acquire*  
**Lakeside 1 Limited**

**£263,000,000 9.500% Senior Secured Notes due 2019**

*Interest on the Senior Secured Notes payable 15 April and 15 October*

**Issue price of the Senior Secured Notes: 99.020%**

Keystone Financing PLC (the “**Issuer**”), a public limited company incorporated under the laws of England and Wales, is offering £263,000,000 aggregate principal amount of its 9.500% Senior Secured Notes due 2019 (the “**Notes**”) as part of the financing for the acquisition (the “**Acquisition**”) of Lakeside 1 Limited (“**Lakeside Holdco**”) by Keystone Bidco Limited (“**Bidco**”), the parent company of the Issuer, which is beneficially owned by TDR Capital (as defined herein) and Sun Capital (as defined herein). The Notes will mature on 15 October 2019.

The Issuer will pay interest on the Notes semi-annually in arrears on each 15 April and 15 October, commencing on 15 April 2015. Prior to 15 October 2016, the Issuer will be entitled, at its option, to redeem all or a portion of the Notes by paying a “make-whole” premium. At any time on or after 15 October 2016, the Issuer may redeem all or part of the Notes by paying a specified redemption price. In addition, prior to 15 October 2016, the Issuer may redeem at its option no more than 40% of the Notes with the net cash proceeds from certain equity offerings. Upon certain events defined as constituting a change of control, the Issuer will be required to make an offer to purchase the Notes. In the event of certain developments affecting taxation, the Issuer may redeem all, but not less than all, of the Notes.

Pending the consummation of the Acquisition, the proceeds from the offering of the Notes (the “**Offering**”) less certain deductions in respect of fees and expenses will be deposited into an Escrow Account (as defined herein) for the benefit of the holders of the Notes. The Escrow Account will be charged on a first-ranking basis in favour of the Trustee for the benefit of the holders of the Notes, pursuant to an escrow charge dated the Issue Date between the Issuer, the Escrow Agent and the Trustee (as defined herein). The release of escrow proceeds and consummation of the Acquisition will be subject to the satisfaction of certain conditions, including merger control clearance and the approval of the Acquisition by certain of our contractual counterparties. If the Acquisition is not consummated on or prior to 1 December 2014, the Notes will be subject to a special mandatory redemption. The special mandatory redemption price will be a price equal to 100% of the aggregate issue price of the Notes plus accrued and unpaid interest and additional amounts, if any, to the date of special mandatory redemption. See “*Description of the Notes—Escrow of proceeds; Special Mandatory Redemption*”.

As of the Issue Date, the Notes will be senior obligations of the Issuer and will be guaranteed on a senior secured basis by Keystone Midco Limited (the “**Company**”) and by Bidco. As soon as reasonably practicable after the date on which the proceeds of the offering of the Notes are released from the Escrow Account concurrently with the completion of the Acquisition (the “**Completion**”), but in any case not later than 15 business days from the Completion Date (as defined herein), subject to the Agreed Security Principles (as defined herein), the Notes will be guaranteed on a senior secured basis by Lakeside Holdco and certain subsidiaries of Lakeside Holdco (the “**Subsidiary Guarantors**”, and together with the Company, Bidco and Lakeside Holdco, the “**Guarantors**”). The guarantee of the Notes by each Guarantor (a “**Note Guarantee**” and, collectively, the “**Note Guarantees**”) will rank equally in right of payment with all the existing and future unsubordinated indebtedness of such Guarantor, senior to all the existing and future indebtedness of such Guarantor that is subordinated in right of payment to such Guarantor’s Note Guarantee and effectively senior to all existing and future unsecured indebtedness of such Guarantor to the extent of the assets securing such Guarantor’s Note Guarantee. The Notes and the Note Guarantees will be secured by liens on certain assets that also secure our obligations under the Revolving Credit Facility Agreement (as defined herein), entered into on 9 September 2014. Pursuant to the terms of the Intercreditor Agreement (as defined herein), any liabilities in respect of obligations under the Revolving Credit Facility Agreement or in respect of certain hedging obligations, in each case that are secured by assets that also secure our obligations under the Notes and the Note Guarantees, will receive priority with respect to any proceeds received in connection with any enforcement action over, or distressed disposal of, any such assets.

There is currently no market for the Notes. This listing particulars (the “**Offering Memorandum**”) constitutes a prospectus for purposes of Part IV of the Luxembourg act dated 10 July 2005 on prospectuses for securities and includes information on the terms of the Notes, including redemption and repurchase prices, covenants and transfer restrictions. This Offering Memorandum may be used for the purposes for which it has been published. Application was made to have the Notes listed on the Official List of the Luxembourg Stock Exchange (the “**LxSE**”) and admitted to trading on the

LxSE's Euro MTF market (the "**Euro MTF**"), which is not a regulated market within the meaning of Directive 2004/93/EC on markets in financial instruments.

The Notes were delivered in book-entry form through Euroclear SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream**") on 3 October 2014 (the "**Issue Date**").

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**Investing in the Notes involves risks. See "*Risk factors*" beginning on page 29 for a discussion of certain risks that you should consider in connection with an investment in the Notes.**

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The Notes and the Note Guarantees have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"). The Notes and the Note Guarantees may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A under the Securities Act ("**Rule 144A**") and certain non-U.S. persons outside the United States in accordance with Regulation S under the Securities Act ("**Regulation S**"). You are hereby notified that sellers of the Notes may be relying on the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A. See "*Important information about this Offering Memorandum*" for additional information about eligible offerees and "*Transfer restrictions*" for transfer restrictions.

*Global coordinators and joint physical bookrunners*

**J.P. Morgan**

**Lloyds Bank**

*Joint bookrunner*

**RBC Capital Markets**

24 October 2014

**In making your investment decision, you should rely only on the information contained in this Offering Memorandum. We have not, and the Initial Purchasers (as defined herein) have not, authorised any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information appearing in this Offering Memorandum is accurate as of the date on the front cover of this Offering Memorandum only. Our business, financial condition, results of operations and prospects may have changed since that date. Neither the delivery of this Offering Memorandum nor any sale made hereunder shall under any circumstances imply that the information herein is correct as of any date subsequent to the date on the cover of this Offering Memorandum.**

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Lakeside 1 Limited is a private limited liability company registered in England under number 06338921. The principal executive offices of Lakeside 1 Limited are located at The Waterfront, Lakeside Boulevard, Doncaster, South Yorkshire, DN4 5PL, United Kingdom.

## Important information about this Offering Memorandum

This offering memorandum may be used for the purposes for which it has been published. We have prepared this Offering Memorandum based on information obtained from sources we believe to be reliable. Summaries of documents contained in this Offering Memorandum may not be complete. None of J.P. Morgan Securities plc, Lloyds Bank plc or RBC Europe Limited (the “**Initial Purchasers**”) represent that the information herein is complete. The information in this Offering Memorandum is current only as of the date on the cover page hereof, and our business or financial condition and other information in this Offering Memorandum may change after that date. Information in this Offering Memorandum is not legal, tax or business advice; accordingly, you should consult your own legal, tax and business advisors regarding an investment in the Notes.

You should base your decision to invest in the Notes solely on information contained in this Offering Memorandum. Neither we nor the Initial Purchasers have authorised anyone to provide you with any different information.

We are offering the Notes in reliance on an exemption from registration under the Securities Act for an offer and sale of securities that does not involve a public offering. If you purchase the Notes, you will be deemed to have made certain acknowledgments, representations and warranties as detailed under this section. You may be required to bear the financial risk of an investment in the Notes for an indefinite period. Neither the Initial Purchasers nor we are making an offer to sell the Notes in any jurisdiction where the offer and sale of the Notes is prohibited. We do not make any representation to you that the Notes are a legal investment for you. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose.

Each prospective purchaser of the Notes must comply with all applicable laws, rules and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither we nor the Initial Purchasers shall have any responsibility therefor.

Neither the U.S. Securities and Exchange Commission, any U.S. state securities commission nor any non-U.S. securities authority nor other authority has approved or disapproved of the Notes or determined if this Offering Memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

We accept responsibility for the information contained in this Offering Memorandum. We have made all reasonable inquiries and confirm to the best of our knowledge, information and belief that the information contained in this Offering Memorandum with regard to us and our subsidiaries and affiliates and the Notes is true and accurate in all material respects, that the opinions and intentions expressed in this Offering Memorandum are honestly held and that we are not aware of any other facts, the omission of which would make this Offering Memorandum or any statement contained herein misleading in any material respect.

The Initial Purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this Offering Memorandum. Nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers as to the past or future.

We have prepared this Offering Memorandum solely for use in connection with the offer of the Notes to qualified institutional buyers pursuant to Rule 144A and to non-U.S. persons (within the meaning of Regulation S) outside the United States in compliance with Regulation S. You may not distribute this Offering Memorandum to any person, other than a person retained to advise you in connection with the purchase of the Notes.

We and the Initial Purchasers may reject any offer to purchase the Notes in whole or in part, sell less than the entire principal amount of the Notes offered hereby or allocate to any purchaser less than all of the Notes for which it has subscribed.

Certain exchange rate information presented in this Offering Memorandum includes extracts from information and data publicly released by official and other sources. While we accept responsibility for accurately summarising the information concerning exchange rates, and as far as we are aware and able to ascertain no facts have been omitted which would render this information inaccurate or misleading, we accept no further responsibility in respect of such information. The information set out in relation to sections of this Offering Memorandum describing clearing and settlement arrangements, including the section entitled “*Book-entry, delivery and form*”, is subject to change in or reinterpretation of the rules, regulations and procedures of Euroclear and Clearstream currently in effect. While we accept responsibility for accurately summarising the information concerning Euroclear and Clearstream, and as far as we are aware, and able to ascertain, no facts have been omitted which would render this information inaccurate or misleading, we accept no further responsibility in respect of such information.

**THE NOTES AND THE NOTE GUARANTEES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT. THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT TO QUALIFIED INSTITUTIONAL BUYERS IN RELIANCE ON THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144A AND CERTAIN NON-U.S. PERSONS OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S. YOU ARE HEREBY NOTIFIED THAT SELLERS OF THE NOTES MAY BE RELYING ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A.**

The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable securities laws of any other jurisdiction pursuant to registration or exemption therefrom. Prospective purchasers should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time. See “*Transfer restrictions*”. Please note that there are no restrictions on transactions that are being made through the stock exchange.

**IN CONNECTION WITH THIS OFFERING OF NOTES, J.P. MORGAN SECURITIES PLC AND LLOYDS BANK PLC (TOGETHER, THE “STABILISING MANAGERS”) (OR PERSONS ACTING ON THEIR BEHALF OF) MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAW, OVER ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO STABILISING OR MAINTAINING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGERS WILL UNDERTAKE ANY SUCH STABILISATION ACTION. SUCH STABILISATION ACTION, IF COMMENCED, MAY BEGIN ON OR AFTER THE DATE OF ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES AND MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE DATE ON WHICH THE ISSUER RECEIVED THE PROCEEDS OF THE ISSUE AND 60 CALENDAR DAYS AFTER THE DATE OF ALLOTMENT OF THE NOTES.**

#### **Notice to New Hampshire residents**

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED, 1955, AS AMENDED (“CHAPTER 421B”) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENCED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER CHAPTER 421B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

#### **Notice to certain European investors**

*Austria.* The Notes may be offered and sold in the Republic of Austria only in compliance with the Austrian Capital Markets Act (*Kapitalmarktgesetz*) as amended (the “**Austrian Capital Markets Act**”) and applicable European Union legislation. This Offering Memorandum has not been approved under the Austrian Capital Markets Act or the Directive 2003/71/EC, and accordingly the Notes may not be offered publicly in Austria.

*Belgium.* The Notes are not offered, directly or indirectly, to the public in Belgium. The Notes are being offered in Belgium to qualified investors only, within the meaning of Article 3, §2, a) and 10 of the Belgian law of 16 June 2006 on the public offering of securities and admission of securities to trading on a regulated market (“**Belgian Prospectus Law**”) and/or on the basis of the other exemptions set out in Article 3, §2 of the Belgian Prospectus Law. Accordingly, this Offering Memorandum has not been and will not be notified to, or approved by, the Belgian banking, finance and insurance commission (*Commissie voor het bank-, financie en assurantiwezen/Commission bancaire, financière et des assurances*). This Offering cannot be advertised and this Offering Memorandum and any other information, circular, brochure or similar documents may not be distributed, directly or indirectly, in Belgium other than to said qualified investors or, as the case may be, other than on the basis of the other exemptions set out in Article 3, §2 of the Belgian Prospectus Law.

*France.* This Offering Memorandum has not been prepared in the context of a public offering in France within the meaning of Article L. 411-1 of the *Code Monétaire et Financier* and has not been admitted to the clearance procedure of

the *Autorité des marchés financiers*. Consequently, the Notes may not be, directly or indirectly, offered or sold to the public in France and neither this Offering Memorandum nor any other offering material may be distributed or caused to be distributed, directly or indirectly, to the public in France. Such offers, sales and distributions will only be made in France to providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour le compte de tiers*) and/or to qualified investors (*investisseurs qualifiés*) and/or to a limited circle of investors (*cercle restreint d'investisseurs*) each acting for their own accounts, as defined in and in accordance with Articles L. 411-1, L. 411-2 and D. 411-1 to 411-4 of the *Code Monétaire et Financier*.

*Germany.* The Notes may be offered and sold in Germany only in compliance with the German Securities Prospectus Act (*Wertpapierprospektgesetz*), as amended (the “**German Securities Prospectus**”), the Commission Regulation (EC) No 809/2004 of 29 April 2004 as amended, or any other laws applicable in Germany governing the issue, offering and sale of securities. This Offering Memorandum has not been approved under the German Securities Prospectus or the Directive 2003/71/EC, as amended, *inter alia*, by Directive 2010/73/EU.

*Ireland.* No action has been or will be taken to permit a public offering of the Notes or the distribution of this Offering Memorandum in Ireland or in any jurisdiction where action for that purpose is required. The distribution of this Offering Memorandum and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Memorandum (or any part hereof) comes are required by the Issuer and the Initial Purchasers to inform themselves about, and to observe, any such restrictions. Neither this Offering Memorandum nor any part hereof constitutes an offer of, or an invitation by or on behalf of the Issuer or the Initial Purchasers to subscribe for or purchase any of the Notes and neither this Offering Memorandum, nor any part hereof, may be used for or in connection with an offer to, or solicitation by, any person in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. For a further description of certain restrictions on offers and sales of the Notes and distribution of this Offering Memorandum (or any part hereof) see “*Plan of distribution*”.

*Italy.* No action has been or will be taken which could allow an offering of the Notes to the public in the Republic of Italy. Accordingly, the Notes may not be offered or sold directly or indirectly in the Republic of Italy, and neither this Offering Memorandum nor any other Offering Memorandum, prospectus, form of application, advertisement, other offering material or other information relating to the Issuer, the Guarantors or the Notes may be issued, distributed or published in the Republic of Italy, except under circumstances that will result in compliance with all applicable laws, orders, rules and regulations. The Notes cannot be offered or sold to any natural person or to entities other than qualified investors (according to the definition provided for by the Prospectus Directive) either on the primary or on the secondary market.

*Netherlands.* The Notes (including rights representing an interest in each global note that represents the Notes) may not be offered or sold to individuals or legal entities in the Netherlands unless a prospectus relating to the offer is available to the public which is approved by the Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten*) or by a supervisory authority of another Member State of the European Union. Article 5:3 Financial Supervision Act (the “**FSA**”) and article 53 paragraphs 2 and 3 Exemption Regulation FSA provide for several exceptions to the obligation to make a prospectus available such as an offer to qualified investors within the meaning of article 5:3 FSA.

*United Kingdom.* This Offering Memorandum is for distribution only to, and is only directed at, persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, (the “**Financial Promotion Order**”), (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Notes may otherwise lawfully be communicated (all such persons together being referred to as “**relevant persons**”). This Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is only available to relevant persons and will be engaged in only with relevant persons. The Notes are being offered solely to “qualified investors” as defined in the Prospectus Directive and accordingly the offer of Notes is not subject to the obligation to publish a prospectus within the meaning of the Prospectus Directive.

**THIS OFFERING MEMORANDUM CONTAINS IMPORTANT INFORMATION WHICH YOU SHOULD READ BEFORE YOU MAKE ANY DECISION WITH RESPECT TO AN INVESTMENT IN THE NOTES.**

#### **Forward-looking statements**

This Offering Memorandum includes “forward-looking statements” within the meaning of the securities laws of certain applicable jurisdictions. Forward-looking statements are all statements other than statements of historical facts. Certain

of these forward-looking statements are identified by terminology such as “aim”, “anticipate”, “believe”, “continue”, “could”, “estimate”, “expect”, “forecast”, “intend”, “may”, “plan”, “potential”, “predict”, “projected”, “seek”, “should”, “strive” or “will” or the negative of such terms or other comparable terminology. Others can be identified from the context in which the statements are made. These forward-looking statements include all matters that are not historical facts.

Forward-looking statements appear in a number of places in this Offering Memorandum. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We believe that these risks and uncertainties include, but are not limited to, those described under “*Risk factors*”, “*Management’s discussion and analysis of financial condition and results of operations*” and “*Our business*” and includes, among others, statements relating to:

- our strategy, outlook and growth prospects, including our operational and financial targets;
- the economic outlook in general and, in particular, economic conditions affecting the market in the UK;
- the competitive environment in which we operate; and
- the expected growth of the markets in which we operate.

These forward-looking statements herein are based on a number of assumptions and/or estimates and are subject to known and unknown risks, uncertainties and other factors that may or may not occur in the future. As such, we caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, including our financial condition and liquidity and the development of the industry in which we operate, may differ materially from those expressed or implied by our forward-looking statements. Important risks, uncertainties and other factors that could cause these differences include, but are not limited to:

- changes in local, UK or European government funds, grants or subsidies;
- changes in the regulatory environment in which we operate;
- increased competition in the markets in which we operate;
- changes in UK and global economic conditions;
- the ability of our Homes customers to procure a mortgage or other form of funding;
- the performance of our financial and commercial controls;
- the difficulties and complications encountered in connection with the construction process;
- our potential liabilities in relation to health and safety incidents;
- political changes and uncertainty in the UK;
- changes to our cost base;
- the cyclical nature and seasonality of the construction industry;
- fluctuations in the price and supply of materials;
- changes within our customer base;
- deterioration in the net realisable value of our work-in-progress and land;
- the availability, cost, quality and location of land;
- the costs and potential third party challenges associated with contracts signed with public bodies;
- the viability, cost and availability of subcontractors;
- potential differences between UK GAAP and a required new framework for financial reporting;

- changes in tax law;
- the uncertainties associated with conditional land purchase contracts;
- the environmental risks associated with the ownership, leasing or occupation of land and regeneration and house building;
- current and future legal disputes;
- our ability to execute successfully our business strategy;
- our ability to secure new contracts;
- disputes with employees, trade unions or other employee bodies with which our employees or subcontractors are affiliated;
- our ability to attract, develop and retain highly-skilled, competent people at all levels;
- the ability of our risk management and internal controls preventing violations of law;
- the effects on our reputation if we are perceived as engaging in business practices that do not reflect proper corporate social responsibility;
- the impact of any acquisition or disposal of businesses or subsidiaries on our business, financial condition or operating results;
- the performance of our IT systems and data protection systems;
- the sensitivity of our working capital to changes in our turnover and offering mix;
- our exposure to risks in connection with joint ventures and other associated companies and special purpose vehicles;
- our exposure to the risk of losses on our shared equity receivables portfolio;
- our potential expansion into areas where we have limited management and delivery experience;
- financial risks, such as customer concentration and failure of counterparties;
- the cost and adequacy of our insurance coverage;
- losses caused in relation to natural disasters, terrorist attack, war, sabotage, social unrest, corruption and other unforeseen events outside our control;
- the weather and the effects of climate change;
- our ability to obtain additional surety bonds;
- our ability to meet carbon credit requirements;
- the effects of our pension liability on our cash flow, profitability, financial condition and net assets;
- risks associated with the Pensions Act 2004;
- our accounting treatment of goodwill;
- the Transactions (as defined herein);
- our indebtedness and the Notes;
- our structure; and
- other factors discussed under “*Risk factors*”.



We urge you to read the sections of this Offering Memorandum entitled “*Risk factors*”, “*Management’s discussion and analysis of financial condition and results of operations*” and “*Our business*” for a more complete discussion of the factors that could affect our future performance and the markets in which we operate. The forward-looking statements herein speak only as of the date on which the statements were made. We undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or developments or otherwise.

## Presentation of financial and other information

### Historical financial information

The Issuer and Bidco were formed on 3 June 2014 and the Company was formed on 21 May 2014. The Issuer was incorporated for the purposes of facilitating the Transactions and issuing the Notes offered hereby. It has no material assets or liabilities and has not engaged in any activities other than those related to its formation in preparation for the Transactions, including the Offering. Because of the limited historical financial information available for the Issuer, Bidco and the Company, unless otherwise indicated, the financial information presented in this Offering Memorandum is the historical consolidated financial information of Lakeside Holdco and its consolidated subsidiaries. The following table shows the Issuer's balance sheet as at 28 August 2014:

	28 August 2014
<b>Balance sheet:</b>	
<b>Current assets:</b>	
Debtors – amounts due from parent company.....	50,001
<b>Net assets</b> .....	<b>50,001</b>
<b>Capital and reserves</b> .....	
Called up share capital.....	50,001
Profit and loss account .....	—
<b>Total shareholders' funds</b> .....	<b>50,001</b>

The audited consolidated financial statements of Lakeside Holdco and notes thereto as of and for the financial years ended 31 March 2012, 2013 and 2014 included in this Offering Memorandum and the unaudited condensed consolidated interim financial statements of Lakeside Holdco as of and for the quarter ended 30 June 2014 (including comparative financial information as of and for the quarter ended 30 June 2013), have been prepared in accordance with UK GAAP. PricewaterhouseCoopers LLP audited and issued an auditor's report with respect to the audited consolidated financial statements as of and for each of the years ended 31 March 2012, 2013 and 2014. In the future, we expect to report our financial results at the level of the Company on a consolidated basis, but we may also elect to report at the level of a parent company of the Company or at the level of Lakeside Holdco.

In the financial year ended 31 March 2013, we amended the basis on which we had previously reported “work in progress” and “debtors: amounts falling due within one year” on our balance sheet to reclassify these amounts under “amounts recoverable on contracts” within “debtors: amounts falling due within one year” on our balance sheet. Accordingly, we restated these amounts for 2012 in the comparative column of our balance sheet as of 31 March 2013 to ensure consistency of presentation and uniform application of the accounting policy for each of the applicable financial year-end dates. This restatement does not impact the operating profit of the Group. The information that we present as of and for the financial year ended 31 March 2012 in this Offering Memorandum is based on the adjusted comparative figures presented in our financial statements as of and for the financial year ended 31 March 2013, included elsewhere in this Offering Memorandum.

The unaudited financial information presented in this Offering Memorandum as of and for the twelve months ended 30 June 2014 is derived by adding together the results of operations for the financial year ended 31 March 2014 and the results of operations for the quarter ended 30 June 2014 and subtracting the results of operations for the quarter ended 30 June 2013.

This Offering Memorandum also presents certain summary unaudited consolidated as adjusted financial information, adjusted to give *pro forma* effect to the Transactions, including “as adjusted total debt”, “as adjusted net debt” and “as adjusted cash interest expense”. “As adjusted total debt” and “as adjusted net debt” give *pro forma* effect to the Transactions as if they had occurred on 30 June 2014, while “as adjusted cash interest expense” gives *pro forma* effect to the Transactions as if they had occurred on 1 July 2013. The *pro forma* adjustments are based upon available information and certain assumptions that we believe are reasonable but may differ materially from actual amounts. The summary unaudited consolidated as adjusted financial data are presented herein for informational purposes only and do not purport to represent what our results of operations or other financial information actually would have been if the Transactions had occurred at any date, and such data do not purport to project the results of operations for any future period.

The financial information presented for the interim periods or prior years is not necessarily indicative of the results to be expected for the full year or any future period or our financial condition at any future date. The financial information presented herein should be read in conjunction with, and is qualified in its entirety by reference to, the consolidated financial statements of Lakeside Holdco and the accompanying notes included elsewhere in this Offering Memorandum, and should also be read together with the information set forth below in “Use of proceeds”, “Capitalisation”, “Selected

*historical consolidated financial data”, “Summary historical consolidated financial data” and “Management’s discussion and analysis of financial condition and results of operations”.*

Our consolidated financial statements are presented in British pound sterling.

#### **Non-GAAP financial measures**

We have presented in this Offering Memorandum certain non-UK GAAP financial measures and ratios, including gross profit margin, EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, CFADS, net debt, shared equity and operating cash flow that are not required by, or presented in accordance with, UK GAAP, which we use to assess the financial performance of our business. As used in this Offering Memorandum, the following terms have the following meanings:

- **“gross profit margin”** represents our gross profit divided by our turnover for the period presented.
- **“EBITDA”** represents our profit/(loss) for the applicable period before tax on profit/(loss) of ordinary activities, net interest payable, amortisation and depreciation for such period;
- **“Adjusted EBITDA”** represents our EBITDA for the applicable period as adjusted for the inclusion of shared equity provision credits from the profit and loss interest line and for the exclusion of exceptional items including exceptional trading losses, land impairment, discontinued operations, redundancy and restructuring, refinancing costs and strategy review, property impairment, other exceptional items and goodwill impairment. Such exclusions are considered by our management to be non-recurring and/or non-cash in nature and therefore not reflective of the on-going performance of our business;
- **“Adjusted EBITDA Margin”** represents our Adjusted EBITDA divided by our turnover for the applicable period;
- **“CFADS”** (or cash flow available for debt service) represents our net cash inflow from operating activities for the applicable period less net cash outflow from capital expenditure and financial investment less UK corporation tax refund/(paid) for such period;
- **“net debt”** represents total debt less cash and cash equivalents;
- **“shared equity”** refers to a long-term asset representing an equity interest in properties sold under a shared equity scheme. Under our shared equity schemes, we advance to the buyer a loan of up to 25% of the purchase price of the property being sold secured against an equity stake of equivalent value in such property. Under our accounting policy, we assume an average seven-year repayment term for our shared equity receivables. See also footnote 3(i) in *“Summary historical consolidated financial information”*; and
- **“operating cash flow”** represents our EBITDA for the applicable period plus changes in working capital balances.

We present these non-UK GAAP financial measures because we believe that they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. However, the non-UK GAAP financial measures presented herein may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools. Some of these limitations are:

- they do not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- they do not reflect the significant interest expense, or the cash requirements necessary, to service interest or principal payments on our debt;
- although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often need to be replaced in the future and the non UK GAAP measures do not reflect any cash requirements that would be required for such replacements; and
- other companies in our industry may calculate these measures differently from the way we do, limiting their usefulness as comparative measures.

These measures should not be considered in isolation or as a substitute for analysis of our operating results as reported under UK GAAP. You should exercise caution in comparing these measures as reported by us to similarly titled measures reported by other companies. Non-UK GAAP financial measures and ratios such as gross profit margin,

EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, CFADS, net debt, shared equity and operating cash flow are not measurements of our performance or liquidity under UK GAAP and should not be considered as alternatives to operating profit or profit for the year or any other performance measures derived in accordance with UK GAAP or any other generally accepted accounting principles or as alternatives to cash flow from operating, investing or financing activities.

### **Impact of the conversion from UK GAAP to IFRS**

In November 2012, the Financial Reporting Council published FRS 100, the first of three new UK GAAP standards (FRS 100—FRS 102), which sets out a new framework for financial reporting in the UK. The new framework gives certain options to qualifying entities to implement either International Financial Reporting Standards, as adopted by the EU (“IFRS”) or FRS 102, which would have the effect of replacing existing UK GAAP reporting standards with a single standard broadly based on IFRS principles.

While we currently prepare our financial statements in accordance with the requirements of UK GAAP, we will be required to comply with the new reporting framework by the financial year ended 31 March 2016. In order to implement the new standard for the financial year ended 31 March 2016, we would also need to restate the comparative period (i.e. the financial year ended 31 March 2015) presented in our financial statements for the financial year ended 31 March 2016. We currently anticipate that we will apply IFRS in preparing our consolidated financial statements and FRS 101 in accounting for our subsidiaries.

We have not included financial information prepared in accordance with IFRS in this Offering Memorandum. We have not prepared our financial statements in accordance with, nor have we reconciled our financial statements to IFRS. Therefore we are unable to quantify the impact on our reported profits, financial position or cash flows once they begin to be reported under IFRS. We have summarised below the principal differences between UK GAAP and IFRS that we expect may have a significant impact on our financial results. The list is not comprehensive and takes no account of current or future changes to IFRS.

- Goodwill: IFRS prohibits the amortisation of goodwill but requires an annual impairment review. However, under UK GAAP, goodwill must be amortised over its estimated useful life (which, under current UK GAAP, is generally 20 years); and
- Employee benefits: IFRS requires entities to accrue for all employee benefits provided to employees. This would require us to accrue for holidays earned but not taken by employees, which constitutes a change to our current accounting practice under UK GAAP.

IFRS is generally more restrictive and comprehensive than UK GAAP regarding the recognition and measurement of transactions, account classification and disclosure requirements. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions and events are presented in the financial statements or the notes thereto. As there are significant differences between UK GAAP and IFRS, there may be substantial differences in our results of operations, cash flows and financial condition if we were to prepare our financial statements in accordance with IFRS.

You should consult your own professional advisors for an understanding of the differences between UK GAAP and IFRS, and between UK GAAP, IFRS and US GAAP, and how those differences could affect the financial information contained in this Offering Memorandum. In making an investment decision, you should rely upon your own examination of the terms of the Offering and the financial information contained in this Offering Memorandum.

### **Impact of the Acquisition on our results of operation and EBITDA**

The Acquisition, which will give rise to a change of control for UK GAAP accounting purposes, will be accounted for using the acquisition method of accounting. Under UK GAAP, the cost of an acquisition is measured as the fair value of the assets transferred, liabilities incurred and the equity interests issued by the acquirer, including the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the acquirer’s share of the identifiable net assets acquired is recorded as goodwill. Given that the Acquisition has not been consummated, we have not identified the fair value of assets acquired and liabilities to be assumed at the Completion Date. In accordance with UK GAAP, we have until the end of the first full financial year following the Acquisition to confirm the fair values and finalise the allocation of the Acquisition consideration.

If we were to convert to IFRS reporting standards for the financial year ended 31 March 2015, following completion of the Acquisition, under IFRS we would be required to determine the fair value of all assets and liabilities of the Group. The application of the relevant IFRS standard (IFRS 3) on business combinations may also have a significant impact on our EBITDA and profit before tax following completion of the Acquisition. For instance, under IFRS 3, we would be required to reflect profit earned on work to date in the fair value of land and building work in progress, which would have the impact of reducing our EBITDA following completion of the Acquisition. Moreover, the Acquisition is expected to result in the recognition of certain new intangible assets on the balance sheet, reflecting the value of the Group's order book, customer relationships and other contractual rights such as plot security. These assets will need to be amortised over an appropriate period, which we expect will impact reported profit before tax. If we were to convert to IFRS reporting standards for the financial year ended 31 March 2016, these changes would impact our reporting for the financial year ended 31 March 2016 and we would also be required to restate our comparative results of operations for the prior financial year to present them on a basis consistent with our results for the financial year ended 31 March 2016.

## Operational measures

We present in this Offering Memorandum certain operational measures for our Regeneration and Homes divisions, which we discuss below in greater detail.

### *Total Secured Business, Total Underpinnings and Total Identified Opportunities*

We use the measurements Total Secured Business, Total Underpinnings and Total Identified Opportunities (each as defined below) to assist us in keeping track of the opportunities for our Regeneration business, as well as to provide some degree of visibility with respect to expected turnover and potential revenue streams in Regeneration for future periods.

We calculate our “**Total Secured Business**” as the sum of:

- our “**Order Book**”, which consists of confirmed expenditure within the Group by virtue of a client order or via a client letter of intent or letter of award, including instances where work has commenced, is nearing completion or has had a final account agreed and billed; and
- our “**Operations Pipeline**”, which consists of contracts that have been verbally awarded or which are awaiting an official order, including long-term partnership schemes with committed spend that have not yet been formally awarded, but which have been identified and which we expect will result in work being awarded to us.

We calculate our “**Total Underpinnings**” as the sum of:

- our Total Secured Business; and
- our “**Factored Identified Opportunities**”, which consist of identified potential turnover opportunities that are leads, PQQs or tenders that we have assessed as having a 50% or higher probability of success.

We calculate our “**Total Identified Opportunities**” as the sum of:

- our Total Underpinnings; and
- our “**Unfactored Identified Opportunities**”, which consist of identified potential turnover opportunities that are leads, PQQs or tenders that we have assessed as having a less than 50% probability of success.

We estimate the value of our Total Secured Business, Total Underpinnings and/or Total Identified Opportunities as follows:

- to value our Order Book, we count the full value of each contract associated with the relevant work;
- to value our Operations Pipeline, we count the full value of each contract associated with the relevant opportunity multiplied (or “factored”) by the estimated probability of success (measured in increments of 10%) that we have assigned such potential opportunity (based on the likelihood of work we believe will actually materialise from such opportunity and generate turnover). For example, a £10 million contractual opportunity to which we have assigned a 90% estimated probability of success would result in a value of £9 million being attributed to that potential opportunity;
- to value our Factored Identified Opportunities, we count (i) for any potential opportunity with a success probability in our estimate of 50% or more but less than 60%, 50% of the value of such potential opportunity and (ii) for

potential opportunities with a success probability in our estimate of 60% or more, the full value of such potential opportunity; and

- to value our Unfactored Identified Opportunities, we count the full value of the contracts associated with these opportunities.

When valuing Total Secured Business, Total Underpinnings and/or Total Identified Opportunities, including assessing the likelihood of work actually materialising from each potential opportunity, we make a number of judgments, estimates and assumptions. Such judgments, estimates, assumptions and other factors are inherently uncertain and subject to significant business, economic, competitive, regulatory, weather-related and other uncertainties and contingencies, all of which are difficult to predict and many of which are beyond our control. These factors include, but are not limited to:

- the level of competition we face within the applicable market;
- our experience operating within that market;
- our historical success rates in bidding for and winning work;
- our bidding capacity;
- the specific requirements of each potential project;
- the level of knowledge we otherwise have regarding the relevant potential opportunity;
- our level of familiarity and relationship with each potential customer;
- the turnover we believe will be realised from any contracts;
- the likelihood that our counterparties will comply with their contractual obligations; and
- the ability and willingness of our customers to fulfil their non- contractual, verbal commitments.

There can be no assurance that the estimates and assumptions we make with respect to our probability of success or otherwise will prove to be correct or that we will fully realise the potential value of the contracts and opportunities within our Total Secured Business, Total Underpinnings and/or Total Identified Opportunities. In particular, any turnover presented herein and attributable to our Operations Pipeline, Factored Identified Opportunities or Unfactored Identified Opportunities is not assured due to the fact that we do not have signed contracts or firm client orders in respect of such potential opportunities. Until work has been formally awarded or commenced on site, we may decide not to proceed with a bid due, for example, to changes in market conditions or unfavourable building requirements. We may also prove to be unsuccessful in bidding for and winning a particular contract for reasons outside our control. Additionally, from time to time, our customers may experience significant delays with respect to the commencement of a Regeneration project, or may even abandon a project altogether, due to unforeseen circumstances. Furthermore, in this Offering Memorandum we do not provide a precise indication of the time period over which we are contractually entitled to receive payments under the contracts included within our estimates of Total Secured Business, Total Underpinnings and/or Total Identified Opportunities. For these reasons, we can give no assurances and provide no guarantee that such payments will actually be received by us in the future or that the turnover presented herein and attributable to our Total Secured Business, Total Underpinnings and/or Total Identified Opportunities will in fact be recognized in the time frames anticipated by us, or at all. See also “*Forward-looking statements*”.

We frequently re-evaluate the likelihood of the potential opportunities within our Total Secured Business, Total Underpinnings and/or Total Identified Opportunities materialising, which are therefore subject to change on an ongoing basis. In addition, other than in relation to our Order Book, the actual value of any particular contractual opportunity which may eventually materialise and the value we assign such opportunity for purposes of including it within our Total Secured Business, Total Underpinnings and/or Total Identified Opportunities will differ according to our assessment of the likelihood of such opportunity materialising, and such differences may be material.

You are strongly cautioned that the way in which we calculate and present our Total Secured Business, Total Underpinnings and/or Total Identified Opportunities herein is not a historical indication of actual realised turnover, nor is it in any way intended to be indicative of our turnover for future periods. You should also exercise caution in comparing Total Secured Business, Total Underpinnings and/or Total Identified Opportunities as calculated by us and presented herein to similarly titled measures reported by other companies, since those other companies may calculate such measures differently than we do. See also “*Risk factors—Risks relating to our business—We are impacted by changes*”.

*within our customer base and our Total Secured Business, Total Underpinnings and/or Total Identified Opportunities are not necessarily indicative of our future performance”.*

***Completions, Average Selling Price and Open Market Sales***

We use the measurement of “Completions”, “Average Selling Price” and “Open Market Sales” (each as defined below) as key performance indicators for our Homes business.

- “**Completions**” represent the number of new build homes that we have sold over the applicable period.
- “**Average Selling Price**” represents the average selling price of our new build homes during the applicable period, calculated as the turnover of our Homes division (being the fair value of the consideration received (or to be received) in respect of Completions) during the relevant period, divided by the number of Completions during such period, and rounded to the nearest thousand.
- “**Open Market Sales**” represent the number of new build homes we sold in the private housing market for the applicable period.

Our operational measures as an indicator of our performance for prior years or interim periods are not necessarily reflective of the performance to be expected for the full-year or any future period.

## Rounding

Certain numerical figures set out in this Offering Memorandum, including financial data presented in millions or thousands and percentages describing market shares, have been subject to rounding adjustments and, as a result, the totals of the data in this Offering Memorandum may vary slightly from the actual arithmetic totals of such information. Percentages and amounts reflecting changes over time periods relating to financial and other data set forth in “*Management’s discussion and analysis of financial condition and results of operations*” are calculated using the numerical data in our consolidated financial statements or the tabular presentation of other data (subject to rounding) contained in this Offering Memorandum, as applicable, and not using the numerical data in the narrative description thereof.

## Currency presentation and definitions

In this Offering Memorandum, all references to “**British pound sterling**”, “**sterling**” and “**£**” are to the lawful currency of the UK, and all references to “**U.S. dollars**”, “**US\$**” and “**\$**” are to the lawful currency of the United States of America. We publish our financial statements in British pound sterling.

The following tables set forth, the high, low, average and period end Bloomberg Generic Rate expressed in U.S. dollars per £1.00. The Bloomberg Generic Rate is a “best market” calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Generic Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate.

Year		High	Low	Average rate	Period end
U.S. dollar per British pound sterling					
2009 .....		1.6989	1.3753	1.5670	1.6170
2010 .....		1.6362	1.4334	1.5458	1.5612
2011 .....		1.6707	1.5343	1.6041	1.5543
2012 .....		1.6279	1.5318	1.5852	1.6255
2013 .....		1.6557	1.4867	1.5649	1.6557
2014 (through 16 October 2014).....		1.7166	1.5904	1.6659	1.6087

The average rate for a year means the average of the Bloomberg Generic Rates on the last day of each month during a year.

Month		High	Low	Average rate	Period end
U.S. dollar per British pound sterling					
April 2014.....		1.6873	1.6575	1.6748	1.6873
May 2014.....		1.6975	1.6711	1.6841	1.6755
June 2014.....		1.7106	1.6737	1.6917	1.7106
July 2014.....		1.7166	1.6886	1.7075	1.6886
August 2014.....		1.6886	1.6540	1.6698	1.6598
September 2014 .....		1.6470	1.6104	1.6291	1.6213
October 2014 (through 16 October 2014).....		1.6186	1.5904	1.6079	1.6087

The average rate for a month, or for any shorter period, means the average of the daily Bloomberg Generic Rates during that month, or shorter period, as the case may be.

The Bloomberg Generic Rate of the British pound sterling on 16 October 2014 was \$1.6087 = £1.00.

The rates above may differ from the actual rates used in the preparation of our combined and consolidated historical financial information and other financial information appearing in this Offering Memorandum. Our inclusion of the exchange rates is not meant to suggest that the British pound sterling amounts actually represent such U.S. dollar amounts or that such amounts could have been converted into British pound sterling, at any particular rate, if at all.



## **Presentation of industry and market data**

In this Offering Memorandum, we rely on and refer to information regarding our business and the markets in which we operate and compete. The market data and certain economic and industry data and forecasts used in this Offering Memorandum were obtained from internal surveys, market research, governmental and other publicly available information, independent industry publications and reports prepared by industry consultants. In particular, we commissioned OC&C Strategy Consultants (“OC&C”) to prepare a commercial vendor due diligence report for the purposes of the Acquisition. Other external sources include BE Built Environment Marketing, Institute for Public Policy Research and smartnewhomes.co.uk. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information and/or the underlying data on which such publications, surveys and forecasts are based is not guaranteed. We have not independently verified these industry publications, surveys and forecasts and cannot guarantee their accuracy or completeness. While we accept responsibility for accurately summarising the information from these external sources, and as far as we are aware and able to ascertain, no facts have been omitted which would render this information inaccurate or misleading, we or such external sources accept no further responsibility in respect of such information.

Certain information in this Offering Memorandum, including, statements regarding the economy, the Regeneration and Homes industries, the position of Lakeside Holdco in these industries, the market share of Lakeside Holdco and the market shares of various industry participants are based on our internal estimates and analyses and based in part on third party sources.

We cannot assure you that our estimates or any of the assumptions underlying our estimates are accurate or correctly reflect our position in the industry. None of our internal surveys or information has been verified by any independent sources. Neither we nor the Initial Purchasers make any representation or warranty as to the accuracy or completeness of this information. All of the information set forth in this Offering Memorandum relating to the operations, financial results or market share of our competitors has been obtained from publicly available information or independent research. Neither we nor the Initial Purchasers have independently verified this information and cannot guarantee its accuracy.

Some of the industry data and operational measures included in this Offering Memorandum are derived from management estimates, are not part of our financial statements or financial accounting records and have not been audited or otherwise reviewed by outside auditors, consultants or experts. Our use or computation of such measures may not be comparable to the use or computation of similarly titled measures reported by other companies in the Regeneration and Homes industries. The non-UK GAAP measures used in this Offering Memorandum should not be considered in isolation or as an alternative measure of performance under UK GAAP. See “*Presentation of financial and other information—Non GAAP financial measures*”.

## **Trademarks**

We own or have rights to use (in the European Union and various other jurisdictions) the trademarks, service marks and trade names that we use in conjunction with the operation of our business.

## Defined terms

In this Offering Memorandum, the following words and expressions have the following meanings, unless the context otherwise requires or unless otherwise so defined. In particular, capitalised terms set forth and used in the sections entitled “*Description of other indebtedness—Intercreditor Agreement*” and “*Description of the Notes*” may have different meanings from the meanings given to such terms and used elsewhere in this Offering Memorandum. We specifically draw your attention to “*Description of other indebtedness—Intercreditor Agreement—General*”. Certain other terms are explained in the section headed “*Glossary of technical terms*”.

- “**2012 Merger**” refers to our acquisition of the Apollo Property Services Group (“**Apollo**”), which was completed on 23 March 2012;
- “**Acquisition**” has the meaning ascribed to it under “*Summary—The Transactions—The Acquisition Agreement*”;
- “**Acquisition Agreement**” refers to the agreement for the sale and purchase of the entire issued share capital of Lakeside Holdco dated 9 September 2014 between Bidco, Uberior Equity Limited and the other Sellers (as defined therein);
- “**Acquisition Longstop Date**” refers to 21 November 2014, as such date may be rescheduled from time to time in accordance with the Acquisition Agreement;
- “**Additional Notes**” refer to the “Additional Notes” as defined in “*Description of the Notes*”;
- “**Agreed Security Principles**” refer to the “Agreed Security Principles” set out in an annex to the Indenture as in effect on the Issue Date, as applied reasonably and in good faith by the Issuer;
- “**Bidco**” refers to Keystone Bidco Limited;
- “**Collateral**” refers to the security interests securing the obligations of the Issuer and the Guarantors under the Notes, the Note Guarantees and the Revolving Credit Facility. See “*Description of the Notes—Security—The Collateral*”;
- “**Company**” refers to Keystone Midco Limited;
- “**Completion Date**” refers to the date of consummation of the Acquisition, estimated to be sometime at the end of November;
- “**Consortium Arrangements**” refers to certain consortium arrangements agreed between an affiliate of TDR Capital and affiliates of Sun Capital relating to the investment in their investment vehicle Keystone JVCo Limited;
- “**Escrow Account**” refers to the escrow account into which the gross proceeds from the Offering (less certain deductions in respect of fees and expenses associated with the Transactions) will be deposited on the Issue Date pending consummation of the Acquisition;
- “**Escrow Agent**” refers to Elavon Financial Services Limited, UK Branch;
- “**Escrow Agreement**” refers to the agreement to be dated the Issue Date between the Issuer, the Trustee and the Escrow Agent relating to the Escrow Account;
- “**Escrow Longstop Date**” refers to 1 December 2014;
- “**EU**” refers to the European Union;
- “**Euroclear**” refers to Euroclear Bank SA/NV;
- “**Equity Contribution**” has the meaning ascribed to it under “*Summary—The Transactions—The Financing*”;
- “**Exchange Act**” refers to the U.S. Securities Exchange Act of 1934, as amended;
- “**Existing Mezzanine Facility**” refers to the £65 million mezzanine facility made available pursuant to the Existing Mezzanine Facility Agreement;

- “**Existing Mezzanine Facility Agreement**” refers to the mezzanine facility agreement between K&A Merger Limited, as parent, Castle 1 Limited, as borrower, the Original Guarantors (as defined therein) and Bank of Scotland PLC, as mezzanine arranger, original mezzanine lender, mezzanine facility agent and security agent, dated 16 August 2007, as amended from time to time, including on 23 October 2012 and 20 December 2013;
- “**Existing Revolving Credit Facility**” refers to the £125 million existing revolving credit facility, which is part of the Existing Senior Facilities Agreement;
- “**Existing Senior Facilities**” refer to the £235 million senior loan facilities made available pursuant to the Existing Senior Facilities Agreement;
- “**Existing Senior Facilities Agreement**” refers to the senior facilities agreement between K&A Merger Limited, as parent, the Original Borrowers (as defined therein), the Original Guarantors (as defined therein) and Bank of Scotland PLC, as arranger, original lender, original hedge counterparty, facility agent, security agent and issuing bank, dated 16 August 2007, as amended from time to time, including on 23 March 2012, 29 June 2012, 27 July 2012, 23 October 2012 and 20 December 2013, relating to certain term loan facilities (the “**Existing Facility A Loan**”, the “**Existing Tranche B1 Loan**”, and the “**Existing Tranche B2 Loan**”, respectively) and the Existing Revolving Credit Facility;
- “**Financing**” has the meaning ascribed to it under “*Summary—The Transactions—The Financing*”;
- “**Group**”, “**we**”, “**us**”, and “**our**” refers to Lakeside Holdco and its consolidated subsidiaries prior to the completion of the Acquisition and the Company and its consolidated subsidiaries following completion of the Acquisition;
- “**Guarantors**” refers to the Company, Bidco, Lakeside Holdco and the Subsidiary Guarantors, each guaranteeing the obligations of the Issuer under the Notes;
- “**Indenture**” refers to the indenture governing the Notes to be dated on the Issue Date by and among, among others, the Issuer, the Guarantors and the Trustee;
- “**Initial Purchasers**” refers to J.P. Morgan Securities plc, Lloyds Bank plc and RBC Europe Limited;
- “**Intercreditor Agreement**” refers to the Intercreditor Agreement, dated 9 September 2014, between, among others, the Company, Bidco, the Issuer, Lloyds Bank plc as agent under the Revolving Credit Facility Agreement, the Trustee on behalf of the holders of the Notes (which will accede to the Intercreditor Agreement on the Issue Date) and U.S. Bank Trustees Limited as security agent;
- “**Investment Agreement**” refers to the investment agreement dated 9 September 2014, by and between Keystone Topco Limited, the Company, Bidco, Keystone JVCo Limited and certain members of the management of Lakeside Holdco relating to an investment in the Company;
- “**Issue Date**” refers to 3 October 2014, the date of original issuance of the Notes;
- “**Issuer**” refers to Keystone Financing PLC as issuer of the Notes;
- “**Keepmoat**” or “**Lakeside Holdco**” means Lakeside 1 Limited, a company organised under the laws of England and Wales;
- “**KPS**” refers to Keepmoat Property Services;
- “**Notes**” refers to the £263 million aggregate principal amount of 9.500% senior secured notes due 2019 offered hereby;
- “**Note Guarantees**” refers to the senior secured guarantees of the Notes to be provided by the Guarantors pursuant to the Indenture;
- “**Offering**” refers to the offering of the Notes pursuant to this Offering Memorandum;
- “**Proceeds Loan**” refers to one or more loans to be extended under the Proceeds Loan Agreement;
- “**Proceeds Loan Agreement**” refers to one or more agreements to be entered into between the Issuer, as lender, and K&A Merger Limited, as borrower, pursuant to which the Issuer will loan the gross proceeds of the Offering (less

certain deductions in respect of fees and expenses associated with the Transactions) to K&A Merger Limited, which proceeds are to be used as described under “*Use of proceeds*”;

- “**Revolving Credit Facility**” refers to the new £75 million super senior revolving credit facility made available pursuant to the Revolving Credit Facility Agreement;
- “**Revolving Credit Facility Agreement**” refers to the revolving credit facility agreement governing a new £75 million super senior revolving credit facility dated 9 September 2014 between, among others, the Company, Bidco, the Issuer, the lenders party thereto, Lloyds Bank plc as agent and U.S. Bank Trustees Limited as security agent;
- “**SEC**” refers to the U.S. Securities and Exchange Commission;
- “**Securities Act**” refers to the U.S. Securities Act of 1933, as amended;
- “**Security Documents**” refers to the agreements creating security interests over the Collateral as described under “*Description of the Notes—Security—The Collateral*”;
- “**Subsidiary Guarantors**” refers to Apollo Holdco Limited, Apollo Support Services Group Limited, Castle 1 Limited, Conquest Bidco Limited, K&A Merger Limited, Keepmoat Homes Limited, Keepmoat in Partnership Limited, Keepmoat Limited, Keepmoat Property Limited, Keepmoat Property Services Limited, Keepmoat Regeneration (Apollo) Limited, Keepmoat Regeneration (Bramall) Limited, Keepmoat Regeneration (FHM) Limited, Keepmoat Regeneration Holdings Limited, Keepmoat Regeneration Limited and Toucan Holdings Limited;
- “**Sun Capital**” refers to Sun Capital Partners Limited and certain other entities and persons, as described in the “*Description of the Notes*”, that will be our indirect majority shareholder along with TDR Capital following the Acquisition, or, when the context otherwise requires or as otherwise indicated, Sun Capital Partners Limited or such entities or persons in their own right;
- “**TDR Capital**” refers to investment funds or limited partnerships managed or advised by TDR Capital LLP that will be our indirect majority shareholder along with Sun Capital following the Acquisition, or, when the context otherwise requires or as otherwise indicated, TDR Capital LLP in its own right;
- “**Transactions**” refers to the Acquisition and the Financing (including this Offering), as further described in “*Summary—The Transactions*”;
- “**Trustee**” refers to U.S. Bank Trustees Limited, which is expected to serve as Trustee under the Indenture;
- “**UK**” refers to the United Kingdom; and
- “**UK GAAP**” and “**GAAP**” refers to United Kingdom Generally Accepted Accounting Practice.

In addition to the terms defined above, this Offering Memorandum also contains a glossary of certain technical terms relating to our business and industry set forth under “*Glossary of technical terms*”.

## Summary

*This summary highlights certain information about us and the Offering described elsewhere in this Offering Memorandum. This summary is not complete and does not contain all the information you should consider before investing in the Notes. The summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information included elsewhere in this Offering Memorandum, including the consolidated financial statements (and related notes). You should read carefully the entire Offering Memorandum to understand our business, the nature and terms of the Notes and the tax and other considerations which are important to your decision to invest in the Notes, including, without limitation, the risks discussed under the caption “Risk factors”.*

### Overview

We are a leading provider of community regeneration services and housing. Our Regeneration division delivers bespoke refurbishment, maintenance and construction solutions to providers of social housing in the UK. Our Regeneration customers include Local Authorities, Housing Associations and other Registered Providers of social housing. Our Homes division is a leading developer of high-quality lower price quartile homes in the UK, focused on first-time and lower-income buyers.

Our Regeneration and Homes divisions benefit from the strong, long term relationships that we have developed with Local Authorities, Housing Associations and other Registered Providers as an integral part of our business. In Regeneration, our model allows us to work with these organisations to access large, multi-service contracts that provide long- term contract visibility and a strong pipeline of work. For Homes, our partnership model allows us to work with land owners, typically Local Authorities, from the early stages of a development project, such as identification of land opportunities and assessment of project viability, thereby minimising development risks and allowing us to operate a capital-light business model relative to traditional housebuilders that generates strong cash conversion.

We believe the complementary working capital models of our Regeneration and Homes divisions enhances our ability to deliver strong cash generation for our group. In Regeneration, clients predominantly pay us earlier than we pay our supply chain which generates cash that, in turn, supports the required investment in land and build WIP in our Homes division. In addition, the working capital requirement of our Homes division is lower than some large listed traditional house builders due to our partnership-led control of the land bank and the ability under several of our partnership agreements to defer payments until plot completions.

We believe these operational and financial synergies between our Regeneration and Homes divisions enable us to deliver strong cash generation and have led to profit growth. Our sales grew by 5.0%, from £886.5 million in the financial year ended 31 March 2013 to £930.6 million in the financial year ended 31 March 2014 and our Adjusted EBITDA grew by 15.0%, from £51.9 million in the financial year ended 31 March 2013 to £59.7 million in the financial year ended 31 March 2014.

The following table sets forth our total turnover and gross profit for the periods indicated:

	Financial year ended						Last twelve months ended	
(in £ million, except percentages)	31 March 2012		31 March 2013		31 March 2014		30 June 2014	
Turnover								
Regeneration.....	517.4	76.5%	729.2	82.3%	720.8	77.5%	740.4	77.1%
Homes.....	158.7	23.5%	157.3	17.7%	209.8	22.5%	219.9	22.9%
Total.....	676.1	100.0%	886.5	100.0%	930.6	100.0%	960.3	100.0%

	Financial year ended		Last twelve months ended	
(in £ million, except percentages)	31 March 2014		30 June 2014	
<b>Gross profit</b>				
Regeneration.....	78.5	71.4%	80.0	70.5%
Homes.....	31.4	28.6%	33.4	29.5%
<b>Total.....</b>	<b>109.9</b>	<b>100.0%</b>	<b>113.4</b>	<b>100.0%</b>

### Regeneration

Our Regeneration division is a national leader delivering refurbishment and maintenance of social housing stock, bespoke Regeneration schemes, PPP projects and construction for Local Authorities, Housing Associations and other Registered Providers. We believe our long-term client relationships are central to our business model, and we estimate that the average length of our relationships with each of our top ten clients (by turnover for the year ended 31 March 2014) was approximately 11 years as at 31 March 2014. See “—Business operations—Homes division—Partner relationships and land bank”.

Our prominence as a national supplier to our clients gives us good visibility of upcoming projects, which we believe is reflected by our Total Identified Opportunities. As of 31 March 2014, our estimated Total Secured Business, Total Underpinnings and Total Identified Opportunities represented £1.3 billion, £2.0 billion and £6.9 billion in potential turnover, respectively. When valuing Total Secured Business, Total Underpinnings and Total Identified Opportunities, we make a number of judgments, estimates and assumptions based on many factors which are inherently uncertain and subject to significant uncertainties and contingencies, all of which are difficult to predict and many of which are beyond our control. There can be no assurance that the estimates and assumptions we make with respect to our probability of success or otherwise will prove to be correct or that we will fully realise the potential value of the contracts and opportunities within our Total Secured Business, Total Underpinnings or Total Identified Opportunities. For a discussion of how we calculate our Total Secured Business, Total Underpinnings and Total Identified Opportunities and its constituent parts and the various limitations associated with such measures, see “Presentation of financial and other information—Operational measures—Total Secured Business, Total Underpinnings and Total Identified Opportunities”. We believe the scale and breadth of our combined capabilities allow us to bid competitively on large, complex projects, which are only available to the industry’s largest players, and provide us with significant procurement advantages over our smaller peers in a highly fragmented market.

Our Regeneration division comprises six key services offerings:

**Refurbishment and Planned Maintenance** of occupied buildings, social housing and private housing, libraries, community centres and health and emergency services facilities on a regular or cyclical basis. These services, for example, include the replacement of boilers, roofs, windows, bathrooms and kitchens. We estimate that turnover from these services accounted for approximately 67% of our Regeneration division’s turnover in the financial year ended 31 March 2014.

**New Build Housing** construction of social housing for rent under contracts with Local Authorities, Housing Associations and other Registered Providers, which is distinct from our Homes division. We estimate that turnover from these services accounted for approximately 10% of our Regeneration division’s turnover in the financial year ended 31 March 2014.

**Responsive Maintenance** through multi-year contracts with Local Authorities, Housing Associations and other Registered Providers that provide 24-hour call out for plumbing, heating, joinery, electrical services and general repairs to social housing residents, delivered mainly by the KPS division. We estimate that turnover from these services accounted for approximately 6% of our Regeneration division’s turnover in the financial year ended 31 March 2014.

**Extra Care** through construction or refurbishment of housing specifically designed for elderly or disabled residents, under contract. We estimate that turnover from these services accounted for approximately 6% of our Regeneration division’s turnover in the financial year ended 31 March 2014.

**Education** through construction and refurbishment of schools and educational facilities. We estimate that turnover from these services accounted for approximately 6% of our Regeneration division's turnover in the financial year ended 31 March 2014.

**Sustainability** through the provision of energy efficient measures, such as boilers, roof and wall insulation and the installation of energy-efficient windows, often as part of wider refurbishment schemes. We estimate that turnover from these services accounted for approximately 6% of our Regeneration division's turnover in the financial year ended 31 March 2014.

#### FY14 turnover split by value stream £720.8 million

[GRAPHIC]

We believe our Regeneration division is geographically well-balanced across the UK. The following table sets forth our turnover by geography for the years indicated:

(£ million, except percentages)	Financial year ended 31 March			
	2013		2014	
Regeneration turnover by geography				
Northern England.....	199.0	27.3%	194.3	27.0%
London.....	155.3	21.3%	168.6	23.4%
Southern England.....	179.4	24.6%	149.8	20.7%
Central England .....	163.9	22.5%	160.5	22.3%
KPS.....	31.6	4.3%	43.1	6.0%
Divisional Head office.....	—	—	4.5	0.6%
Regeneration Total.....	729.2	100.0%	720.8	100.0%

#### Homes

Our Homes division primarily builds high-quality lower price quartile homes targeted to first-time and lower-income buyers. Our homes are typically standard in design, with two or three bedrooms. In the financial year ended 31 March 2014, sales grew by 23% to 1,853 Completions for an Average Selling Price of £113,000, of which 75.9%, or 1,406 Completions, were to private individuals and 24.1%, or 447 sales, were to Registered Providers. We occupy a position in the UK market between traditional, more speculative, developers and those who build under contracts and therefore do not sell homes in the open market. We believe that this position, combined with our focus on the lower price quartile of the market and our capital-light model, differentiates us from the competition.

Our Homes division has historically served four main geographies in the UK: Yorkshire, the Midlands, North East England and North West England. We have begun to expand into Southern England to capitalise on the significant undersupply of homes and to source land through the strength of legacy Apollo relationships with Local Authorities in that region. Since May 2014, we have begun to take reservations for homes and have exchanged contracts with clients in Southern England. We are also currently in the development stages for a sixth region, Scotland, where we have resources in place with a view to commencing operations when appropriate sites are ready for development.

The geographical distribution of our Homes turnover is set forth in the following table for the years indicated:

(£ million, except percentages)	Financial year ended 31 March					
	2012		2013		2014	
Homes turnover by geography						
Yorkshire .....	50.4	31.8%	36.3	23.1%	60.5	28.8%
Midlands .....	41.4	26.1%	47.6	30.2%	63.5	30.3%
North East England.....	38.6	24.3%	42.3	26.9%	46.4	22.1%
North West England .....	28.3	17.8%	31.1	19.8%	39.4	18.8%
Total.....	158.7	100.0%	157.3	100.0%	209.8	100.0%

#### Our competitive strengths

Our business benefits from a number of strengths, including:

### ***Leading positions in Regeneration and Homes markets, which are supported by strong underlying core drivers***

We are a leading national provider of community regeneration services in the UK. We are the national leader in Regeneration, with the largest share, approximately 16%, of framework contracts as of February 2014 according to BE Built Environment Marketing's Public Sector Framework Database. Similarly, according to the OC&C Report, our Homes business is the nation's fifth largest house builder by volume of active developments in the lower quartile pricing bracket of the house building market as of February 2014. We have a much tighter focus than large scale listed house builders on our target market of lower price quartile homes, the buyers of which predominantly consist of first-time and lower-income buyers. The strength of our market position is illustrated by our turnover growing by 5.0%, from £886.5 million to £930.6 million, and Adjusted EBITDA growing by 15.0%, from £51.9 million to £59.7 million, between the financial years ended 31 March 2013 and 2014, respectively.

We occupy a leading position in our addressable Regeneration market, which had an estimated expenditure of approximately £14.5 billion (including one-off funding streams) in the calendar year ended 31 December 2013, and have since continued to grow. Overall, core Regeneration funding (excluding exceptional one-off funding streams such as the Decent Homes and Building Schools for the Future programmes) has remained stable. We believe there is a positive outlook for growth within the Homes market. Both divisions are supported by strong underlying core drivers within their respective markets. In Regeneration, for example, Registered Providers are subject to statutory requirements regarding the quality of homes they provide and therefore must in practice allocate a certain portion of rental and other income to repair and maintenance expenditure, notwithstanding the expected reduction or termination of Decent Homes funding. See "*Industry—Regeneration UK funding schemes—Refurbishment and maintenance*" and "*Regulation—Regeneration UK funding schemes—Refurbishment and maintenance*". This means that although demand from one-off refurbishment projects may vary or be seasonal, there is an underlying requirement for our clients to continue to invest in refurbishing and replenishing their social housing stock in order to maintain the quality of housing they provide, which in turn provides repeat RMI turnover that is independent of central government funding policies. A variety of government schemes also benefit other segments within our Regeneration business, such as sustainability (Green Deal and ECO), social housing (Affordable Homes Programme) and education (Basic Need and Targeted Basic Need). See "*Industry—Regeneration UK funding schemes—Sustainability*". In Homes, there has historically been an undersupply of housing in the UK, including significant declines in the supply of new lower price quartile housing, our target market, from 2006 to 2009, and only modest growth in volumes of such housing since, according to the OC&C Report. Therefore, we believe we are well-positioned to continue to benefit from leading positions in markets that enjoy a stable long-term cost base and benefit from underlying long term demand.

We believe our integrated business model allows us to leverage the customer and operational synergies of Regeneration and Homes. Homes leverages our Regeneration's strong, long-term relationships with Local Authorities to source land, and this will be especially valuable as we look to expand the Homes business in areas where it has less historical prominence, such as in Southern England. Operationally, our integrated model allows us to identify and secure a greater number of development sites and provide an innovative combination of solutions for our clients under one agreement. For example, we are able to provide bespoke, mixed developments with multi-service offerings by combining homes for open market sale with new build social housing and/or extra care facilities. This benefits our land-rich clients by allowing them to develop these sites with limited capital investment and offers solutions for complex brownfield sites and locations less favoured by typical house builders.

### ***We are a leader in UK social housing regeneration driven by national scale and wide-ranging capabilities, with leading and well established market shares in our core regions.***

Our national footprint and diverse service offerings across five core regions in the UK are key competitive strengths of our Regeneration business. The scale of our operations following the 2012 Merger, along with the centralisation of key functions, such as procurement, has enabled us to derive significant cost savings. For example, we had realised £12.0 million of synergy savings (calculated on an annualised basis) since the 2012 Merger, which have been reinvested in other areas of the business for future growth. We believe these cost advantages, combined with our scale and breadth of capabilities (including expertise in creating innovative projects and funding solutions) enable us to bid competitively for large, complex projects that are not logistically feasible for smaller competitors. Recent contract successes with large projects such as the Leeds PFI, which we, as part of our Total Secured Business calculation as at 31 March 2014, estimate represents approximately £200 million in total turnover (of which £17.8 million was generated in the financial year ended 31 March 2014), and the Pendleton regeneration scheme, which we, as part of our calculation of Total Secured Business, estimate represents approximately £79 million in total turnover (of which £5.8 million was generated in the financial year ended 31 March 2014), illustrate our scale and provide increased visibility on our medium-term turnover forecasts. See "*Presentation of financial and other information—Operational measures—Total Identified Opportunities*."

We have built a strong reputation and an established track record across the UK through our core Refurbishment and Planned Maintenance services. Consequently, we believe that we have created a strong level of trust with our clients, and



this provides us with a base to expand our higher-margin offerings such as Responsive Maintenance, Sustainability, Extra Care and New Build Housing. For example, we believe Responsive Maintenance is a natural strategic fit with Refurbishment, as clients look to maintain the standard of their newly refurbished housing. Therefore, we believe having successfully refurbished our clients' housing stock in the past will give us a platform to provide such additional maintenance services to our customers. The Leeds PFI Regeneration project, for example, focuses on refurbishment and New Build Housing but also includes a twenty-year Responsive Maintenance contract.

We believe our leading national positions reflect several of our key competitive differentiators. Our long-standing relationships with Local Authorities and Housing Associations are difficult to replicate because they are built upon a proven track record of successful project delivery over a number of years, both with our clients and with the end-user residents we serve. Likewise, our smaller competitors cannot easily replicate our holistic service offering, national scale and ability to develop complex, alternative funding structures for our clients. Further, both our Regeneration and Homes divisions work with local communities and have a positive impact on the areas within which we operate, which we believe is a key differentiator for our business.

***Capital-light and lower-risk Homes business model complemented by strong operational controls.***

Our proven track record of delivering high quality, lower price point homes on brownfield sites as well as our strong relationships with Local Authorities and Housing Associations has enabled us to operate a capital-light, lower risk business model relative to other housebuilders that is difficult to replicate. We believe this partnership model differentiates us from traditional and contracted developers and creates advantages both for our partners and for us. Our partners benefit from our planning and technical expertise, which helps secure planning permission to develop brownfield sites, and our financial experience can provide them with access to innovative funding solutions. We benefit from the ability to access attractive development sites with lower land and development risk than traditional house building model.

Where possible, we seek to purchase land on deferred payment terms, sometimes providing completed housing in lieu of land payments. This reduces the amount of our capital locked up in sites compared to a traditional house building model. Through this capital-light model, we have developed a strong land bank by working with partners to identify potential development opportunities early in, or even before, a planning process and secure sites with limited investment. Our current land bank represents an approximate nine-year supply of land, based upon the number of completions in the financial year ended 31 March 2014. As at 31 March 2014, we had secured or been appointed preferred developer for 100% of our expected project completions by 31 March 2015 and approximately 89% of expected completions by 31 March 2016. Approximately 47% of our budgeted plot sales for the current financial year were reserved with a deposit at 31 March 2014, which we expect will significantly underpin turnover in our Homes division in the current financial year. See "*Industry—Competition—Homes market*".

Our Homes division's business model benefits from other features which result in a lower-risk profile in comparison to traditional house builders. Many of our agreements with Local Authorities are specifically designed so that developments are built in phases, allowing us to assess the performance of a previous phase before we agree land costs and draw down plots from our land bank for the next phase of development. This limits our exposure to any fluctuation of land values within phases, rather than entire developments, and also provides us with an opportunity to assess sales performance before committing to building more homes. The low cost of our land plots in absolute terms, on average £10,077 each, is underlined by the fact that land plots represent 8.9% of our Average Selling Price in the financial year ended 31 March 2014. This, in turn, further minimises our exposure to land price volatility.

Operational controls in our Homes division are part of a rigorous and detailed quality management system ("QMS") which spans across the entire four phases of development: land acquisition; prestart; development; and completion. Detailed environmental planning and land investigations are conducted at the first stage of Homes' QMS process, which includes land identification and technical planning through a three stage approval process. The technical planning process is detailed and is aimed at minimising risk when teams get on site in order to be able to forecast accurately and develop profitable schemes. Once on site our cost control processes involve monthly appraisals of scheme build costs to identify cost pressures and potential opportunities to ensure they are working towards delivering a scheme within a cost plan.

***Strong, long-term customer relationships across a diverse client base and reinforced by a track record of successful delivery and community engagement.***

Our partnership-focused business model and track record of providing complete customer solutions has enabled us to develop strong, long-term customer relationships with our core clients. In Regeneration, we estimate that the average length of our relationships with our top ten clients (based upon turnover for the financial year ended 31 March 2014) was approximately 11 years as at 31 March 2014. These top ten clients represented £240.7 million, or 33.4%, of divisional turnover for the financial year ended 31 March 2014. These long-term relationships allow us to stay close to our clients and target our services according to their objectives. As a result of these relationships and track record, we are able to

compete for contracts based on the overall quality and value of our services rather than just price alone. This enables us to bid successfully, with win rates within the Regeneration division of approximately 33% by value between 1 January 2013 and 31 March 2014, while maintaining strong margins.

Additionally, our diverse client base helps insulate against exposure to any one client or region. Our top ten clients are spread across a range of Regeneration service offerings. Further, across each of our Regeneration and Homes divisions, we are not dependent on one single region.

Our core Refurbishment offering requires us to complete services in residents' homes while they are still in occupancy, which requires planning and engagement with customers and residents. We invest in teams of resident liaison officers who work closely with the residents affected by such work, the vast majority of which remain in residence while the work is undertaken. The wellbeing and satisfaction of their tenants is a key measure of their, and our, success. Part of our strategy, including our Homes division, is to create community investment and employment programmes which boost local employment by using local subcontractors and regionally based project teams. Community engagement is at the heart of our Group's business, and we believe this is a differentiator that cements our reputation for community commitment and is represented by our proven track record of industry awards and positive client testimonies. Both our Regeneration and Homes divisions work with local communities and have a positive impact on the areas within which we operate, which we believe is a key differentiator for our business.

***Strong pipeline of Total Identified Opportunities supported by bidding excellence, careful monitoring and partnership solutions.***

We believe that our Total Identified Opportunities under our Regeneration division provides high visibility of turnover across our key geographies and services. As of 31 March 2014, our estimated Total Secured Business, Total Underpinnings and Total Identified Opportunities represented £1.3 billion, £2.0 billion and £6.9 billion in potential turnover, respectively. Our Total Secured Business (comprising our Order Book and Operations Pipeline) as at 31 March 2014, for the next financial year only, grew by 8.7% compared to 31 March 2013, from £638 million as of 31 March 2013 to £694 million as of 31 March 2014, providing us a high level of visibility of turnover. See “—Business operations—Regeneration division—Total Identified Opportunities”.

Regeneration has a strong pipeline of Total Identified Opportunities that are consolidated and reported through eVision. See “Our business—Group operations—IT and Controls—Regeneration”. All opportunities must be approved by Divisional and Regional Directors and the process is overseen by the New Business and Commercial Directors who determine whether to pursue an opportunity. Our controls mean that each opportunity is assessed using an Opportunity Risk Assessment that considers tender type, competition level, sector, client and procurement route.

The conversion of our Total Identified Opportunities to orders is supported by our Partnership Solutions team, which comprises a number of specialist sub-teams, including “Bid Excellence”, “Extra Care”, “Retirement Solutions” and “Funding Solutions”, each with highly specialised skills, experience and knowledge that we believe provide compelling services and/or funding solutions for our clients. We expect that Local Authorities and Housing Associations will continue to experience high demand for housing and will accordingly increase their financial leverage to fund further projects. Partnership Solutions is positioned to capitalise on this trend by providing innovative funding solutions to those Local Authorities and Housing Associations. We believe the combination of a partnership-led approach and bidding excellence has facilitated schemes that could not otherwise be funded, and is evident in large contract wins such as the Leeds PFI scheme where we secured a multi-service, multi-year contract (which we, as part of our Total Secured Business calculation as at 31 March 2014, estimate represents approximately £200 million in total turnover, including £17.8 million of turnover received in the financial year ended 31 March 2014), which was partly financed by a £101.8 million public bond issue, as well as by private and Local Authority funding. See “Risk Factors—Risks relating to our business—We are impacted by changes within our customer base and our Total Identified Opportunities are not necessarily indicative of our future performance”.

***Optimised and scalable operational platform established by the 2012 merger, driving increased efficiencies while enabling growth and market consolidation.***

Following the 2012 Merger we created a strengthened operational platform, increased in scale and depth of expertise. Our senior management team was refreshed and our divisional organisation was realigned to allow better central control across our Group. In addition, the introduction of centralised teams to assist regional management has provided key benefits in terms of improved systems and reporting. Some of these benefits include strengthened finance and treasury, marketing and communications, legal and tax functions and the introduction of our SHEQ team. We believe we have a strong structure to deliver central control with an appropriate level of regional autonomy.

Additionally, we believe we have a scalable infrastructure in place that enables us to pursue both organic and acquisitive growth with limited additional central costs. In a fragmented market, we believe this will enable us to scale up operations according to market conditions and to take advantage of opportunities as they arise.

***Planning and design capabilities to deliver a consistently high quality product in our Homes division.***

A key strength of our Homes business model lies in working with Local Authorities at the master planning stage for the entirety of development. We consult with and advise our development partners from inception through to the completion of a development and across the spectrum of a project's viability assessment, scheme layout and design, community engagement and infrastructure planning through to our exiting the site. By partnering with Local Authorities from the early stages, we embed ourselves in the development process, which enables us to develop long-term relationships that generate future opportunities as well as facilitating the successful and expeditious navigation of the planning process.

Our Homes division designs and builds high-quality lower price quartile homes for open market sales targeted to first-time and lower-income buyers, as well as Registered Providers. For our partners, our core product offering includes a range of designs that offer spacious and attractive layouts that provide flexibility to meet local requirements and create sustainable and diversified communities. By building from a core range of replicable house designs we are able to modify and upgrade our homes easily to provide bespoke solutions while maintaining tight control of costs and strong margins.

Working in partnership with Local Authorities means that we consider housing design specification when negotiating for land. For example, if customers require greater space and a higher specification of product, we are able to negotiate and build this into the price of the land, thereby allowing economically viable delivery of the site while satisfying the client's requirement. Our supply chain management team has central oversight across each region in which we operate, setting benchmarks and achieving rebates due to scale. Our procurement team is involved early in the development process and our specialised technical team oversees delivery to maintain tight control of costs.

We believe our focus on a design-led approach captures the attention of home buyers who may be considering other housing options at a similar price point, including houses for sale, for rent or on the secondary market. This positions us to benefit from favourable UK housing market trends in which demand has consistently exceeded supply, and the existing housing stock is ageing, as approximately 77% of available homes are more than 30 years old. We believe we are able to offer our customers a high-value product at a low cost by achieving efficiencies through our scale, procurement chain and specialised oversight teams that operate at a local and group level.

***Attractive cash flow generation and growth prospects.***

Our strategy has underpinned our strong performance in recent periods, with our turnover growing by 5.0%, from £886.5 million to £930.6 million, and Adjusted EBITDA growing by 15.0%, from £51.9 million to £59.7 million, between the financial years ended 31 March 2013 and 2014. In addition, our Total Identified Opportunities represented £6.9 billion in potential turnover as of 31 March 2014.

Our cash flow conversion has been high in recent years, and our ongoing capital expenditure needs in the financial years ended 31 March 2013 and 2014 have been respectively, £1.6 million and £2.4 million. Our Regeneration division has a negative working capital requirement because under our contracts clients predominantly pay us before we pay our subcontractors and suppliers. This working capital model generates cash that, in turn, we are able to invest to support Homes' investment in land and build WIP. In Homes, our working capital has historically been lower than that of traditional house builders due to our partnership-led model that we use to control our land bank, and our ability under several of our Homes contracts to defer payment until plot completion. These divisions together generate strong operating cash flow for the Group, and our operating cash flow grew by 134.3%, from £23.3 million (44.9% of Adjusted EBITDA) to £54.6 million (91.5% of Adjusted EBITDA), during the financial years ended 31 March 2013 and 2014, respectively.

***Experienced and highly committed management team with substantial market knowledge.***

Our senior management team has extensive experience in Regeneration and Homes, with a track record of successfully navigating cyclicalities in the home construction and renovation markets. Our CEO has 30 years of experience within the housing industry and our CFO has 25 years of finance experience, including 7 years of experience in various roles in the UK real estate industry. Our senior management has successfully integrated Keepmoat and Apollo to create a national platform from which to reinforce current business and grow future operations.

Our regional management teams have an in-depth knowledge of their local markets. Each division is divided by regions and sub-regional divisions are also being developed where appropriate. This regional division enables the respective management teams to focus on local relationships with their clients while reporting to a central management team.

**Our strategies**

The key components of our business strategy are as follows:

***Leverage our differentiated, combined platform with our complementary Regeneration and Homes divisions.***

We benefit, financially and operationally, from the complementary business models of our Regeneration and Homes divisions. We believe that a number of our partners would like to pursue integrated schemes that require the services of both Homes and Regeneration and can benefit from the synergies from our combined divisions. We aim to further capitalise on our ability to provide these integrated services by targeting opportunities that require innovative financing solutions in order to source capital to fund community regeneration schemes and provide long term solutions to housing demand. For example, when bidding for Regeneration contracts we may also be able to unlock unused land for our clients. By combining new build developments from our Homes and Regeneration divisions we can build homes for sale in the open market alongside homes to be used as social housing from which they can generate increased rental revenues. We believe this to be a strong and differentiated proposition for our clients.

***Focus on conversion of our Total Identified Opportunities in our Regeneration division.***

Our Regeneration strategy is focused on leveraging our strong relationships and local market expertise to target specific opportunities across the UK. Following the integration of Keepmoat and Apollo, our management team has increased its focus on the strength and conversion of our Total Identified Opportunities. With significant Total Identified Opportunities in the pipeline, we believe a small increase in our bid success can materially increase our turnover and profit. We enjoyed a bid success rate of approximately 33% by value between 1 January 2013 and 31 March 2014 across our Regeneration division, and increasing this rate could significantly increase growth in our contract volumes. Our bid excellence team ("**Bid Excellence Team**") has been formed to support our regional teams in converting Total Identified Opportunities by centralising best practice and creating a central platform of knowledge which can then be harnessed by bidding teams to ensure we fully exploit our strengths across the Group.

***Maximise benefits from our improved, streamlined platform and strengthened operational controls.***

We are one of the largest Regeneration businesses in the UK and the fifth largest house builder by volume of active developments in the lower price quartile bracket by volume as of February 2014. We have a scalable platform in place that we believe will enable us to consolidate the market by making selective and opportunistic acquisitions that accelerate the realisation of our business plan. See "*—Leading positions in Regeneration and Homes with markets, which are supported by strong underlying core drivers*". We benefit from our recently upgraded operational systems and controls and a new, top-tier management team. See "*—Group operations—IT and Controls—Regeneration—Controls*", "*—Group operations—SHEQ*" and "*Management—Senior Management*". We believe that through these improved controls we have strengthened our contract and risk management processes so that we are better able to monitor performance and thereby minimise risks to the business. We will also continue to streamline and standardise our procedures to increase reporting efficiency and quality.

***Use our national Regeneration platform and long-term relationships to expand our service offering within existing and new regions.***

A key part of our strategy is to use our existing national platform and core Regeneration offerings in traditional refurbishment to expand our other Regeneration offerings in Responsive Maintenance, Extra Care, Education, New Build Housing and Sustainability, where there is demand to support growth. We believe that our strategy is focused on delivering these additional services to regions where we already operate and have existing relationships built on a track record with our clients. We are currently expanding our new build housing services in Southern England and Scotland, where we believe there is a significant opportunity to capitalise on undersupply and fast growing demand for social housing, while leveraging the strength of the legacy refurbishment-led Apollo business in the Southern England region. Our position in Extra Care has been largely delivered from Yorkshire and North East England, and we believe there are multiple opportunities to expand where there is demand such as in North West England, Southern England, London and Scotland, which are all locations where we benefit from existing relationships. In Education, we intend to selectively target areas where there are framework agreements in place that enable us to generate attractive margins, rather than pursuing individual one-off tenders. In this division, we are also planning to leverage our expertise from North West England and Southern England by expanding into North East England and Scotland on a selective basis.

***Secure additional large-scale opportunities through innovative project and funding solutions.***

Our integrated platform and expertise in partnership solutions provides opportunities for us to capitalise on the current environment where Local Authorities require innovative solutions to carry out large scale, multi-offering, multi-year contracts. We believe that our PFI successes in Leeds and Pendleton demonstrate how our scale and ability to develop complex funding structures allow us to source funding for clients that would not have been logistically feasible for our smaller competitors. See “—Group operations—Innovative funding: PFI and PPP”. We developed our Major Bids team to capitalise on the demand for these types of contracts by supporting our regional teams to secure these multi-year, multi-service contracts that generate large turnover for the Group. We intend to build on the existing success of this team, and leverage our proven abilities evident from our Leeds and Pendleton contracts, to pursue similar arrangements in different regions, which will enhance our market share and grow our long-term Total Identified Opportunities.

***Deliver current land bank by taking advantage of favourable demand in markets and creating sub-regions to increase our presence in our strongest markets.***

As of 31 March 2014, our Homes division had a significant land bank of 16,235 secured plots which, based upon the number of completions in the financial year ended 31 March 2014, represented an almost nine year supply of land. Across our five regions (including Southern England) in Homes, we plan to deliver on this land bank and capitalise upon increased demand and insufficient supply within the UK housing market.

Our Homes market presence is strongest in Yorkshire and the Midlands, and to capitalise on our strength in these regions, we plan to divide them into sub-regions to allow our local teams to leverage their market knowledge. We believe our regional presence and reputation will enable us to grow our business in these sub-regions. In both Yorkshire and the Midlands, we plan to increase our overhead investment to broaden the scale of our offerings and realise greater growth and turnover.

***Leverage existing Regeneration relationships to support Homes expansion in Southern England and pursue entry into the Scottish market.***

Securing land is critical to our Homes business model and therefore our strategy is to expand our Homes division into territories where we have existing operations in our Regeneration business in order to build on the strength of our relationships with Local Authorities and other land owners. We plan to continue expansion in Southern England and to enter the Scottish market. Unlike traditional house builders, we focus on brownfield development in underserved areas in need of regeneration with lower land prices and therefore we are less exposed to competition for land than on expensive, greenfield sites. In Southern England, we believe we can leverage our strong customer relationships by capitalising on Apollo’s existing client base. We believe that the size of the lower price quartile housing market in Southern England represents a significant opportunity, and we intend to target specific sites in Southern England where we believe our scale and experience will afford us a competitive advantage. The success of our strategy, for example, is evident in Cambridge where we acquired eight initial sites through partnership agreements, and completions are expected from September 2014.

We are working towards entering the Scottish market when we have secured appropriate sites for development, and we currently have Land and Partnership and Commercial resources in place in Scotland. As in Southern England, we will continue our high quality Homes business model targeting first-time and lower-income buyers with controlled expansion

in areas where we have strong relationships with Local Authorities and that provide significant opportunities for growth. We are currently actively bidding on a small number of sites which we believe provide attractive investment potential.

## **The Issuer**

The Issuer is a newly incorporated public limited company registered in England and Wales under number 9069525 and is a financing subsidiary of Bidco. The Issuer has conducted no operations or other material activities. The Issuer has a registered office at 1 Park Row, Leeds LS1 5AB and its telephone number is +44 (0) 20 7399 4200. The Issuer was incorporated under the laws of England and Wales on 3 June 2014.

## **Our principal shareholders**

### ***TDR Capital***

TDR Capital was founded in 2002 by Manjit Dale and Stephen Robertson. Across its three European buyout funds it has over €4.8 billion of committed capital. TDR Capital has a proven value-based and operationally-focused investment strategy, which is delivered by a dedicated team of 22 investing and operating professionals from its single office in London. TDR Capital focuses on mid-market buyout investments headquartered in or with significant operations in Europe, generally with an enterprise value of € 300 million to €1.5 billion.

TDR Capital has a strong track record in the social housing industry due to its recent investment in VPS Holdings, a UK-headquartered provider of property services and security services to owners of commercial property and social housing.

### ***Sun Capital***

Sun Capital is a UK private investment vehicle owned by its directors. The Sun Capital team has a proven track record of leading, managing and investing in transactions which have delivered consistently high investment returns to shareholders over the last 20 years. The Sun Capital team has successfully built market leading businesses through growth years and recessions in a wide variety of sectors, a large number of which have been customer facing, and transaction types.

Sun Capital and TDR Capital have a long history of working together and past joint investments include Phoenix Group and Punch Taverns.

For more information, see “*Principal shareholders*”.

## **The Transactions**

### ***The Acquisition Agreement***

On 9 September 2014, Bidco entered into the Acquisition Agreement with Uberior Equity Limited and the other Sellers (as defined therein) to acquire all of the issued and outstanding capital stock of Lakeside Holdco (the “**Acquisition**”). The base Acquisition consideration payable by Bidco under the Acquisition Agreement will be £63.6 million, which amount will be subject to certain adjustments.

The closing of the Acquisition is subject to certain conditions, including merger control clearance and the approval of the Acquisition by certain of our contractual counterparties. In the event that the closing conditions are not satisfied or waived by the Acquisition Longstop Date, the Acquisition Agreement will terminate. Following the Acquisition, TDR Capital and Sun Capital are expected to indirectly own 85% of our issued and outstanding share capital, while the remaining 15% of our issued and outstanding share capital will be held indirectly by certain members of the management of Lakeside Holdco. See “*Principal shareholders*”.

### ***The Financing***

The Acquisition will be financed (the “**Financing**”) as follows:

- the Issuer will issue the Notes in an aggregate principal amount of £263 million; and
- TDR Capital, Sun Capital and certain members of the management of Lakeside Holdco will make an equity contribution equal to no less than 30% of the total sources required to complete the Acquisition (the “**Equity Contribution**”).

In connection with the Acquisition, we entered into the Revolving Credit Facility Agreement on 9 September 2014, pursuant to which the Revolving Credit Facility in a committed amount of up to £75 million will be made available on the Completion Date to Bidco for general corporate and working capital purposes, with an option to increase such amount (on an uncommitted basis) by up to £15 million. No amounts are expected to be drawn under the Revolving Credit Facility on the Completion Date. However, approximately £22 million is expected to be utilised under the Revolving Credit Facility on the Completion Date to roll over certain existing letters of credit and surety bonds, which will reduce the amount available for drawing under the Revolving Credit Facility by a corresponding amount.

The net proceeds from the Financing will be used to:

- fund the consideration payable for the capital stock of Lakeside Holdco purchased in the Acquisition, including any interest payments under the Acquisition Agreement;
- repay the outstanding borrowings under the Existing Senior Facilities and Existing Mezzanine Facility and pay related accrued interest and break costs, as of the Completion Date, in connection with the cancellation of the Existing Senior Facilities and Existing Mezzanine Facility; and
- pay fees and expenses in connection with the Acquisition and the Financing, including the fees and expenses to be incurred in connection with the Offering.

Pending consummation of the Acquisition, the gross proceeds from the Offering less certain deductions in respect of fees and expenses will be deposited into the Escrow Account for the benefit of the holders of the Notes. The release of the escrow proceeds and the consummation of the Acquisition are subject to the satisfaction of certain conditions. If the Acquisition is not consummated on or prior to the Escrow Longstop Date and upon the occurrence of certain other events, the Notes will be subject to a special mandatory redemption. The special mandatory redemption price will be a price equal to 100% of the aggregate issue price of the Notes plus accrued and unpaid interest and additional amounts, if any, from the Issue Date to the date of special mandatory redemption. See “*Description of the Notes—Escrow of proceeds; Special Mandatory Redemption*”.

We refer to the Acquisition and the Financing, collectively, as the “**Transactions**”. See “*Use of proceeds*”, “*Capitalisation*”, “*Summary consolidated financial information*”, “*Description of other indebtedness*” and “*Description of the Notes*”.

## **Recent developments**

### ***Current trading***

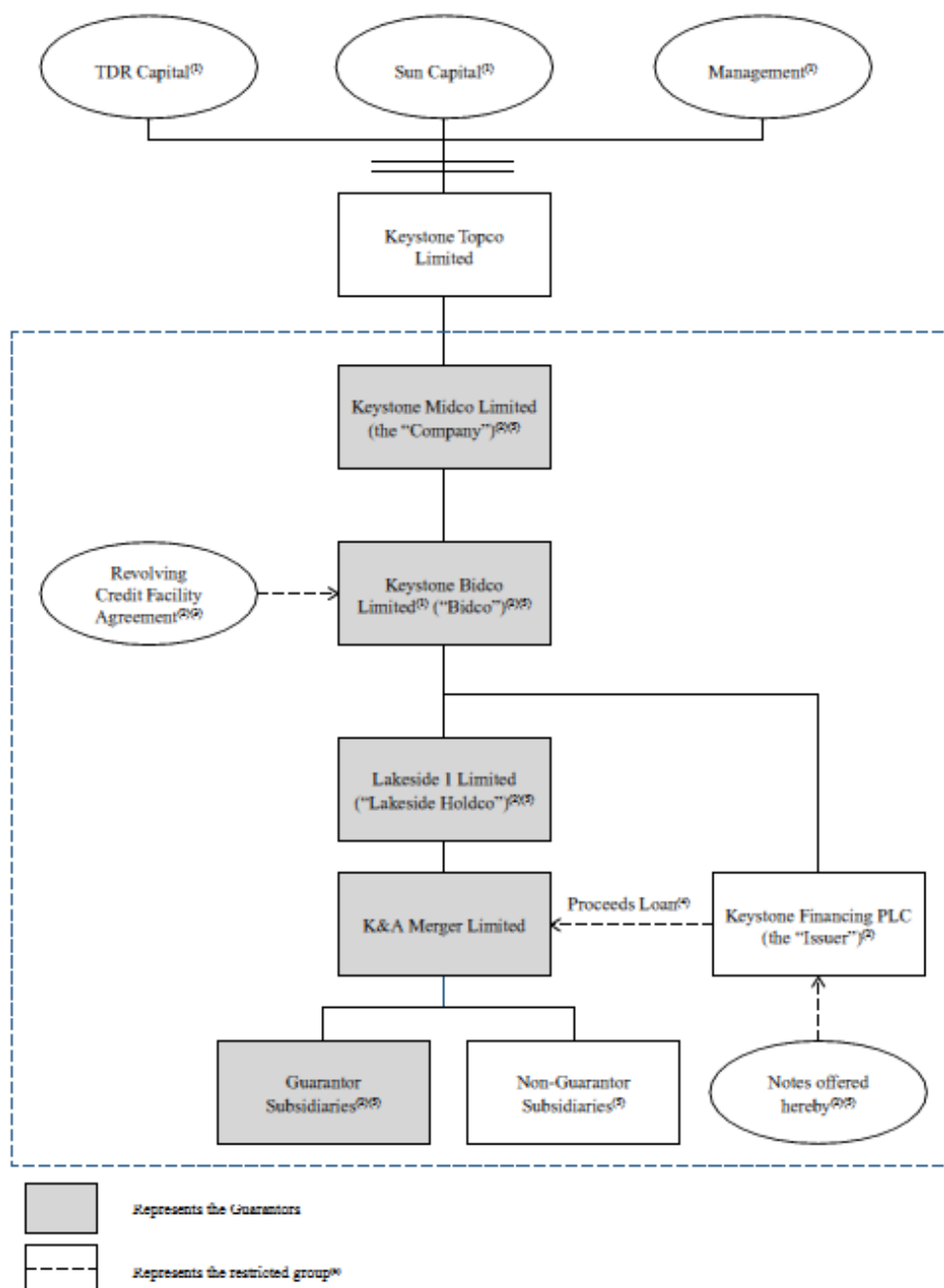
The preliminary financial results for the month ended 31 July 2014 show that trading is generally in line with trading for the comparative period of the prior year. EBITDA for the month ended 31 July 2014 is estimated to be approximately £3.5 million. We believe our turnover, Completions and gross margins for both divisions for the month ended 31 July 2014 were higher than our turnover, Completions and gross margins for the month ended 31 July 2013.

The above preliminary financial results have been prepared by, and are the responsibility of, management and are based solely on preliminary internal information, estimates and assumptions that are subject to inherent uncertainties and subject to change. Our next quarter will close on 30 September 2014. During the remainder of the quarter or in the course of our financial statement closing process, we could identify items that would require us to make adjustments that could affect the above preliminary financial results. Because these results are preliminary, they could change, and they may not be indicative of the remainder of the financial quarter or any other period. As such, you should not place undue reliance on these preliminary financial results. See “*Forward-looking statements*” and “*Risk factors*” for a more complete discussion of certain of the factors that could affect our future performance and results of operation.

PricewaterhouseCoopers LLP has not audited, reviewed, compiled or performed any procedures with respect to this preliminary financial result. Accordingly, PricewaterhouseCoopers LLP has not and will not express an opinion or any other form of assurance with respect thereto.

## Summary corporate and financing structure

The following diagram shows a simplified summary of our corporate and principal financing structure after giving effect to the Transactions. The chart does not include all entities in the Group, nor all of the debt obligations thereof. For a summary of the debt obligations identified in this diagram, please refer to the sections entitled “*Capitalisation*”, “*Description of the Notes*” and “*Description of other indebtedness*”.



- (1) Bidco is wholly owned and controlled by the Company, which is, in turn, ultimately majority owned and controlled by TDR Capital and Sun Capital. TDR Capital and Sun Capital will indirectly hold 85% of our issued and outstanding share capital and certain members of management will indirectly hold 15% of our issued and outstanding share capital following consummation of the Acquisition. Each of TDR Capital, Sun Capital and such certain members of the Company will be a Permitted Holder under the Indenture. See “*Principal shareholders*” and “*Description of the Notes*”.
- (2) The obligations of the Issuer and the Guarantors under the Notes, the Indenture and the Revolving Credit Facility Agreement will be secured as described under “*Description of the Notes—Security*” (such security, collectively, the “**Collateral**”). Pursuant to the terms of the Intercreditor Agreement, any liabilities in respect of obligations under the Revolving Credit Facility Agreement or in respect of certain hedging obligations, in each case, that are secured by the Collateral will receive priority with respect to any proceeds received in connection with any enforcement action over, or distressed disposal of, any such assets. Any remaining proceeds received upon any enforcement action over any Collateral will be applied pro rata in repayment of all obligations under the Indenture and the Notes and any other indebtedness of the Issuer and the Guarantors permitted to be incurred and secured by the Collateral pursuant to the Indenture, the Revolving Credit Facility



Agreement and the Intercreditor Agreement. In addition, if the Issuer and the Guarantors enter into additional debt instruments, the Collateral may be used to secure such instruments subject to limitations set out in the Indenture, the Revolving Credit Facility Agreement and the Intercreditor Agreement. In certain circumstances, assets may be released from the Collateral.

- (3) The Revolving Credit Facility is for a committed amount of £75 million of secured credit borrowings, with an option to increase such amount (on an uncommitted basis) by up to £15 million. The original borrower under the Revolving Credit Facility Agreement is Bidco. The Revolving Credit Facility (i) is guaranteed from the date of its execution by the Company, Bidco and the Issuer and (ii) will be guaranteed as soon as reasonably practicable after the Completion Date, but in any case no later than 15 business days after the Completion Date, subject to the Agreed Security Principles, by Lakeside Holdco and the Subsidiary Guarantors. For a description of our Revolving Credit Facility Agreement, see “*Description of other indebtedness—Revolving Credit Facility*”. No amounts are expected to be drawn under the Revolving Credit Facility on the Completion Date. However, approximately £22 million is expected to be utilised under the Revolving Credit Facility on the Completion Date to roll over certain existing letters of credit and surety bonds, which will reduce the amount available for drawing under the Revolving Credit Facility by a corresponding amount.
- (4) A Proceeds Loan in respect of the gross proceeds of the Notes (less certain deductions in respect of fees and expenses associated with the Transactions) will be made by the Issuer to Bidco on the Completion Date. See “*Use of proceeds*”. The Issuer’s rights in the Proceeds Loan will be pledged in favour of the Security Agent and comprise part of the Collateral. See “*Description of Notes—Security*”.
- (5) The Notes will be guaranteed (i) as of the Issue Date by the Company and Bidco and (ii) as soon as reasonably practicable after the Completion Date, but in any case no later than 15 business days after the Completion Date, subject to the Agreed Security Principles, by Lakeside Holdco and the Subsidiary Guarantors. The Guarantors will also unconditionally guarantee the Revolving Credit Facility Agreement on a senior secured basis. See “*Description of other indebtedness—Revolving Credit Facility*”. For the twelve months ended 30 June 2014, the Guarantors generated £960.4 million or 100% of the turnover and £57.3 million or 100.6% of the EBITDA of the Group. Some of the Group’s non-Guarantor subsidiaries are loss-making, which explains why the EBITDA of the Guarantors exceeds the Group’s EBITDA. As of 30 June 2014, the Guarantors represented £2,196 million or 99.5% of the total unconsolidated assets of the Group.
- (6) The entities in the restricted group will be subject to the covenants under the Revolving Credit Facility Agreement and the Indenture. See “*Description of the Notes*”.

## The Offering

*The following is a brief summary of the principal terms of the Notes, the Note Guarantees, the Collateral and the Escrow Agreement. It is not intended to be complete and certain of the terms and conditions described below are subject to important exceptions. You should carefully review the “Description of the Notes” section of this Offering Memorandum for more detailed descriptions of the terms and conditions of the Notes.*

<b>Issuer</b> .....	Keystone Financing PLC (the “ <b>Issuer</b> ”).
<b>Notes Offered</b> .....	£263,000,000 aggregate principal amount of 9.500% senior secured notes due 2019 (the “ <b>Notes</b> ”).
<b>Issue Date</b> .....	3 October 2014 (the “ <b>Issue Date</b> ”).
<b>Issue Price</b> .....	99.020% (plus accrued and unpaid interest from the Issue Date).
<b>Maturity Date</b> .....	15 October 2019.
<b>Interest</b> .....	9.500% per annum.
<b>Interest Payment Dates</b> .....	Semi-annually in arrears on each 15 April and 15 October, commencing on 15 April 2015. Interest will accrue from the Issue Date.
<b>Form of Denomination</b> .....	Each Note will have a minimum denomination of £100,000 and integral multiples of £1,000 in excess thereof.
<b>Ranking of the Notes</b> .....	<p>The Notes will:</p> <ul style="list-style-type: none"> <li>• be general, senior obligations of the Issuer, secured by first ranking security interests in the Collateral as set forth below under “—<i>Collateral</i>”;</li> <li>• rank equally in right of payment with all the Issuer’s indebtedness that is not subordinated in right of payment to the Notes;</li> <li>• rank senior in right of payment to all the Issuer’s existing and future indebtedness that is subordinated in right of payment to the Notes;</li> <li>• be effectively senior to all the Issuer’s existing and future unsecured indebtedness to the extent of the value of the property or assets securing the Notes;</li> <li>• be effectively subordinated to all the Issuer’s secured indebtedness of the Issuer that is secured by property or assets that do not secure the Notes to the extent of the value of the property or assets securing such indebtedness; and</li> <li>• be effectively subordinated to any existing and future indebtedness of the subsidiaries of the Company (other than the Issuer) that do not guarantee the Notes.</li> </ul>
<b>Note Guarantees</b> .....	<p>On the Issue Date, the Notes will be unconditionally guaranteed on a senior secured basis by the Company and Bidco. As soon as reasonably practicable after the Completion Date, but in any case no later than 15 business days after the Completion Date, subject to the Agreed Security Principles, the Notes will be unconditionally guaranteed on a senior secured basis by Lakeside Holdco and the Subsidiary Guarantors.</p> <p>The Note Guarantees will be subject to contractual and legal limitations, and may be released under certain circumstances. See “<i>Risk factors—Risks related to our indebtedness and the Notes</i>” and “<i>Description of the Notes—Note Guarantees</i>”.</p> <p>For the twelve months ended 30 June 2014, the Guarantors generated £960.4 million or 100% of the turnover and £57.3 million or 100.6% of the EBITDA of the Group. As of 30 June 2014, the Guarantors represented £2,196 million or 99.5% of the total unconsolidated assets of the Group.</p>
<b>Ranking of the Note Guarantees</b> ..	<p>Each Note Guarantee will:</p> <ul style="list-style-type: none"> <li>• be a general, senior obligation of the relevant Guarantor, secured by first ranking security interests in the Collateral as set forth below under “—<i>Collateral</i>”;</li> <li>• rank equally in right of payment with all the Guarantor’s existing and future indebtedness that is not subordinated in right of payment to its Note Guarantee;</li> <li>• rank senior in right of payment to all the Guarantor’s existing and future indebtedness that is subordinated in right of payment to its Note Guarantee;</li> <li>• be effectively senior to all the Guarantor’s existing and future unsecured indebtedness to the extent of the value of the property or assets securing its Note Guarantee; and</li> <li>• be effectively subordinated to all the Guarantor’s existing and future indebtedness that is secured by property or assets that do not secure its Note Guarantee, to the extent of the value of the property or assets securing such indebtedness.</li> </ul>

The Note Guarantees will be subject to release under certain circumstances. See “*Risk factors—Risks related to our indebtedness and the Notes*” and “*Description of the Notes—Note Guarantees*”.

## Collateral .....

On the Issue Date, the Notes will be effectively secured on a first priority basis by the Senior Secured Notes Escrow Charge (as defined below). See “*Description of the Notes—Escrow of proceeds; Special Mandatory Redemption*”.

Additionally, on the Issue Date (except as otherwise noted) and subject to the operation of the Agreed Security Principles, the obligations of the Issuer and the Guarantors under the Notes and the Indenture will be secured by fixed and floating charges on a first priority basis over substantially all of the assets of the Company, Bidco and the Issuer (together with the Senior Secured Notes Escrow Charge, the “**Initial Collateral**”), pursuant to an English law governed debenture (including shares of capital stock of Bidco held by the Company, shares of capital stock of the Issuer held by Bidco and, upon the Completion Date, shares of capital stock of Lakeside Holdco held by Bidco; certain bank accounts held by the Company, Bidco and the Issuer; upon the Completion Date, an assignment of (or to the extent not validly assigned, a charge over) the rights of the Issuer under the Proceeds Loan and an assignment of (or to the extent not validly executed, a charge over) the rights of Bidco under the documents governing the Acquisition).

As soon as practicable after the Completion Date but in any case no later than 15 business days after the Completion Date, subject to the operation of the Agreed Security Principles, to secure the obligations of the Issuer and the Guarantors under the Notes and the Indenture, Apollo Holdco Limited, Apollo Support Services Group Limited, Castle 1 Limited, Conquest Bidco Limited, K&A Merger Limited, Keepmoat Homes Limited, Keepmoat in Partnership Limited, Keepmoat Limited, Keepmoat Property Limited, Keepmoat Property Services Limited, Keepmoat Regeneration (Apollo) Limited, Keepmoat Regeneration (Bramall) Limited, Keepmoat Regeneration (FHM) Limited, Keepmoat Regeneration Holdings Limited, Keepmoat Regeneration Limited, Lakeside Holdco and Toucan Holdings Limited, as applicable, will grant in favour of the Security Agent, fixed and floating charges on a first priority basis over substantially all of their respective assets, including shares of capital stock of each of the Subsidiary Guarantors, certain bank accounts, certain real property, certain intellectual property and an assignment of their rights under certain contracts (including their rights to proceeds under certain insurance policies, rights under certain intercompany loan agreements and rights under the Acquisition Agreement), pursuant to an English law governed debenture and, by certain obligors, by way of legal mortgage over certain real estate (collectively, the “**Post Closing Collateral**” and, together with the Initial Collateral, the “**Collateral**”).

Pursuant to the terms of the Intercreditor Agreement, any liabilities in respect of obligations under the Revolving Credit Facility Agreement or in respect of hedging obligations, in each case, that are secured by assets that also secure our obligations under the Notes and the Note Guarantees will receive priority with respect to any proceeds received in connection with any enforcement action over, or distressed disposal of, any such assets. See “*Description of other indebtedness—Intercreditor Agreement*”.

The security interests over the Collateral may be released under certain circumstances. See “*Risk factors—Risks related to our indebtedness and the Notes*”, “*Description of other indebtedness—Intercreditor Agreement*” and “*Description of the Notes—Security—Release of Liens*”.

## Optional redemption .....

Prior to 15 October 2016, the Issuer will be entitled at its option to redeem all or a portion of the Notes at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, plus the applicable “make whole” premium described in this Offering Memorandum.

On or after 15 October 2016, the Issuer will be entitled at its option to redeem all or a portion of the Notes at the redemption prices set forth under the caption “*Description of the Notes—Optional redemption*”, plus accrued and unpaid interest, if any.

Prior to 15 October 2016, the Issuer will be entitled at its option, on one or more occasions, to redeem the Notes in an aggregate principal amount not to exceed 40% of the original aggregate principal amount of the Notes (including Additional Notes) with the net cash proceeds from certain equity offerings at a redemption price equal to 109.500% of the principal amount outstanding in respect of the

	Notes redeemed, plus accrued and unpaid interest, if any, provided that at least 60% of the original aggregate principal amount of the Notes (including Additional Notes) remains outstanding immediately after each such redemption. See <i>“Description of the Notes—Optional redemption”</i> .
<b>Escrow of proceeds; Special Mandatory Redemption .....</b>	<p>Pending consummation of the Acquisition, the gross proceeds of the Offering (less certain deductions in respect of fees and expenses associated with the Transactions) will be deposited into the Escrow Account with the Escrow Agent. Upon delivery to the Escrow Agent of an officer’s certificate stating that the conditions to the release of the proceeds from escrow have been satisfied or will be satisfied substantially concurrently with the release of the escrowed funds less certain deductions in respect of fees and expenses, the escrowed funds will be released to the Issuer (or to such account as may be designated by the Issuer) and utilised as described in <i>“Summary—The Transactions”</i>, <i>“Use of proceeds”</i> and <i>“Description of the Notes—Escrow of proceeds; Special Mandatory Redemption”</i>. Any release of escrowed proceeds and the consummation of the Acquisition are subject to the satisfaction of certain conditions, including merger control clearance and the approval of the Acquisition by certain of our contractual counterparties. The Escrow Account, together with the initial funds deposited therein, will be charged on a first ranking basis in favour of the Trustee for the benefit of the holders of the Notes, pursuant to an escrow charge dated the Issue Date between the Issuer, the Escrow Agent and the Trustee (the <b>“Senior Secured Notes Escrow Charge”</b>). See <i>“Description of the Notes—Escrow of proceeds; Special Mandatory Redemption”</i>.</p> <p>In the event that (i) the Completion Date does not take place on or prior to the Escrow Longstop Date, (ii) in the reasonable judgment of the Issuer, the Acquisition will not be consummated on or prior to the Escrow Longstop Date, (iii) the Acquisition Agreement terminates at any time on or prior to the Escrow Longstop Date, or (iv) certain bankruptcy, insolvency or court protection events occur with respect to the Company, Bidco or the Issuer on or prior to the Escrow Longstop Date, the Notes will be subject to a special mandatory redemption. The special mandatory redemption price will be a price equal to 100% of the aggregate issue price of the Notes plus accrued and unpaid interest and additional amounts, if any, to the date of special mandatory redemption. The funds in the Escrow Account would be applied to pay for any such special mandatory redemption, with affiliates of TDR Capital and Sun Capital funding principal to the extent not available in the Escrow Account and the accrued and unpaid interest as well as additional amounts, if any. See <i>“Description of the Notes—Escrow of proceeds; Special Mandatory Redemption”</i>, and <i>“Risk factors—Risks related to our indebtedness and the Notes—If the proceeds of the Offering are deposited in the Escrow Account and if the conditions to the escrow are not satisfied, the Issuer will be required to redeem the Notes, which means that you may not obtain the return you expect on the Notes”</i>.</p>
<b>Additional amounts; tax redemption.....</b>	<p>Any payments made by the Issuer or any Guarantor with respect to the Notes will be made without withholding or deduction for or on account of taxes unless required by law. If the Issuer or Guarantors are required by law to withhold or deduct amounts for or on account of tax imposed by the United Kingdom with respect to a payment to the holders of Notes, the Issuer or the relevant Guarantor will, subject to certain exceptions, pay the additional amounts necessary so that the net amount received by the holders of the Notes after the withholding or deduction is not less than the amount that they would have received in the absence of the withholding or deduction. See <i>“Description of the Notes—Additional Amounts”</i>.</p> <p>In the event of certain developments affecting taxation, the Issuer or a Guarantor may redeem the Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any, to the date of redemption. See <i>“Description of the Notes—Redemption for taxation reasons”</i>.</p>
<b>Change of Control.....</b>	Upon the occurrence of certain events constituting a change of control, the Issuer will be required to offer to repurchase all outstanding Notes at a purchase price in cash equal to 101% of the principal amount redeemed on the date of purchase plus accrued and unpaid interest, if any, to the date of purchase. See <i>“Description of the Notes—Change of Control”</i> .
<b>Certain covenants .....</b>	The Indenture, among other things, will restrict the ability of the Company and its restricted subsidiaries to:

- incur or guarantee additional indebtedness;
- pay dividends or make other distributions or purchase or redeem our stock;
- make investments or other restricted payments;
- enter into agreements that restrict our restricted subsidiaries' ability to pay dividends;
- transfer or sell assets;
- engage in transactions with affiliates;
- create liens on assets to secure indebtedness;
- impair security interests; and
- merge or consolidate with or into another company.

Each of these covenants is subject to significant exceptions and qualifications. See “*Description of the Notes—Certain Covenants*”.

<b>Transfer restrictions</b> .....	We have not registered the Notes or the Note Guarantees under the Securities Act. You may only offer or sell the Notes in transactions that are exempt from, or not subject to, the registration requirements of the Securities Act, or pursuant to an effective registration statement. See “ <i>Transfer restrictions</i> ”. We have not agreed to, or otherwise undertaken, to register the Notes under the Securities Act.
<b>No prior market</b> .....	The Notes will be new securities for which there is currently no established trading market. Although the Initial Purchasers have advised us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market making at any time without notice. Accordingly, there is no assurance that an active trading market will develop for the Notes.
<b>Listing</b> .....	Application was made to list the Notes on the Official List of the LxSE and to admit the Notes to trading on the Euro MTF.
<b>Governing Law</b> .....	The Indenture, the Notes and the Note Guarantees will be governed by the laws of the State of New York. The Revolving Credit Facility Agreement, the Escrow Agreement and the Intercreditor Agreement will be governed by English law. The Security Documents will be governed by English law.
<b>Security Agent</b> .....	U.S. Bank Trustees Limited.
<b>Trustee</b> .....	U.S. Bank Trustees Limited.
<b>Paying Agent and Transfer Agent</b> .....	Elavon Financial Services Limited, UK Branch.
<b>Registrar</b> .....	Elavon Financial Services Limited.
<b>Luxembourg Listing Agent</b> .....	Société Générale Securities Services Luxembourg S.A.
<b>Risk factors</b> .....	Investing in the Notes involves a high degree of risk. See the “ <i>Risk factors</i> ” section for a description of certain of the risks you should carefully consider before investing in the Notes.

## Summary historical consolidated financial information

The tables below set forth the summary historical consolidated financial information and other data of Lakeside Holdco as of the dates and for the periods indicated. The Issuer and Bidco were formed on 3 June 2014 and the Company was formed on 21 May 2014. The Issuer was incorporated for the purposes of facilitating the Transactions and issuing the Notes offered hereby. It has no material assets or liabilities and has not engaged in any activities other than those related to its formation in preparation for the Transactions, including the Offering. Because of the limited historical financial information available for the Issuer, Bidco and the Company, unless otherwise indicated, the financial information presented in this Offering Memorandum is the historical consolidated financial information of Lakeside Holdco and its consolidated subsidiaries.

The summary consolidated profit and loss account, balance sheet and cash flow information for Lakeside Holdco set forth below (i) as of and for the financial years ended 31 March 2013 and 2014 were derived from the audited consolidated financial statements as of and for the financial years ended 31 March 2013 and 2014 of Lakeside Holdco and notes thereto; (ii) as of and for the financial year ended 31 March 2012 was derived from the adjusted comparative figures presented in the audited consolidated financial statements as of and for the year ended 31 March 2013 of Lakeside Holdco and notes thereto and (iii) as of and for the quarter ended 30 June 2013 and 2014 were derived from the unaudited condensed consolidated interim financial statements as of and for the quarter ended 30 June 2013 and 2014 of Lakeside Holdco and notes thereto, in each case prepared in accordance with UK GAAP and included elsewhere in this Offering Memorandum.

The financial information presented in this Offering Memorandum as of and for the twelve months ended 30 June 2014 is derived by adding together the results of operations for the financial year ended 31 March 2014 and the results of operations for the quarter ended 30 June 2014 and subtracting the results of operations for the quarter ended 30 June 2014.

The summary historical financial information presented in this Offering Memorandum below includes certain non-UK GAAP measures that we use to evaluate our operating and financial performance. These measures are not identified as accounting measures under UK GAAP and therefore should not be considered as alternative measures to evaluate the performance of the Group. See “*Presentation of financial and other information*”.

We have also presented below certain summary unaudited consolidated as adjusted financial information, adjusted to give *pro forma* effect to the Transactions, including “as adjusted total debt”, “as adjusted net debt” and “as adjusted cash interest expense”. “As adjusted total debt” and “as adjusted net debt” give *pro forma* effect to the Transactions as if they had occurred on 30 June 2014, while “as adjusted cash interest expense” gives *pro forma* effect to the Transactions as if they had occurred on 1 July 2013. The *pro forma* adjustments are based upon available information and certain assumptions that we believe are reasonable but may differ materially from actual amounts. The summary unaudited consolidated as adjusted financial data are presented herein for informational purposes only and do not purport to represent what our results of operations or other financial information actually would have been if the Transactions had occurred at any date, and such data do not purport to project the results of operations for any future period.

The financial information presented for the interim periods or prior years is not necessarily indicative of the results to be expected for the full year or any future period or our financial condition at any future date. The financial information presented herein should be read in conjunction with, and is qualified in its entirety by reference to, the consolidated financial statements of Lakeside Holdco and the accompanying notes included elsewhere in this Offering Memorandum, and should also be read together with the information set forth below in “*Presentation of financial and other information*”, “*Use of proceeds*”, “*Capitalisation*”, “*Selected historical consolidated financial data*”, “*Management’s discussion and analysis of financial condition and results of operations*” and our consolidated financial statements and notes thereto included elsewhere in this Offering Memorandum.

### Summary consolidated profit and loss account

(in £ million)	2012 For the financial year ended 31 March	2013 For the financial year ended 31 March	2014 For the financial year ended 31 March	2013 For the quarter ended 30 June	2014 For the quarter ended 30 June	For the twelve months ended 30 June 2014
Turnover including share of joint ventures and associates.....	676.1	889.6	939.5	195.7	225.3	969.1
Less: share of joint ventures and associates...	—	(3.1)	(8.9)	(1.1)	(1.0)	(8.8)
<b>Group turnover</b> .....	<b>676.1</b>	<b>886.5</b>	<b>930.6</b>	<b>194.6</b>	<b>224.3</b>	<b>960.3</b>

Cost of sales .....	(625.8)	(788.1)	(820.7)	(173.9)	(200.1)	(846.9)
<b>Gross profit .....</b>	<b>50.3</b>	<b>98.4</b>	<b>109.9</b>	<b>20.7</b>	<b>24.2</b>	<b>113.4</b>
Administration expenses .....	(422.5)	(75.0)	(73.1)	(17.9)	(20.5)	(75.7)
Other operating income .....	—	—	0.3	—	0.1	0.4
Group operating profit before exceptional items and goodwill amortisation .....	32.2	48.4	55.9	7.0	9.1	58.0
Exceptional items .....	(373.9)	(8.4)	(2.1)	—	(1.1)	(3.2)
Amortisation .....	(30.5)	(16.6)	(16.7)	(4.2)	(4.2)	(16.7)
<b>Group operating (loss) / profit .....</b>	<b>(372.2)</b>	<b>23.4</b>	<b>37.1</b>	<b>2.8</b>	<b>3.8</b>	<b>38.1</b>
Share of operating (loss) / profit in joint ventures and associated undertakings .....	—	—	(0.2)	—	—	(0.2)
<b>Total operating (loss) / profit: group and associated undertakings .....</b>	<b>(372.2)</b>	<b>23.4</b>	<b>36.9</b>	<b>2.8</b>	<b>3.8</b>	<b>37.9</b>
Net interest payable .....	(100.4)	(44.8)	(20.7)	(5.3)	(4.8)	(20.2)
<b>Profit / (Loss) on ordinary activities before taxation .....</b>	<b>(472.6)</b>	<b>(21.4)</b>	<b>16.2</b>	<b>(2.5)</b>	<b>(1.0)</b>	<b>17.7</b>
Tax on profit / (loss) on ordinary activities....	1.0	—	(5.2)	(0.3)	(0.7)	(5.6)
<b>(Loss) / profit for the financial year .....</b>	<b>(471.6)</b>	<b>(21.4)</b>	<b>11.0</b>	<b>(2.8)</b>	<b>(1.7)</b>	<b>12.1</b>

### Summary consolidated balance sheet

(in £ million)	2012	2013 As of 31 March	2014	As of 30 June 2014
<b>Fixed assets</b>				
Intangible assets .....	287.5	272.7	256.0	251.9
Tangible assets .....	12.7	10.6	9.9	9.7
Investments in joint ventures				
Share of gross assets .....	—	0.9	1.8	2.3
Share of gross liabilities .....	—	(1.0)	(1.8)	(2.3)
<b>Total share of gross assets / (liabilities) .....</b>	<b>—</b>	<b>(0.1)</b>	<b>—</b>	<b>—</b>
Investments in associates .....	—	—	(0.3)	(0.3)
<b>Investments .....</b>	<b>—</b>	<b>(0.1)</b>	<b>(0.3)</b>	<b>(0.3)</b>
Pension asset .....	0.8	0.6	1.0	1.1
<b>Total fixed assets .....</b>	<b>301.0</b>	<b>283.8</b>	<b>266.6</b>	<b>262.4</b>
<b>Current assets</b>				
Land held for and under development .....	26.8	45.2	52.7	56.0
Work in progress .....	52.6	54.5	71.3	84.2
Debtors: Amount falling due after more than one year .....	23.9	28.0	35.4	34.0
Debtors: Amount falling due within one year .....	179.1	158.6	170.5	169.7
Cash at bank and in hand .....	8.5	10.6	47.1	22.0
<b>Total current assets .....</b>	<b>290.9</b>	<b>296.9</b>	<b>377.0</b>	<b>365.9</b>
<b>Total assets .....</b>	<b>591.9</b>	<b>580.7</b>	<b>643.6</b>	<b>628.3</b>
<b>Liabilities</b>				
<b>Capital and reserves</b>				
Called up share capital .....	0.6	0.6	0.6	0.6
Share premium account .....	240.1	588.5	—	—
Merger reserve .....	294.0	294.0	19.9	19.9
Profit and loss reserve .....	(853.1)	(875.2)	(1.5)	(3.2)
<b>Total shareholders' (deficit) / funds .....</b>	<b>(318.4)</b>	<b>7.9</b>	<b>19.0</b>	<b>17.3</b>
<b>Minority interests .....</b>	<b>(0.6)</b>	<b>(0.6)</b>	<b>(0.6)</b>	<b>(0.6)</b>
<b>Capital employed .....</b>	<b>(319.0)</b>	<b>7.3</b>	<b>18.4</b>	<b>16.7</b>
<b>Other liabilities</b>				
Bank loans due after one year .....	614.8	302.7	282.6	283.7
Other creditors falling due after one year .....	—	—	—	—
Bank loans due in under one year .....	—	—	27.9	27.9
Other creditors falling due in under one year .....	290.8	266.9	311.1	296.3
Pension liability .....	—	0.9	1.2	1.3

<b>Total other liabilities</b> .....	<b>905.6</b>	<b>570.5</b>	<b>622.8</b>	<b>609.2</b>
<b>Provisions for liabilities</b> .....	<b>5.3</b>	<b>2.9</b>	<b>2.4</b>	<b>2.4</b>
<b>Total liabilities</b> .....	<b>591.9</b>	<b>580.7</b>	<b>643.6</b>	<b>628.3</b>

#### Summary consolidated statement of cash flow information

(in £ million)	2012 For the financial year ended 31 March	2013 For the financial year ended 31 March	2014 For the financial year ended 31 March	2013 For the quarter ended 30 June	2014 For the quarter ended 30 June	For the twelve months ended 30 June 2014
<b>Net cash (outflow)/inflow from operating activities</b> .....	<b>23.1</b>	<b>23.3</b>	<b>54.6</b>	<b>(10.3)</b>	<b>(18.5)</b>	<b>46.4</b>
<b>Returns on investment and servicing of finance</b>						
Interest received.....	—	—	0.2	0.1	0.2	0.3
Interest paid .....	(31.9)	(10.9)	(15.0)	(0.4)	(4.5)	(19.1)
<b>Net cash (outflow) / inflow from returns on investment and servicing of finance</b> .....	<b>(31.9)</b>	<b>(10.9)</b>	<b>(14.8)</b>	<b>(0.3)</b>	<b>(4.3)</b>	<b>(18.8)</b>
<b>Taxation</b>						
UK corporation tax refund / (paid) .....	0.6	(0.6)	(1.8)	(0.1)	(1.8)	(3.5)
<b>Capital expenditure and financial investment</b>						
Purchase of tangible fixed assets .....	(1.3)	(1.6)	(2.4)	(0.6)	(0.5)	(2.3)
Sale of tangible fixed assets .....	—	0.7	0.9	0.1	—	0.8
<b>Net cash outflow from capital expenditure and financial investment</b> .....	<b>(1.3)</b>	<b>(0.9)</b>	<b>(1.5)</b>	<b>(0.5)</b>	<b>(0.5)</b>	<b>(1.5)</b>
<b>Acquisitions</b>						
Purchase of subsidiary undertakings.....	(2.0)	—	—	—	—	—
Net cash acquired with subsidiary undertakings .....	13.3	—	—	—	—	—
<b>Net cash inflow from acquisitions</b> .....	<b>11.3</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Financing</b>						
Proceeds from issue of ordinary share capital .....	0.3	—	—	—	—	—
(Decrease) / increase in borrowings.....	(1.5)	(8.8)	—	15.0	—	(15.0)
<b>Net cash (outflow)/inflow from financing</b> .....	<b>(1.2)</b>	<b>(8.8)</b>	<b>—</b>	<b>15.0</b>	<b>—</b>	<b>(15.0)</b>
<b>Increase/(decrease) in cash</b> .....	<b>0.6</b>	<b>2.1</b>	<b>36.5</b>	<b>3.8</b>	<b>(25.1)</b>	<b>7.6</b>

#### Other financial information

(in £ million, except for ratios)	2012 As of or for the financial year ended 31 March	2013 As of or for the financial year ended 31 March	2014 As of or for the financial year ended 31 March	2013 As of or for the quarter ended 30 June	2014 As of or for the quarter ended 30 June	As of or for the twelve months ended 30 June 2014
Group turnover.....	676.1	886.5	930.6	194.6	224.3	960.3
Gross profit .....	50.3	98.4	109.9	20.7	24.2	113.4
Gross profit margin <sup>(1)</sup> .....	7.4%	11.1%	11.8%	10.6%	10.8%	11.8%
EBITDA <sup>(2)</sup> .....	(339.7)	42.1	55.8	7.5	8.7	57.0
Adjusted EBITDA <sup>(3)</sup> .....	34.9	51.9	59.7	8.0	10.3	62.0
Adjusted EBITDA Margin <sup>(4)</sup> .....	5.2%	5.9%	6.4%	4.1%	4.6%	6.5%
Gross capital expenditure <sup>(5)</sup> .....	(1.3)	(1.6)	(2.4)	(0.6)	(0.5)	(2.3)
CFADS <sup>(6)</sup> .....	22.4	21.8	51.3	(10.9)	(20.8)	41.4
As adjusted cash interest expense <sup>(7)</sup> .....						26.0
As adjusted net debt <sup>(8)</sup> .....						256.3
Ratio of Adjusted EBITDA to as adjusted cash interest expense <sup>(3)(7)</sup> .....						2.4x
Ratio of as adjusted net debt to Adjusted EBITDA <sup>(3)(8)</sup> .....						4.1x



## Certain operational data

The following table sets forth certain operational and other data as of and for the financial year ended 31 March 2014 that we use in our Regeneration and Homes divisions.

### Regeneration division:

(in £ million)	As of 31 March 2014
Order Book <sup>(i)(viii)</sup>	797.1
Operations Pipeline <sup>(ii)(viii)</sup>	483.8
<b>Total Secured Business<sup>(iii)(viii)</sup></b>	<b>1,280.9</b>
Factored Identified Opportunities <sup>(iv)(viii)</sup>	698.6
<b>Total Underpinnings<sup>(v)(viii)</sup></b>	<b>1,979.6</b>
Unfactored Identified Opportunities <sup>(vi)(viii)</sup>	4,898.7
<b>Total Identified Opportunities<sup>(vii)(viii)</sup></b>	<b>6,878.2</b>

### Homes division:

	Financial year ended 31 March 2014
Completions <sup>(ix)</sup>	1,853
Average Selling Price (ASP) (in £) <sup>(x)</sup>	113,000
Open Market Sales (OMS) <sup>(xi)</sup>	1,406
OMS as % of Completions	75.9%

- (i) Order Book consists of confirmed expenditure within the Group by virtue of a client order or via a client letter of intent or letter of award, including instances where work has commenced, is nearing completion or has had a final account agreed and billed. To value our Order Book, we count the full value of each contract associated with the relevant work. See “*Presentation of financial and other information—Operational measures—Total Secured Business, Total Underpinnings and Total Identified Opportunities*”.
- (ii) Operations Pipeline consists of contracts that have been verbally awarded or which are awaiting an official order, including long-term partnership schemes with committed spend that have not yet been formally awarded, but which have been identified and which we expect will result in work being awarded to us. To value our Operations Pipeline, we count the full value of each contract associated with the relevant opportunity multiplied (or “factored”) by the estimated probability of success (measured in increments of 10%) we have assigned to such potential opportunity (based on the likelihood of work we believe will actually materialise from such opportunity and generate turnover). See “*Presentation of financial and other information—Operational measures—Total Secured Business, Total Underpinnings and Total Identified Opportunities*”.
- (iii) Total Secured Business represents the sum of our Order Book and Operations Pipeline. See “*Presentation of financial and other information—Operational measures—Total Secured Business, Total Underpinnings and Total Identified Opportunities*”.
- (iv) Factored Identified Opportunities consist of identified potential turnover opportunities that are leads, PQQs or tenders that we have assessed as having a 50% or higher probability of success. To value our Factored Identified Opportunities, we count (i) for any potential opportunity with a success probability in our estimate of 50% or more but less than 60%, 50% of the value of such potential opportunity and (ii) for any potential opportunity with a success probability in our estimate of 60% or more, the full value of such potential opportunity. See “*Presentation of financial and other information—Operational measures—Total Secured Business, Total Underpinnings and Total Identified Opportunities*”.
- (v) Total Underpinnings represents the sum of our Total Secured Business and Factored Identified Opportunities. See “*Presentation of financial and other information—Operational measures—Total Secured Business, Total Underpinnings and Total Identified Opportunities*”.
- (vi) Unfactored Identified Opportunities consist of identified potential turnover opportunities that are leads, PQQs or tenders that we have assessed as having a less than 50% probability of success. To value our Unfactored

Identified Opportunities, we count the full value of the contracts associated with these opportunities. See “Presentation of financial and other information—Operational measures—Total Secured Business, Total Underpinnings and Total Identified Opportunities”.

- (vii) Total Identified Opportunities represent the sum of our Total Underpinnings and Unfactored Identified Opportunities. See “Presentation of financial and other information—Operational measures—Total Secured Business, Total Underpinnings and Total Identified Opportunities”.
- (viii) When valuing Total Secured Business, Total Underpinnings and Total Identified Opportunities, including assessing the likelihood of work actually materialising from each potential opportunity within our Total Identified Opportunities, we make a number of judgments, estimates and assumptions. Such judgments, estimates, assumptions and other factors are inherently uncertain and subject to significant business, economic, competitive, regulatory, weather-related and other uncertainties and contingencies, all of which are difficult to predict and many of which are beyond our control. There can be no assurance that the estimates and assumptions we make with respect to our probability of success or otherwise will prove to be correct or that we will fully realise the potential value of the contracts and opportunities within our Total Identified Opportunities. See “Presentation of financial and other information—Operational measures—Total Secured Business, Total Underpinnings and Total Identified Opportunities”.
- (ix) Completions represent the number of new build homes that we have sold over the period indicated. See “Presentation of financial and other information—Operational measures—Completions, Average Selling Price and Open Market Sales”.
- (x) Average Selling Price represents the average selling price of our new build homes during the period indicated, calculated as the turnover of our Homes division (being the fair value of the consideration received or receivable in respect of Completions) during the relevant period, divided by the number of Completions during such period, and rounded to the nearest thousand. See “Presentation of financial and other information—Operational measures—Completions, Average Selling Price and Open Market Sales”.
- (xi) Open Market Sales represent the number of new build homes sold in the private housing market for the period indicated. See “Presentation of financial and other information—Operational measures—Completions, Average Selling Price and Open Market Sales”.
- (1) We define gross profit margin as our gross profit divided by our turnover for the period presented.
- (2) We define EBITDA as our profit/(loss) for the period presented before tax on profit/(loss) of ordinary activities, net interest payable, amortisation and depreciation for such period. We believe EBITDA is a relevant measure for assessing and measuring the recurring operating performances of our business. Accordingly, we have presented EBITDA in this Offering Memorandum to permit a more complete and comprehensive analysis of our operating performance. Other companies may calculate EBITDA differently than we do. EBITDA is not a measurement of financial performance under UK GAAP and is not audited and should not be considered as a measure of liquidity or an alternative to operating profit for the year of any other performance measure derived in accordance with the UK GAAP. See “Presentation of financial and other information—Non-GAAP financial measures”. EBITDA as presented here differs from the definition of “Consolidated EBITDA” contained in “Description of the Notes” and in the Indenture.

The following table provides a reconciliation of our profit/(loss) for the periods presented to our EBITDA for these periods:

						For the twelve months ended 30 June 2014
(in £ million)	2012 For the financial year ended 31 March	2013	2014	2013 For the quarter ended 30 June	2014	
Profit/(loss) for the period.....	(471.6)	(21.4)	11.0	(2.8)	(1.7)	12.1
Tax on profit/(loss) on ordinary activities.....	(1.0)	—	5.2	0.3	0.7	5.6
Net interest payable .....	100.4	44.8	20.7	5.3	4.8	20.2
Amortisation .....	30.5	16.6	16.7	4.2	4.2	16.7
Depreciation.....	2.0	2.1	2.2	0.5	0.7	2.4
<b>EBITDA .....</b>	<b>(339.7)</b>	<b>42.1</b>	<b>55.8</b>	<b>7.5</b>	<b>8.7</b>	<b>57.0</b>

- (3) We define Adjusted EBITDA as our EBITDA for the applicable period as adjusted for the inclusion of shared equity provision credits from the profit and loss interest line and for the exclusion of exceptional items including exceptional trading losses, land impairment, discontinued operations, redundancy and restructuring, refinancing costs and strategy review, property impairment, other exceptional items and goodwill impairment. Such exclusions are considered by our management to be non-recurring and/or non-cash in nature and therefore not reflective of the on-going performance of our business. We believe Adjusted EBITDA is a relevant measure for assessing and measuring the recurring operating performance of the business. Accordingly, we have presented Adjusted EBITDA in this Offering Memorandum to permit a more complete and comprehensive analysis of our operating performance. Other companies may calculate Adjusted EBITDA differently than we do. Adjusted EBITDA is not a measurement of financial performance under UK GAAP and is not audited and should not be considered as a measure of liquidity or an alternative to operating profit for the year or any other performance measure derived in accordance with UK GAAP. See “*Presentation of financial and other information—Non-GAAP financial measures*”. Adjusted EBITDA as presented here differs from the definition of “Consolidated EBITDA” contained in “Description of the Notes” and in the Indenture.

The following table provides a reconciliation of our EBITDA to Adjusted EBITDA:

(in £ million)	2012	2013	2014	2013	2014	For the twelve months ended 30 June 2014
	For the financial year ended 31 March	For the financial year ended 31 March	For the financial year ended 31 March	For the quarter ended 30 June	For the quarter ended 30 June	
<b>EBITDA</b>	<b>(339.7)</b>	<b>42.1</b>	<b>55.8</b>	<b>7.5</b>	<b>8.7</b>	<b>57.0</b>
Inclusion of shared equity provision credits from interest <sup>(i)</sup>	0.7	1.4	1.8	0.5	0.5	1.8
Adjustments for exceptional items:						
Exceptional trading losses <sup>(ii)</sup>	17.0	0.7	—	—	—	—
Land impairment <sup>(iii)</sup>	1.7	—	—	—	—	—
Discontinued operations <sup>(iv)</sup>	1.7	—	—	—	—	—
Redundancy and restructuring <sup>(v)</sup>	7.7	4.8	0.4	—	—	0.4
Refinancing costs and strategy review <sup>(vi)</sup>	—	2.9	1.7	—	1.1	2.8
Property impairment <sup>(vii)</sup>	4.7	—	—	—	—	—
Other exceptional items <sup>(viii)</sup>	0.4	—	—	—	—	—
Goodwill impairment <sup>(ix)</sup>	340.7	—	—	—	—	—
<b>Adjusted EBITDA</b>	<b>34.9</b>	<b>51.9</b>	<b>59.7</b>	<b>8.0</b>	<b>10.3</b>	<b>62.0</b>

- (i) Pursuant to UK GAAP, shared equity provisions are booked as cost of sales, whereas the unwind of the provision is treated as a credit to interest expense. For purposes of our management accounts, we reallocate the unwind of the shared equity provision as a credit to cost of sales in order to provide a more meaningful presentation of EBITDA.
- (ii) Exceptional trading losses relate to a small number of contracts that originated from our West Midlands business unit where certain significant issues associated with procurement and delivery resulted in contract losses of a magnitude that we believe represent exceptional items. While the majority of losses were recognised in the financial year ended 31 March 2012, certain legacy costs were incurred in the financial year ended 31 March 2013. See “*Management’s discussion and analysis of financial condition and results of operations*”.
- (iii) Land impairment is the amount by which the book value of land was reduced in the statutory accounts to bring it in line with fair value for accounting purposes for the periods presented.
- (iv) During the financial year ended 31 March 2011, we ceased operations in Evolve Built for Life Limited, our joint venture manufacturing division of off-site modular units. While most of the costs associated with the termination of this joint venture were incurred in the financial year ended 31 March 2011, £1.3 million of legacy costs were incurred in the financial year ended 31 March 2012. In the financial year ended 31 March 2012, we also incurred exceptional items in dismantling our photovoltaic installation business which we no longer considered viable following the UK government’s decision, at short notice, to bring forward the commencement date for reductions in the feed-in tariffs from March 2012 to December 2011.
- (v) Following the 2012 Merger, we incurred significant restructuring costs in connection with the closure of our in-house hire division, Keepmoat Site Services Limited, and disposal of assets. These costs comprised redundancies and associated restructuring costs, costs in relation to vacated properties, and asset impairment.

During the financial year ended March 31 2014, we incurred £0.4 million costs in relation to the rationalisation and centralisation of our accounts payable function in Doncaster.

- (vi) During the financial year ended 31 March 2013, we undertook a refinancing of our debt and incurred corporate, legal and due diligence costs and fees in connection therewith. In the financial year ended 31 March 2014, we incurred costs in connection with a review of the strategic options for the Group. During the quarter ended 30 June 2014, we incurred £1.1 million in costs associated with the refinancing of the Group.
- (vii) Due to prevailing market conditions in the 2012 financial year we considered it prudent to perform impairment reviews on the properties we owned. Following the review several properties were impaired by a total of £4.7 million.
- (viii) Other exceptional items include provisions for dilapidations which covers all of our leased estate. The provision is determined based on the expected dilapidations cost per property up to the end of lease, and providing for the element up to the date of the financial statements, pro-rated on a straight line basis.
- (ix) We carried out an impairment review of the goodwill held in our balance sheet at 31 March 2012. The goodwill was assessed by reference to our five year business plan, using a discounted cash flow valuation. The key assumptions used in the impairment review by management were a post-tax discount rate of 12% and a long term growth assumption of 1.5%. As a result, goodwill was impaired to a fair value of £287.5 million as of 31 March 2012.
- (4) We define Adjusted EBITDA Margin as our Adjusted EBITDA divided by our turnover for the period presented.
- (5) Gross capital expenditure represents our purchase of tangible fixed assets for the period presented.
- (6) CFADS (or cash flow available for debt service) represents our net cash inflow from operating activities for the period presented less net cash outflow from capital expenditure less UK corporation tax refund/(paid) for such period.
- (7) As adjusted cash interest expense represents our cash interest expense in connection with debt incurred under the Revolving Credit Facility and the Notes, assuming the Transactions had occurred on 1 July 2013. No amounts are expected to be drawn under the Revolving Credit Facility on the Completion Date, although approximately £22 million is expected to be utilised under the Revolving Credit Facility on the Completion Date to roll over certain existing letters of credit and surety bonds. On an as adjusted basis, only the fees incurred under approximately £5 million of such rolled over letters of credit and surety bonds would have been accounted for as interest expense (in the amount of approximately £0.2 million). The fees incurred under the remaining approximately £17 million of such rolled over letters of credit and surety bonds would have been accounted for as cost of sales (in the amount of approximately £0.6 million). Accordingly, as adjusted cash interest expense only reflects the interest expense in relation to the approximately £5 million of such rolled over letters of credit and surety bonds and the non-utilisation fee payable on the unutilised portion of the Revolving Credit Facility.
- (8) As adjusted net debt represents total debt (net of unamortised issue costs), as adjusted to give *pro forma* effect to the Transactions as if they had occurred on 30 June 2014, less cash and cash equivalents. See “*Capitalisation*”.

## Risk factors

*An investment in the Notes involves a high degree of risk. In addition to the other information contained in this Offering Memorandum, you should carefully consider the following risk factors before purchasing the Notes. Additional risks and uncertainties of which we are not aware or that we currently believe are immaterial may also adversely affect our business, financial condition or results of operations. The order in which the risk factors are presented does not necessarily reflect the likelihood of their occurrence or the magnitude or significance of the individual risk factor. If any of the possible events described below occurs, our business, financial condition or results of operations could be materially adversely affected. If that happens, we may not be able to pay interest or principal on the Notes when due and you could lose all or part of your investment.*

### Risks relating to our business

***Much of our business is secured either directly or indirectly from various government sources, and changes in local, UK or European government funds, grants or subsidies could significantly impact our business.***

Contracts with public sector customers, including public private partnerships (each a “PPP”), private finance initiatives (each a “PFI”), Local Authorities and Housing Associations, represented, for the financial year ended 31 March 2014, approximately 96% of turnover in our community regeneration services division (“**Regeneration**”). Similarly, for our Homes division, as at 31 March 2014, approximately 96% of its land bank was secured through partnership agreements with Local Authorities and Housing Associations. As a result, our activities are heavily dependent on the spending plans of these organisations.

A key driver of our Regeneration division is the ability of Registered Providers (being registered organisations that provide Affordable Housing, including Housing Associations, Local Authorities and private companies previously known as Registered Social Landlords) to finance the construction of new properties and the maintenance of their existing properties, which draws in part from local, UK central and European government funding streams as well as from rental income from their housing stock. Funding from the UK central government for Affordable Housing has decreased in recent years as a result of austerity measures. In response to several policy changes, government held debt for social housing, the Housing Revenue Account (“**HRA**”), underwent a series of reforms resulting in the devolution of the assets, liabilities and management of the UK’s social housing stock to Local Authorities. Local Authorities are now able to fund the construction and maintenance of their social housing stock predominantly through their rental income, turnover and debt rather than solely through contributions from the UK’s central government, which may make them more price conscious or result in changes to the relative allocations of their social housing spending as between construction and maintenance. See also “—*The markets in which we operate could become increasingly competitive.*”

Our Homes division directly accesses UK central government funding schemes, where available, to subsidise building costs and assist in the viability of schemes. For example, the Homes division had received £3.4 million in funds as at 30 June 2014 from the “Get Britain Building” funding scheme. See “*Regulation—Homes UK funding schemes—Get Britain Building*”. To the extent that we continue to rely on government funding to finance or subsidise our build costs, a decrease in or withdrawal or clawback of such funding could significantly impact our business.

Our Homes division is also dependent upon the level of expenditure in the public sector, Local Authorities’ desire to identify and pursue projects, as well as general housing market dynamics and the impact of government policies thereon. See “*Our business—Business operations—Homes division—Capital-Light business model: partner relationships*”. The availability of mortgages can depend upon lending criteria and products that support buyers’ ability to produce the necessary deposit, as well as assistance from government stimulus programmes. See “—*Failure by our Homes customers to procure a mortgage or other form of funding could lead to decreased sales, reservations and cancellations of sales contracts*”. For example, the UK government’s Help to Buy (“**HTB**”) scheme was designed to encourage home ownership in the UK. See “*Regulation—Homes UK funding schemes—Help to Buy Programme*”. As of 30 June 2014, the HTB scheme has helped 27,167 people purchase a new home, and in the financial year ended 31 March 2014, 56% of Open Market Sale reservations within our Homes division used the HTB scheme. Although the HTB scheme has been extended to 2020, it remains subject to future regulatory changes, including to applicable eligibility criteria. For example, on 26 June 2014, the UK government announced that the HTB scheme would not be available for any new loans at or above 4.5 times the borrower’s income. Such changes may reduce the availability of government funding of mortgages, which in turn may reduce public demand within the Homes market.

In the future, governments and/or local bodies may change their priorities and programmes, for example, by reducing present or future investment in publicly funded Regeneration projects, reducing or amending mortgage assistance schemes in Homes, or undertaking welfare reforms that may impact funding stability for Registered Providers (for example, by introducing a universal credit system that increases the risk of rental arrears). For example, the UK government provided £1.6 billion to the Decent Homes Programme for the period from 2011 to 2015, which supported a number of relatively large and higher-margin Regeneration division contracts. A further £160 million has been allocated

for the period from 2015 to 2016 but there can be no assurance that the UK government will thereafter continue its funding with a similar programme, or at all. See also “*Regulation—Regeneration UK funding schemes—Refurbishment and maintenance—Decent Homes Programme*”. Any further reductions in such government investment and funding may adversely affect our future turnover and margins and may have a material adverse impact on our business, financial condition and results of operations.

***We operate in a highly regulated industry and our businesses are subject to a complex regulatory environment which may change.***

We are required to comply with national, local and other laws and regulations and administrative requirements and policies which relate to, among other matters, planning, developing, building, land use, financing through the government-backed Energy Companies Obligation (“**ECO**”) and Green Deal schemes, sales, providing or arranging mortgage financing, fire, health and safety, environment and employment. These laws and regulations and administrative requirements and policies often provide broad discretion to the administering authorities. Changes in relevant law, regulations, administrative requirements or policies, or the interpretation thereof, or delays in obtaining advice on such interpretations from the authorities may increase costs or delay work and completion. See “—*Political changes and uncertainty in the UK could impact our business*”.

Each aspect of the regulatory environment in which we operate is subject to change. Changes could have an adverse impact on our business and operating results, in particular in (but not limited to) the following areas:

- changes to building regulations;
- additional planning requirements;
- changes to labour laws;
- changes to health and safety regulations;
- changes to environmental, sustainability and land use requirements;
- changes to Green Deal finance; and
- changes to regulation regarding provision of mortgages.

For example, in the financial year ended 31 March 2012, we incurred exceptional items of £0.4 million in dismantling our photovoltaic installation business, as it was no longer considered viable following the unexpected decision by the UK government to bring forward the commencement date for reductions in feed-in tariffs to December 2011 (ultimately delayed to 3 March 2012 following a legal challenge).

In particular, we are also subject to numerous laws, regulations and policies concerning protection of health, safety and the environment. The impact of such laws, regulations and policies can vary greatly from site to site, depending on, among other things, the scope of work undertaken, the site’s environmental condition and the present and former uses of the site. Environmental laws, regulations and policies may result in delays, give rise to substantial compliance or remediation costs and requirements, and prohibit or severely restrict development at our sites. We also could incur substantial costs, including clean-up costs, fines, penalties and third party claims for personal injury or property damage as a result of violations of, or liabilities under, such laws, regulations and policies.

Local and national planning policies, as well as local urban regeneration strategies, continue to have an impact on the financial performance of housing development and regeneration service providers. Our ability to obtain the necessary planning permissions is dependent on our ability to meet the relevant regulatory and planning requirements. Planning policies can restrict the availability of new land for which suitable planning permission is available and closely control how land is developed. For example, planning permissions can be very specific on matters including the density, types of housing and availability of car parking spaces. If the views of the planners do not coincide with customers’ aspirations, there may be a negative impact on demand for the product. The estimated number of plots and the economic feasibility of development represented by our land may also be reduced due to planning considerations. As of 31 March 2014, we did not have planning permissions for approximately 35% of our land bank, and we cannot guarantee that we will be able to procure the necessary planning permissions to develop these sites. Additionally, the planning processes for many of our projects involve public consultations, which may result in adverse planning outcomes. We may also be required to make significant expenditures on community infrastructure and facilities and provide a minimum amount of affordable housing as a condition of receiving planning permission. Any failure to obtain such planning permissions on favourable terms or at all may have a material adverse impact on our business, financial condition and results of operations. While we have

developed policies and procedures to comply with existing requirements, there can be no assurance that these requirements will not change. For example, in 2012 the National Planning Policy Framework was published which was aimed at, amongst other things, simplifying planning and ensuring local communities are the keystone of the planning system. If these requirements change again, such change may have a material adverse impact on our business, financial condition and results of operations.

***The markets in which we operate could become increasingly competitive.***

Our Regeneration business is subject to competitive pressures. There have been some high profile failures within the industry in which we operate, such as those of Rok and Connaught, and high-profile acquisitions, such as that of Morrison by Mears. As other players merge or acquire our competitors, new and larger competitors may continue to enter into our chosen markets, and competitive pressures may continue or increase. During the most recent economic downturn, we also experienced increased competitive pressures from mainstream contractors that temporarily entered the markets in which we operate due to a downturn in more general construction work. There is also a risk in an increasingly competitive environment that we may lose clients and fail to secure new clients, partners or customers, or experience increased difficulties in securing government funding, which may have a material adverse impact on our business, financial condition and results of operations.

For example, the client base of our Regeneration division largely consists of Local Authorities, Housing Associations and other Registered Providers. If such clients decide to use their own in-house employees to provide the same Regeneration services that we provide, we could lose a significant portion of our business and, as a result, our business could be materially adversely affected.

Within our Homes business, our competitors include other local, regional and national home builders, who may enjoy greater sales and financial resources and lower funding costs than us. For example, in our recent experience, in numerous invitations to tender issued by Local Authorities and Housing Associations, bids that proposed payment structures including deposits and/or early up front land price payments attracted higher scores. This trend may favour our competitors to the extent they are able to make such deposits and/or early up front land price payments. Many of these competitors also have longstanding relationships with Local Authorities, Housing Associations, other Registered Providers, subcontractors and suppliers in the markets in which we operate. Although we largely operate a non-traditional house building business model, we compete in the same pool as traditional house builders for finance, desirable sites, materials, skilled labour and buyers. Within the wider housing market, our Homes division also competes with second-hand housing sales. A deterioration of the wider housing market, or in the perceived desirability of an area within which we operate could negatively impact our ability to achieve our target values and have a material adverse impact financial condition and results of operations.

Through warranty and insurance providers, and in particular through the National House Building Council (“NHBC”) with whom we have a premium rating, our Homes division currently sells homes with a ten-year warranty cover in accordance with market practice. Loss of our premium rating with NHBC would mean we could no longer offer such warranty cover at the same cost to us when we sell new homes, which would make us significantly less attractive as compared with other new homes providers. This could cause us significant difficulty in securing partnerships with Local Authorities.

***We are subject to UK and global economic conditions.***

Negative developments in the macro-economic situation have adversely impacted us in the past and may do so in the future. For example, during the period between 2010 and 2013, total public spending on Regeneration in the UK decreased from £18.3 billion to £14.5 billion. In addition, house building activity in the lower quartile housing market that our Homes business is aimed at reduced from 19,800 units per annum in 2007 to 16,100 units per annum in 2013 as a result of decreased funding for house building, lower demand and decreased availability of mortgage financing. Our performance depends to a certain extent on a number of macro-economic factors that are outside of our control and which, as in the case of the example described above, may impact consumer and commercial spending, including, financial and economic conditions. Changes in gross domestic product growth, unemployment rates, consumer and business confidence, Government housing support, social and industrial unrest, the availability and cost of credit and interest rates could have an adverse effect on our business, financial condition and results of operations.

The future long-term impact on our business of changes in global financial performance is difficult to predict. Although the UK is emerging from recession, any set-backs or new macro-economic instability could lead to deterioration of tax receipts and government spending, which could reduce the level of demand for, and supply of, our Regeneration services and new homes. In particular, there can be no assurance as to levels of future economic growth, which is an important factor affecting the demand for certain of our services.

The industry in which we operate is largely dependent on investments undertaken by both the public and private sectors. The level of investment by the public and private sectors is, in part, connected to general economic conditions. There can be no guarantee that current favourable trends in our industry will continue in the coming years, or that market conditions will not stagnate or deteriorate or that future austerity measures will not negatively impact the budgets and spending decisions of our clients of both of our divisions. In addition, there is no guarantee that we will not experience increases in the cost of financing related to the alternative funding solutions that our customers are increasingly reliant on. If conditions limit investment by the public and private sectors or result in an increase in their cost to us, this may have a material adverse effect on our business, financial condition and results of operations.

***Failure by our Homes customers to procure a mortgage or other form of funding could lead to decreased sales, reservations and cancellations of sale contracts.***

The growth of the housing market depends largely on the ability of customers to secure financing to buy a home, as well as on how confident they are about their ability to make regular payments on their mortgages over several years. Due to weak economic conditions, prospective homebuyers' ability to secure the means to buy a home has in recent years depended more on their ability to borrow funds and access government stimulus programs than their purchasing power. Our sales are therefore impacted by banks' and other lenders' willingness and ability to provide financing to prospective homebuyers, and the terms on which they are willing and able to do so. Decreased availability of mortgages may negatively impact our customers' ability to purchase new houses. Mortgage terms, including average duration, loan-to-value ratios and other lending criteria, and interest rates (and therefore the actual and expected monetary policies of the Bank of England, including both the speed and magnitude of any interest rate increases), could also have a direct impact on demand for the housing we supply through our Homes division. Lending criteria such as increased checks on personal finances could have a material adverse effect on the ability of our customers to secure a mortgage. Future changes in government policy and stimulus programs may also adversely affect the ability of our customers to obtain government financial assistance and mortgages. See "*Much of our business is secured either directly or indirectly from various government sources, and changes in local, UK or European government funds, grants or subsidies could significantly impact our business.*" There is a risk that our Homes customers will not receive mortgage approvals or qualify for funding, which may result in the cancellation of their sales contracts. If it becomes more difficult to secure a mortgage or obtain government financial assistance, customers purchasing housing within the lower quartile price point may be particularly impacted, as such customers tend to require loans with higher loan-to-value ratios. We aim to mitigate this risk as much as possible by reviewing a prospective buyer's ability to qualify for a mortgage or other form of funding prior to entering into the contract and reporting the transaction as a sale. This initial review is based solely on information provided to us by the buyer, without independent verification. The risk of such cancellations is exacerbated by constraints in the availability of mortgages and tightened lending criteria, both of which are current characteristics of the housing markets in which we operate, and may have a material adverse impact on our business, financial condition and results of operations.

***Failure in our financial and commercial controls may expose us to contract and execution risk.***

We have in the past suffered significant contract losses as a result of a lack of controls over tendering processes, poor programme management and inexperienced management teams. More specifically, in Regeneration, we experienced exceptional contract losses in the West Midlands of £17.0 million and £0.7 million for the financial years ended 31 March 2012 and 2013, respectively. The instability and liquidity issues that were caused by such losses also resulted in the surety markets being temporarily unavailable to the Group. Similarly, we experienced contract losses of £0.8 million for the financial year ended 31 March 2014 in connection with certain Regeneration contracts in Southern England. These Regeneration contract losses were mainly attributable to a lack of controls over the tendering process, poor programme management and inexperienced management teams, who have since terminated their employment with us. Additionally, in our Evolve joint venture, we experienced contract losses of £1.3 million for the financial year ended 31 March 2012. Evolve was a modular building joint venture company which has since ceased trading, which was unsuccessful due to excessive costs, caused by a lack of economies of scale due to poor customer take-up. Moreover, due to poor quality in the manufacture of the modular units, time on site as well as general installation costs increased. Although we have since undertaken reviews of our control processes and made significant improvements, there can be no guarantee the subsequent changes we have made to our internal controls and senior management team will be sufficient or that further significant contract losses will not occur in the future. Please see "*Our Business—Group operations—IT and Controls—Regeneration—Controls*" and "*Our business—Group operations—SHEQ*".

Our Homes division purchases a large number of sites each year, and we must therefore conduct a large number of operations efficiently and accurately. These operations include, among other things, evaluating the purchase of the site, environmental investigations, designing the layout of the development, sourcing materials and subcontractors and managing contractual commitments, each of which involves risks. Such risks, if not adequately addressed through an effective system of financial and commercial controls, could result in operational losses, and such losses may be material.



In our Homes division, as we expand in Southern England and Scotland, we may also be exposed to new clients, suppliers and subcontractors. There can be no guarantee that our Homes partnership-based business model will insulate us from errors in site valuations or fraudulent activity. We believe we have taken reasonable steps to ensure that our procedures, systems and controls are appropriate, such as the ongoing implementation and development of COINS ('construction industry solutions') (see "*Our Business—Group operations—IT and Controls—Homes*"), our integrated information system that enables us to reassess projects and manage sales processes, across all our Homes systems functions. However, there can be no guarantee that these systems will be sufficient and errors by employees, failure to comply with regulatory requirements and conduct of business rules, failings or inadequacies in internal control processes, equipment failures, natural disasters or the failure of external systems, including those of our suppliers or counterparties, could result in operational losses that may have a material adverse impact on our relationships with our customers and our business, financial condition and operating results. Please see "*Our business—Group operations—IT and controls—Homes*".

***Difficulties and complications encountered in connection with the construction process and other events that may arise in the course of construction could disrupt our business and could result in substantial increases in total costs or adversely affect our returns.***

If we fail to accurately assess expected costs, turnover or risks on a particular contract, then we may fail to achieve our expected returns. Our returns depend on costs being controlled and projects being completed on time. For example, cost overruns, whether due to inefficiency, poor design, faulty estimates, insufficient oversight, cost escalation (including due to inflation), and/or cost overruns by subcontractors or other factors, can result in a lower return on a project. In addition, failure to follow best practice guidelines could mean that projects are not delivered on time or do not meet agreed quality, appropriate health and safety or environmental standards and therefore do not meet customer expectations.

Our most significant costs are our subcontractor and supplier costs, and we rely on local and regional subcontractors from a variety of trades. While we budget construction costs for each program before construction begins, and our subcontractors generally provide us with services on the basis of fixed price contracts based on certain specifications and our suppliers generally agree to make deliveries on the basis of pre-agreed prices, building and construction costs can increase above anticipated amounts as a result of several unforeseeable events. We may face additional costs related to, among other things, unexpected technical challenges, changes in development specifications, exceptional weather conditions that delay work, labour shortages, accidents during construction, the insolvency or poor performance of a subcontractor, environmental factors, changes in consumer preferences or new regulations or legal requirements. These unforeseeable events could have a negative impact on our business, financial condition and results of operations.

***A major health and safety incident could be costly in terms of potential liabilities and reputational damage.***

Health and safety performance is critical to the success of all areas of our business. Worksites are inherently dangerous places and operating in our industries poses certain health and safety risks. Any failure in health and safety performance may result in penalties for non-compliance with relevant regulatory requirements, and a failure which results in a major or significant health and safety incident may be costly in terms of potential liabilities incurred as a result. Furthermore, such a failure could also generate significant adverse publicity and have a negative impact on our reputation and our ability to win new business, and may expose management to personal criminal liability, which in turn may have a material adverse impact on our business, financial condition and results of operations.

For example, in 2013 we received a Police and Criminal Evidence Act ("**PACE**") interview notice from the Health and Safety Executive ("**HSE**") in connection to a safety incident involving the collapse of temporary bracketing holding roof trusses, in which a worker was seriously injured. We have attended an interview under caution in connection with this incident, and are currently awaiting a decision as to whether the HSE will prosecute us. It is currently difficult to assess what our potential liability if we are prosecuted is likely to be and there are no statutory caps on the quantum of any fines that may be imposed. Additionally, in 2012 we were ordered to pay approximately £300,000 in fines, costs and compensation in relation to refurbishment work completed by our Apollo legacy business as a result of carbon monoxide fumes that escaped into homes in 2008 at the Abbey Road Estate in Camden and resulted in the hospitalisation of seven people. The case was heard in the Old Bailey Central Criminal Court and was investigated by the HSE, a national independent watchdog for work-related health, safety and illness in the UK. Although we do not expect these claims and fines to have a material impact on our results of operations, future health and safety incidents may result in similar or larger fines and claims and damage our reputation and public image.

Some of our operations are conducted at sites in which residents are still in occupancy which adds additional risk to the inherently dangerous nature of a worksite. Any significant accident or health and safety failure could result in significant harm to any person present, including any current resident or member of the general public at or near the worksite. There can be no assurance that a major accident or safety incident will not cause significant bodily injury, physical harm or death of any person present or nearby. In addition, such an event could result in significant damage to a resident's property. The occurrence of any such event could also cause us significant negative publicity, damage our reputational

and limit our ability to attract new business, which in turn may have a material adverse impact on our business, financial condition and results of operations. See also “—*We are currently, and may in the future become, involved with legal disputes.*”

***Political changes and uncertainty in the UK could impact our business.***

Our business may be impacted by future political developments. For example, we may be exposed to uncertainty surrounding the outcome of the UK’s general election in 2015. Any future effort by the UK government to renegotiate EU treaties (or even a potential withdrawal of the UK from the EU) may also give rise to significant uncertainty. These and other political events, and the associated uncertainties, could have a material adverse impact on the markets in which we operate and the future funding streams for our customers.

***We may be impacted by changes to our cost base, especially subcontractors, and cost savings or cost reduction programmes may not be achieved or could impact our ability to respond to a change in market conditions.***

We continue to review our cost savings and cost reduction programmes. While we believe that the measures we have taken are appropriate in the current conditions, there can be no assurance that further cost reduction measures will not become necessary. Our measures may also impair our ability to carry on our business efficiently or have other adverse impacts in the event of future changes in market conditions, including increases in subcontracting costs. See “—*Our business depends on the continued viability, cost and availability of subcontractors and other service providers*”. There is a risk that the implementation of these actions may not yield the anticipated benefits, be more costly than currently anticipated, or may have a material adverse impact on our business, financial condition and results of operations.

***Our results of operations are affected by the cyclical nature of the construction industry and by seasonal effects.***

The construction industry tends to be cyclical and is dependent on the level of construction-related expenditures in the residential, industrial and commercial sectors, public investments and public and private spending on infrastructure projects. The construction industry is particularly sensitive to factors such as GDP growth, interest rates and cost of mortgage financing for residential, commercial and industrial construction, inflation, consumer confidence as well as other macroeconomic factors. Political instability or changes in government policy may also negatively affect the construction industry, particularly those markets with higher exposure to civil engineering and infrastructure spending. Moreover, demand in the construction industry may be affected by demographic trends, such as ageing and declining populations in mature markets and changes in the average number of persons living in one household or migration trends.

Our Homes business, in particular, is directly exposed to the cyclical nature of the construction industry. However both divisions can be impacted through the labour market. During periods of market contraction, pools of labour leave the market, sometimes permanently, for example to retrain in other professions or move abroad in search of work. As markets recover demand for labour increases and the associated impact on labour rates and availability can impact both of our divisions. We aim to minimise risks of subcontractor rate increases on developments by fixing subcontractor prices over a phase, or part-phase, of a development through ‘all risk’ contracts and by matching subcontractor agreements to our agreements with landowners. However, we cannot eliminate our exposure to cyclical cost increases during development which may have a material adverse impact on our business, financial condition and results of operations.

The cyclical nature of the construction industry also impacts the supply of materials. See “—*We are exposed to fluctuations in the price and supply of materials.*”

Moreover, our business is, to a certain extent, dependent on weather conditions and is subject to seasonality. In periods of cold weather and over holiday periods (such as the Christmas period), lower demand for Regeneration services may occur and the level of construction and refurbishment activity at our sites may be reduced; this may be aggravated by particularly harsh weather conditions such as those that occurred in the first quarter of 2013. See “—*We may suffer uninsured losses or suffer material losses in excess of insurance proceeds in relation to natural disasters, terrorist attack, war, sabotage, social unrest, corruption and other unforeseen events outside our control*”. Additionally, spending by Local Authorities, Housing Associations and other Registered Providers typically peaks in our fourth quarter as those bodies seek to fully utilise their remaining budgets for their financial years (which typically also end on 31 March). Sales in our Homes division also typically peak in our fourth quarter, as a result of the timing of developments and sales completions. These effects may lead to a volatile development of our quarterly financial results, and historically sales in the fourth quarter have therefore been significantly higher than in the other quarters of the year. Results of a single fiscal quarter might therefore not be a reliable basis for the expectations of a full fiscal year and may not be comparable with the results in the other fiscal quarters. Seasonality effects may also increase our working capital requirements.

***We are exposed to fluctuations in the price and supply of materials.***

Our materials suppliers vary in each market in which we operate due to the specific requirements of our projects. Although we include material cost estimates in our tenders, costs are subject to price fluctuations as well as availability, such that even if we allow for an increase in cost we still may not be able to source the necessary material.

Both our divisions are heavily impacted by our ability to source the correct materials such as bricks, panels and blocks. The cyclical nature of the construction industry impacts the supply of materials so that in times of market contraction, production is scaled back and therefore when markets recover there can be a lag on supply which pushes prices upwards. Bricks, for example, can be difficult to source in the UK during periods of increased building activity and are a necessary material for our operations. A shortage in the supply of bricks in the UK typically results in the increase in brick prices owing to transport costs associated with their import and also results in delays in their availability, both of which could result in significant increases in the cost of our construction projects. As activity in the UK house building market recovers, we are beginning to experience supply shortages and rising prices of certain building materials including bricks; the three largest UK brick manufacturers have each recently reduced the committed volumes of bricks they are prepared to make available to us. Our exposure to the cyclical nature in supply of materials and resulting time lag in supply and price increases, may have a material adverse impact on our business, financial condition and results of operations.

In addition, the supply of essential materials may be delayed or interrupted due to factors beyond our control, which could result in project delays and increased costs if alternative suppliers are unable to provide timely replacements at competitive prices. Moreover, we may be unable to pass on any or all of the increased material costs to our customers. Further, we also source bespoke materials, such as the customised panels we procured for the Pendleton scheme. If these products do not meet our specifications or ultimately cannot be used within our projects, they may not be fungible with our other material requirements, may be used or sold at a loss or not used or sold at all. Such price fluctuations or supply interruptions could have a material adverse effect on our business, financial condition and results of operations.

***We are impacted by changes within our customer base and our Total Secured Business, Total Underpinnings and/or Total Identified Opportunities are not necessarily indicative of our future performance.***

Our Total Secured Business, Total Underpinnings and/or Total Identified Opportunities reflect the estimated value of our Order Book, our Operations Pipeline, our Factored Identified Opportunities and our Unfactored Identified Opportunities. See “*Presentation of financial and other information—Operational measures—Total Secured Business, Total Underpinnings and Total Identified Opportunities*”. Our estimated Total Secured Business, Total Underpinnings and Total Identified Opportunities, represented £1.3 billion, £2.0 billion and £6.9 billion in potential turnover as of 31 March 2014, respectively. Each of our Total Secured Business, Total Underpinnings and Total Identified Opportunities are subject to substantial fluctuations and are not necessarily indicative of our turnover, cash flow or results of operations for future periods. Unforeseen events or circumstances, including, for example, termination, delay, scope reduction or adjustments, increased time requirements to complete the work, delays in commencing work, disruption of work, irrecoverable cost overruns or other unforeseen events may affect projects included within our Total Secured Business, Total Underpinnings and/or Total Identified Opportunities and could have a material adverse effect on our business, financial condition and results of operations. There can also be no assurance that we will secure contracts equivalent in scope and duration to replace any lost or completed contracts. Additionally, the terms of our framework agreements generally do not oblige our customers to purchase minimum volumes of services from us.

In addition, we operate some of our Total Secured Business, Total Underpinnings and/or Total Identified Opportunities through unconsolidated minority-held special-purpose companies. If these minority-held special-purpose vehicles do not generate distributable profits, choose not to distribute their profits or for any other reason are unable to transfer the profit on the applicable projects in the Total Secured Business, Total Underpinnings and/or Total Identified Opportunities to us, or if we are unable to dispose of our interest in such entities, this could result in a material adverse effect to our business, financial condition and results of operations.

Further, in our Homes division we may have customers who have not entered into a legally binding contract, may cancel their reservation or may fail to complete a house purchase (for example, due to a change of circumstances, inability to sell their existing home or lack of funding). If house prices decline, if interest rates increase or if other adverse economic conditions occur, customers may have difficulty in securing mortgages, and they may have an incentive to cancel their contracts with us, even if they might be entitled to no refund or only a partial refund of their deposits. See “*Failure by our Homes customers to procure a mortgage or other form of funding could lead to decreased sales, reservations and cancellations of sales contracts*”. If we need to remarket a home, any forfeited deposit that we retain may not cover the additional costs involved in remarketing the home as well as the costs of carrying higher inventory.

***The net realisable value of our work-in-progress (“WIP”) and land has fallen significantly during prior periods of economic recession and could fall further in the future.***

There is an inherent risk that the value of our build WIP and land WIP may decline. The valuation of a property development project or land is influenced by a number of factors. Changes in regulatory requirements and applicable laws (including in relation to building regulations, taxation, mortgage availability and planning), political conditions, the condition of financial markets, the financial condition of customers, tax regimes and interest and inflation rate fluctuations all mean that valuations are subject to uncertainty. Moreover, all valuations are made on the basis of assumptions, which may not prove to reflect conditions at the time of sale. Valuations of land and housing stock may not reflect actual sale prices. For example, we had to write down £1.7 million of our land held for and under development in the financial year ended 31 March 2012 as a result of a downturn in the UK economy. There is a risk that adverse macroeconomic events and other unforeseen events will have an impact on our current build WIP and land bank, and result in a write-down in their respective values which would have an adverse financial effect, and any future write-downs may have a material adverse impact on our business, financial condition and results of operations.

***The availability, cost, quality and location of land are fundamental to our Homes division.***

Our Homes division relies upon acquiring land at appropriate prices and in appropriate locations. We do not have any control over the volume and timing of partnership and land bank opportunities, and if we are unable to continue to secure land through our partnership-based model with our key Registered Provider clients, then we may be unable to source land at commercially acceptable prices, on favourable terms or at all. The time at which we are able to source land may also have a material impact on the returns we are able to generate from our Homes projects, and our financial condition generally. We are also likely to increasingly source plots through speculative land purchases involving material upfront investments of our own capital, particularly as we seek to increase our presence in regions such as Scotland; this may result in us paying higher average prices for plots as we compete with other homebuilders for available land, which may in turn reduce our margins and return on capital employed and increase the significance of our land WIP and build WIP. There is a risk that unforeseen events will have a negative impact on our ability to source land and the value of our current land bank, which may have a material adverse effect on our business, financial condition and results of operations. See “—*The net realisable value of our work-in-progress (“WIP”) and land has fallen significantly during prior periods of economic recession and could fall further in the future.*”

***Contracts signed with public bodies may result in additional costs and delays and may be open to third party challenges.***

Contracts with public sector customers are a fundamental part of our business with approximately 96% of our turnover in Regeneration derived from public bodies, including Local Authorities and Registered Providers, during the financial year ended 31 March 2014. The granting of contracts by public bodies is governed by strict regulations such as Public Contracts Regulations 2006, which implements into UK law the European Commission’s consolidated directive on public procurement (2004/18/ EC). Failure by our public sector customers to comply with such regulations could give rise to challenges by third parties such as our competitors resulting in proceedings before a court or to cancellation of the contract. As a result, we may incur additional costs and encounter delays when entering into contractual arrangements with public bodies (who are required to comply with such rules and regulations). In addition, there is a risk that the change of control of the Group resulting from the Acquisition could be construed as a material change in the contracts awarded by public bodies and, as such, give rise to grounds for affected economic operators to challenge them on the basis of breach by the relevant contracting authorities of public procurement rules, which could ultimately result in their cancellation. Public bodies may impose technical constraints and requirements that could reduce the profitability of our programs, or insist on contractual terms that are not market standard and are materially unfavourable to us, (such as the voluntary termination rights of the counterparty to the Pendleton PFI building contract), all of which may have a material adverse effect on our business, financial condition and results of operations.

***Our business depends on the continued viability, cost and availability of subcontractors and other service providers.***

Our business model requires us to hire third-party subcontractors to provide onsite work, and we subcontracted £584.4 million of work in the financial year ended 31 March 2014, accounting for 62.8% of our turnover. Although our Regeneration and Homes business models have key differences from traditional business models for their respective services, we compete within the same labour pools and changes in the labour market directly impact our costs. As activity in the house building market picks up, we are beginning to face escalating cost pressures associated with shortages of skilled labour, particularly skilled bricklayers, and materials, particularly bricks, concrete blocks and cranes. See “—*Our results of operations are affected by the cyclical nature of the construction industry and by seasonal effects.*”

Additionally, as we have experienced from time to time in the past, we are exposed to the risk that the subcontractors we employ may subsequently become insolvent, causing cost overruns, programme delays and increasing the risk that we will be unable to recover costs in relation to any defective work performed by such contractor. If a subcontractor or

supplier of goods or services fails financially or is responsible for late or inadequate delivery or poor quality of work on a project, then it could damage our reputation and result in financial losses for us. The insolvency, poor performance or other financial distress of one or more of our current subcontractors may have a material adverse impact on our business, financial condition and results of operations.

***We are required to adopt a new framework for financial reporting which may differ in certain significant respects from UK GAAP.***

In November 2012, the Financial Reporting Council published FRS 100, the first of three new UK GAAP standards (FRS 100-FRS 102), which sets out a new framework for financial reporting in the UK. The new framework gives certain options to qualifying entities to implement either IFRS or FRS 102, which would have the effect of replacing existing UK GAAP reporting standards with a single standard broadly based on IFRS principles.

While we currently prepare our financial statements in accordance with the requirements of UK GAAP, we will be required to comply with the new reporting framework by the financial year ended 31 March 2016. In order to implement the new standard for the financial year ended 31 March 2016, we would also need to restate the comparative period presented in our financial statements for the financial year ended 31 March 2016. We currently anticipate that we will apply IFRS in preparing our consolidated financial statements and FRS 101 in accounting for our subsidiaries.

We have not included financial information prepared in accordance with IFRS in this Offering Memorandum. We have not prepared our financial statements in accordance with, nor have we reconciled our financial statements to IFRS. Therefore we are unable to quantify the impact on our reported profits, financial position or cash flows once they begin to be reported under IFRS. We have summarised below the principal differences between UK GAAP and IFRS that we expect may have an impact on our financial results. The list is not comprehensive and takes no account of current or future changes to IFRS.

- Goodwill: IFRS prohibits the amortisation of goodwill but requires an annual impairment review while under UK GAAP, goodwill must be amortised over its estimated useful life (which, under current UK GAAP, is generally 20 years); and
- Employee benefits: IFRS requires entities to accrue for all employee benefits provided to employees. This would require us to accrue for holidays earned but not taken by employees, which constitutes a change to our current accounting practice under UK GAAP.

IFRS is generally more restrictive and comprehensive than UK GAAP regarding the recognition and measurement of transactions, account classification and disclosure requirements. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions and events are presented in the financial statements or the notes thereto. As there are significant differences between UK GAAP and IFRS, there may be substantial differences in our results of operations, cash flows and financial condition if we were to prepare our financial statements in accordance with IFRS.

You should consult your own professional advisors for an understanding of the differences between UK GAAP and IFRS, and between UK GAAP, IFRS and US GAAP, and how those differences could affect the financial information contained in this Offering Memorandum. In making an investment decision, you should rely upon your own examination of the terms of the offering and the financial information contained in this Offering Memorandum.

If we were to convert to IFRS reporting standards for the financial year 2015, following completion of the Acquisition, under IFRS we would be required to determine the fair value of all assets and liabilities of the Group. The application of the relevant IFRS standard (IFRS 3) on business combinations may also have a significant impact on our EBITDA and profit before tax following completion of the Acquisition. For instance, under IFRS 3, we would be required to reflect profit earned on work to date in the fair value of land and building work in progress, which would have the impact of reducing our EBITDA following completion of the Acquisition. Moreover, the Acquisition is expected to result in the recognition of certain new intangible assets on the balance sheet, reflecting the value of the Group's Order Book, customer relationships and other contractual rights such as plot security. These assets will need to be amortised over an appropriate period, which we expect will impact reported profit before tax. If we were to convert to IFRS reporting standards for the financial year 2016, these changes would impact our reporting for the financial year 2016 and we would also be required to restate our comparative results of operations for the financial year 2015 to present them on a basis consistent with our results for the financial year 2016.

The Acquisition, which will give rise to a change of control for UK GAAP accounting purposes, will be accounted for using the acquisition method of accounting. See “—*Impact of the Acquisition on our results of operation and EBITDA*”.

***Adverse consequences could occur as a result of changes in tax law or uncertainties in the interpretation and application thereof or as a result of HMRC challenging our tax treatment of certain matters.***

Tax law can be subject to change. Furthermore, uncertainties can arise as a result of differences in interpretation or application of existing tax law. Changes to our tax status, tax legislation and the interpretation thereof could affect the

value of our business. Due to the size and scope of our business, there are a number of matters that HMRC might examine in detail for any given year.

For example, our corporation tax computations are prepared on the basis that all interest is deductible and comprehensive documentation has been prepared to support this position. HMRC may however challenge the position and seek to deny relief for some of our interest costs. There is some uncertainty regarding the treatment of an acquisition of shares by the management team. Members of the senior management team acquired shares in Lakeside Holdco in February and March 2014 for nominal value. In order to comply with PAYE and NIC regulations, the group made its best estimates of the value of the shares at the time such shares were acquired by management. Should HMRC wish to dispute the group's tax treatment of the share transactions, including whether the value attributed to the shares were the directors' best estimates, the company could become subject to additional liabilities. There is also a risk HMRC may challenge the recovery of VAT on transaction fees incurred in respect of acquisitions and restructurings in the past 4 years. This is generally an area known to be of increased focus for HMRC at present. We are also aware that the reporting of taxable benefits in relation to vans provided to employees is a matter on which HMRC may focus and HMRC could challenge the Group's position in the future.

Our potential exposure and the likelihood of HMRC raising a challenge in connection with any of the above matters is difficult to assess, and we have not to date recognised a provision for potential liabilities in connection with any of these matters. If HMRC successfully challenges any of the above matters or if other potential tax matters result in unfavourable outcomes, additional tax liabilities and adverse publicity may follow, which may have a material adverse impact on our business, financial condition and results of operations.

***Our rights in the plots comprising our land bank may be limited and we may be subject to uncertainties associated with the land contracts we enter into as part of our Homes business.***

Our Homes business enters into a variety of arrangements in order to access plots for development, including conditional land purchase contracts, overarching exclusivity agreements, leases and building licences. In most cases, the conditions to our purchase of land under conditional land purchase contracts relate to the receipt of a planning consent that is acceptable to us. As there is uncertainty regarding whether the conditions in such contracts will be satisfied, and the timing thereof, these commitments are not recognised as liabilities on our balance sheet unless or until the applicable conditionality is removed or it becomes reasonably likely in our estimate that we may receive the requisite approvals and satisfy the necessary conditions. To the extent such contracts become unconditional, we will need to commit funds to complete such purchases. Unexpected requirements to pay amounts on conditional contracts may have a material adverse impact on our business, financial condition and results of operations.

Additionally, the plots in our land bank to which we hold title are often the subject of a security or call options (exercisable at nominal value) granted in favour of the relevant Local Authorities in order to secure the performance of our obligations under the relevant development agreements. Similarly, in the case of the majority of the plots in our land bank, our only rights in such plots are those granted pursuant to overarching exclusivity agreements (which do not confer rights to proceed with development absent a specific development agreement), leases or building licences we enter into with Local Authorities. Accordingly, in the event that we fail to deliver a scheme or otherwise breach our obligations under the development agreements to which we are party, such Local Authorities may enforce their security, exercise their options, or terminate our rights under such agreements, leases or licences. Such extinguishment of our rights in the plots in our land bank may have a material adverse impact on our business, financial condition and results of operations.

***Ownership, leasing or occupation of land as well as regeneration and house-building carries potential environmental risks and liabilities, including liability under claims for damages as a result of use of hazardous materials, including asbestos.***

We may be liable for the costs of investigation, remediation or removal of hazardous or toxic substances located on, under or in a property currently or formerly owned, leased or occupied by us, whether or not we caused or knew of the pollution. For example, our Homes business, as a developer of brownfield sites, routinely acquires properties on the basis that it accepts all contamination risk associated therewith, and often provides vendors with indemnities covering any liabilities which the vendor may face under environmental laws post sale. The costs associated with the management of such substances, or the costs of defending against environmental claims may be substantial, and our recourse to the contractors we appoint to perform remediation work may be restricted by, for example, contractual limitations, the lapse of time or the insolvency of such contractors. The presence of such substances, or the failure to remediate such substances properly, may also adversely affect our ability to sell the land or to borrow using the land as security. Some of the projects we have developed are located on land that may have been contaminated or rendered geologically unstable by previous use. We may not identify such conditions prior to acquiring the sites. Also, if land is legally transferred to us, we bear public liability risk as well as associated maintenance and HSE risks. Contaminants resulting from historical operations have been detected at some of our development sites. Although we do not currently expect any remedial obligations to have a material effect on our financial condition, we could incur substantial additional costs as a result of

additional contamination that is identified or additional obligations that are imposed at these or other sites in the future. Laws and regulations may also impose liability for the release of certain materials from land into the air or water, including asbestos, and such release can form the basis for liability to third persons for personal injury or other damages. There can be no guarantee that such claims would be fully or partially covered by our present or future insurance. See “—We may be subject to increases in insurance premiums or fail to secure or maintain adequate insurance coverage.”

As a Regeneration and house-building business with a wide variety of construction, repair and refurbishment related activities, we could be liable for future claims for damages as a result of the past or present use of hazardous materials including materials that in the future become known to have been hazardous. For example, we are currently under investigation by the HSE in connection with the potential release of asbestos fibres resulting from two incidents involving works performed by our operatives and contractors. Although, based on our correspondence with the HSE to date, we consider the risk of prosecution by the HSE to be low, and although we do not believe that any material amounts of asbestos fibres were released during the incidents, we cannot currently exclude the possibility of prosecution or claims. Some of these claims could be unknown at the present time. When beginning work at a site, we are exposed to the risk of various liabilities, including damage to third party assets, local planning violations and HSE incidents. For example, when we enter a site we may damage third party assets such as underground cables, sewers or pipes, which may give rise to liabilities.

We have also been subject to claims in which former employees and/or employees of our subcontractors have successfully claimed damages and there can be no guarantee that similar additional claims will not result in significant costs or be covered by insurance in the future. Historically, asbestos was used as a building material by the construction industry and exposure to asbestos and inhalation of asbestos fibres can lead to a number of diseases. The occurrence of any of these risks may have a material adverse impact on our business, financial condition and results of operations.

***We are currently, and may in the future become, involved with legal disputes.***

We are currently, and may in the future become, involved in litigation, claims and disputes incidental to our business, which at times involve claims that may damage our reputation. Due to the nature of our business, such litigation, claims and disputes may include those arising in connection with actual or alleged defects in the work performed by us and our subcontractors, the failure to comply with certain legal or regulatory requirements, claims against building permits obtained, and other types of claims, including challenges relating to planning permissions and other local authority approvals. In the ordinary course of business, we are also exposed to warranty and indemnity claims (which may not be subject to monetary caps or other contractual limitations) during applicable defects liability periods, and the contracts our Regeneration and Homes divisions enter into with customers commonly contain retention and liquidated damages clauses. We may also be required to indemnify or provide cash cover to providers of surety bonds and letters of credit in the event that they are called on in connection with a dispute. These kinds of claims may require us to incur substantial expenditures (including to rectify alleged defects) or forego payments to which we would otherwise be entitled, which in each case may be substantial.

While we maintain commercial insurance in an amount we believe is appropriate against the risks commonly insured against by persons engaged in similar businesses, there is no guarantee that we will be able to obtain the levels of cover desired by us on acceptable terms in the future, or at all. In addition, even with such insurance in place, the risk remains that we may incur liabilities to clients and other third parties that exceed the limits of such insurance cover or are not covered by it. For example, in 2008 we were notified of the presence of legionella at a site where we had been appointed as contractor, and had in turn appointed subcontractors. The customer may seek to recover its losses from us. We have issued protective claims and notices of arbitration against the relevant subcontractors, however there is no guarantee that we will be able to recover in full from such subcontractor any losses that we may suffer in connection with this claim. The results of past, current and future litigation may cause us significant reputational harm and may adversely affect our business, financial condition and results of operations.

For example, in 2013, narrative verdicts were delivered in an inquest in relation to a fire at Lakanal House. These verdicts stated amongst other things that there was a serious failure on behalf of the contractor (Apollo), its subcontractors and Southwark Council in relation to the panels installed under the bedroom windows at Lakanal House, Camberwell. The 2013 inquest was carried out in relation to a fire that occurred at the housing complex on 3 July 2009 and resulted in the deaths of six people. We have settled a number of personal injury claims filed against Apollo (amongst others) in relation to this incident and there are no other claims outstanding in this regard. The terms of these settlements are confidential and were covered by insurance. The BBC, as well as industry-related publications, ran articles covering the fire, the inquest and the subsequent law suit. We are also one of a number of parties currently under investigation by the London Fire and Emergency Planning Authority for potential offences under the Regulatory Reform (Fire Safety) Order 2005 in connection with this incident. If we were to be prosecuted for such alleged offences, we may be subject to substantial fines and be required to pay prosecution costs, each of which would not be covered by our insurers. Although the potential level of such fines is difficult to predict, we currently estimate that if we were to be found guilty with a causative verdict, we may face fines of up to £2 million (as opposed to fines of £250,000 to £450,000,



in the case of a non-causative verdict). In the event of a successful prosecution we would also likely be subject to significant adverse publicity.

Current or potential future claims or proceedings, whether individually or in the aggregate, could involve substantial claims for damages or other payments, and, even if successfully disposed of without direct adverse financial effect, may have a material adverse effect on our reputation and divert our financial and management resources from more beneficial uses. See “*Our business—Litigation*”. For example, the cause of and liability for an incident that occurred in October 2013 whereby, during high winds, a number of cladding panels detached from a residential tower block we had refurbished is currently still not agreed. Whilst we have commissioned reports and appointed consultants to advise on the cause of, and liability for the incident, the apportionment of liability and extent of damages are not agreed and uncertain at this stage. If we were to be found liable under this or any other claims, our results of operations could be adversely affected.

***We may not be able to execute successfully our business strategy.***

Our business strategy is based on a series of projections and estimates relating to the occurrence of future events, which may or may not take place, and includes operational and organisational initiatives and decisions that our management will undertake during the period covered by our business plan. Additionally, our ability to implement our strategy successfully is dependent upon a number of business, economic and competitive uncertainties and other factors that are outside our control. Accordingly, our strategy is based upon a number of assumptions that may prove to be inaccurate. We cannot provide assurance that the assumptions underlying our business strategy are correct, and any inaccurate assumption may result in variations of our strategy that may limit our ability to achieve the envisaged goals. In addition, we are unable to provide any assurance that: (i) our actions will generate the expected positive economic results; (ii) our business strategy can be successfully implemented by our management; and (iii) we will be able to achieve the turnover and cash targets set out in our strategy within the expected time frame. Furthermore, a failure of our internal management and controls could have a significant adverse impact on our business and our ability to successfully execute our strategy. See “—*Failure in our financial and commercial controls may expose us to contract and execution risk.*”

If our results differ significantly from those expected based on our strategies and our business plan, this could have a material adverse effect on our business, financial condition or results of operations.

***Our future business performance depends on securing new contracts, which require time and financial resources that may be unrecoverable.***

Our turnover and profitability are dependent on us securing new projects to replace the revenue streams from the projects we complete, and most new projects are subject to competitive bidding. To secure contracts for new projects, we must make a significant commitment of management time, operational and financial resources. It is very difficult to predict whether we will be awarded such contracts for new projects, or when the contract will commence. If after the bidding process we do not succeed, the costs incurred would usually not be recoverable. Therefore, ongoing failures to secure contracts through competitive bidding processes could reduce our turnover and profits, and may have a material adverse effect on our business, financial condition and results of operations.

The Group will undergo an external audit in September 2014 to assess the Group’s compliance with the ISO 9001 accreditation, which is an accreditation relating to quality assurance and quality management procedures. Although we expect to achieve the accreditation, the previous audit carried out in 2013 raised certain areas for improvement and there can be no guarantee that we will again achieve the accreditation following the upcoming audit. If the accreditation is lost this could materially prejudice our ability to pre-qualify for or participate in tenders, including with respect to a number of ongoing bids now included in our Total Identified Opportunities, and therefore would have a significantly adverse effect on our results of operations.

***We may be subject to disputes or other liabilities associated with employees, trade unions or other employee bodies with which our employees or subcontractors are affiliated.***

We directly employ or indirectly retain the services of a large workforce across various regions in the UK, and as such we are subject to disputes with labour, as well as trade unions or other bodies to which such individuals or groups are affiliated. There can be no guarantee or assurance that any such disputes would not materially and adversely affect our reputation and future prospects, which may have a material adverse effect on our business, financial condition and results of operations.

Additionally, on the basis of recent changes to case law, we may be exposed to liability in connection with potential claims that may be brought against us by our current and/or former employees regarding the underpayment of holiday pay to our employees who receive commission-based payments from us in the ordinary course. Although we have

historically calculated holiday pay on the basis of basic salary only, recent decisions by the Employment Appeal Tribunal and the European Court of Justice suggest that the calculation of holiday pay should take into account commission-based compensation, routine overtime and shift premiums. Although currently subject to further litigation, it is probable that retrospective awards to compensate for such underpayments will be awarded. If this recent case law is upheld and our current and/or former employees succeed in the claims they bring against us for holiday pay or we decide to compensate our employees for such underpayments, we may be exposed to significant liabilities that may have a material adverse impact on our business, financial condition and results of operations.

***Our business plan relies on our ability to attract, develop and retain highly-skilled, competent people at all levels.***

Key employees, including management team members, are fundamental to our ability to secure and manage opportunities. Key employees working in the Regeneration and house building industries are highly sought after, particularly in periods of increased market activity. Failure to attract and retain such personnel or to ensure that their experience and knowledge is not lost when they leave the business through resignation or retirement may have a material adverse effect on standards of service or margins and may have a material adverse impact on our business, financial condition and operating results.

***Our risk management and internal controls may not prevent or detect violations of law.***

Our existing compliance processes and controls may require the incurrence of significant compliance costs and may not be sufficient to prevent or detect wrongful practices, fraud and violations of law by our contractors and customers, intermediaries, sales agents and employees. If any contractors, customers, intermediaries, consultants, joint venture partners, sales agents or employees with whom we deal or cooperate receive or grant inappropriate benefits or engage in corrupt, fraudulent or other unfair or illegal business practices, such as sham tax schemes, anticompetitive conduct or breaches of consumer protection laws (for example, in connection with any sales of Green Deal finance that we may engage in in the future), we could incur or become subject to significant financial losses, legal sanctions and penalties, our reputation could be seriously harmed, our customers may be entitled to terminate their contracts with us and we could lose substantial amounts of business. In particular, as much of our business involves tendering for government contracts that are awarded on the basis of both financial and non-financial criteria (including compliance), compliance issues may prejudice our ability to participate in or win such competitive bidding processes in the future.

We have experienced compliance issues in the past. For example, in September 2009, the Office of Fair Trading (“OFT”) found that a number of construction companies, including certain Keepmoat and Apollo entities, had been involved in anti-competitive behaviour comprising bid-rigging in violation of Section 2 of the Competition Act 1998. The OFT imposed fines totalling £2.2 million on the Apollo entities, which were later reduced to £0.4 million following a successful appeal by those entities. The OFT also imposed fines totalling £0.5 million on the Keepmoat entities; this fine reflected the application of a 40% leniency reduction in the fine that would have otherwise been imposed by the OFT, due to the assistance rendered by the Keepmoat entities to the OFT in its investigation. The OFT published its findings on its website and industry-related publications also covered the story. There have been instances in recent years where our employees have granted or received inappropriate benefits. We conducted internal investigations in relation to the aforementioned incidents and implemented improvements to our internal systems and controls in response. Nonetheless, the scope of our internal controls and procedures, policies and our risk management systems may be unable to adequately address all such risks of noncompliance and similar incidents may occur in the future, which could have a material negative impact on our reputation, business activities, financial position and results of operations.

***Our business depends in part on a strong brand, image and reputation, and any negative impact on our image and reputation, including as a result of engaging in business practices that do not reflect proper corporate social responsibility, could adversely affect our business.***

Our brand, image and reputation represent an important part of the business, given the nature of our business and customers and our long history in the marketplace. Maintaining the reputation of our business and brand is central to our success. However, our business strategy and its execution may not accomplish this objective. We have a comprehensive corporate social responsibility programme that aims to minimise our negative impact on the environment and maximise our positive impact on customers, suppliers, local communities and employees. Our local management teams can, to some extent, independently organise their own advertising campaigns and marketing initiatives to supplement our national campaigns. Our local teams could therefore project an image that is not aligned with our strategy, which could dilute our brand and have a material adverse effect on our business, financial condition and results of operations. We may also unknowingly source materials from suppliers that have produced or procured such materials in an illegal or unethical manner, which may adversely affect our reputation and financial position. We may also be the subject of adverse publicity, such as the recent coverage in the Wimbledon Guardian regarding allegations, which we consider to be baseless, that we have been overcharging one of our Housing Association clients in Merton and Kent. There can be no assurance that our efforts to liaise with local communities regarding building plans and to maintain our reputation for corporate citizenship will be successful, and a decline in our public perception may have a material adverse impact on

our business, financial condition and results of operations. See also “—Our risk management and internal controls may not prevent or detect violations of law.”

***Any acquisition or disposal of businesses or subsidiaries may have an adverse impact on our business, financial condition or operating results.***

From time to time we have made and may continue to make acquisitions and disposals of businesses and subsidiaries. In 2010 Keepmoat Limited acquired Milnerbuild and in 2012 we completed the 2012 Merger. See “Our business—Our history”. If we make acquisitions, there can be no assurance that we will be able to generate expected margins or cash flows, or to realize the anticipated benefits of such acquisitions, including growth or expected synergies. There can be no assurance that our assessments of and assumptions regarding acquisition targets will prove to be correct, and actual developments may differ significantly from our expectations. We may not be able to integrate acquisitions successfully into our Group. Such integration may require more investment than we expect, and we could incur or assume unknown or unanticipated liabilities or contingencies with respect to customers, employees, suppliers, government authorities or to other parties, which may impact our operating results. The process of integrating businesses may be disruptive to our operations and may cause an interruption of, or a loss of momentum in, such businesses or a decrease in our results of operations as a result of difficulties or risks, including:

- unforeseen legal, regulatory, contractual and other issues;
- difficulty in standardizing information and other systems;
- difficulty in realizing operating synergies;
- diversion of management’s attention from our day-to-day business; and
- failure to maintain the quality of services that we have historically provided.

Moreover, any acquisition may result in the incurrence of additional debt, which would increase our leverage, reduce our profitability and harm our business. See “—Risks related to our indebtedness and the Notes—Our substantial leverage and debt service obligations could adversely affect our business and prevent us from fulfilling our obligations with respect to the Notes and the Note Guarantees”. While we seek protection, for example through warranties and indemnities in the case of acquisitions, significant liabilities may not be identified in due diligence or may come to light after the expiry of warranty or indemnity periods. Additionally, while we seek to limit our ongoing exposure, for example through liability caps and period limits on warranties and indemnities in the case of disposals, such warranties and indemnities may be insufficient and we may incur unexpected and significant liabilities. See “—We may not be able to execute successfully our business strategy”. Any claims arising in the future may have a material adverse impact on our business, financial condition and results of operations.

***Interruption or failure of our IT systems and data protection systems may result in a significant loss of control of our business information functions and operations.***

The efficient operation and management of our business depends in part on the proper operation, performance and development of our IT systems and processes. Any disruption in our IT services could impact and disrupt our ability to secure contracts. New IT systems and changes to management systems may not be successfully implemented and managed. For example, in our Homes division COINS (‘construction industry solutions’), is an integrated information system that we will rely upon to assess and monitor projects and manage sales processes. Some areas of our operations do not currently use COINS and full integration is not expected until December 2016. The transition period during which we centralise our systems, as well as any additional delays or interruptions incurred during this period, may lead to an IT environment that is inadequate to support our needs and business objectives. See “Our business—Group operations—IT and Controls—Homes”. Similarly, our Regeneration division relies heavily upon our eVision (our fully integrated ERP system used across the Regeneration division) used to manage our Total Identified Opportunities and contract finances. See “Our business—Group operations—IT and Controls—Regeneration—Controls”. Any disruption or system failure within our eVision or COINS systems could impact our ability to win and secure business and monitor the performance of our contracts.

A significant performance failure of any of our IT systems or a failure in our data privacy and protection controls could also lead to loss of control over critical business information and/or systems (such as contract costs, invoicing, payroll management and/or internal reporting), resulting in an adverse impact on the ability to operate effectively or to fulfil our contractual or regulatory obligations. For example, between January and June 2014 a system error with our eVision software led to certain transactions being recorded in duplicate in our systems. This resulted in us significantly over-claiming for VAT from HMRC. As a result thereof, we were required to repay £6.2 million in over-claimed VAT to

HMRC. Although we have corrected the system error with our eVision software and also put in place a manual process to ensure that this will not happen again, errors in our IT systems could arise in the future. This may, in turn, lead to a loss of custom, turnover and profitability, including as a result of significant consequential and remedial costs that we may incur, which may have a material adverse impact on our business, financial condition and results of operations.

***Our working capital and liquidity is sensitive to changes in our turnover, offering mix and payment terms with suppliers, subcontractors and customers.***

Our Regeneration business is sensitive to changes in working capital as contracts are currently predominantly paid by our clients in approximately 21 days, while our payment terms with our subcontractors currently generally extend to approximately 49 to 65 days. This working capital model generates cash in Regeneration that, in turn, supports the working capital requirements of our Homes division's investment in land WIP and build WIP. These complementary working capital models generally generate strong operating cash flow for the Group. However, because we do not maintain sizeable inventories and have relatively short payment terms in our Regeneration division, our operating cash flow is tightly correlated to our turnover and consequently our working capital and liquidity position is sensitive to changes in our turnover. Turnover from our Homes business and our liquidity is also sensitive to changes in the rate and timing of project starts, house sales and Completions. Many changes in our turnover and liquidity are outside our control, including macro-economic market conditions, construction cyclicalities, seasonal effects, increased competition, availability and terms of surety bonds and changes in government funds, grants or subsidies. See "*We are subject to UK and global economic conditions*", "*Our results of operations are affected by the cyclical nature of the construction industry and by seasonal effects*", "*The markets in which we operate could become increasingly competitive*", "*An inability to obtain additional surety bonds could limit our future growth*" and "*Much of our business is secured either directly or indirectly from various government sources, and changes in local, UK or European government funds, grants or subsidies could significantly impact our business*".

In the event of a material drop in our turnover, we may not have sufficient funds to meet our short-term payment obligations when they become due, which could have a material adverse effect on our business, financial condition and results of operations. See "*Management's discussion and analysis of financial condition and results of operations—Liquidity and capital resources—Working capital*".

The payment terms we receive from our suppliers and subcontractors are dependent on several factors, including our payment history with them, their credit granting policies, contractual provisions, our credit profile, industry and macro-economic conditions, our recent operating results, financial position and cash flows and the suppliers' ability to obtain credit insurance on amounts that we owe. For example, we may experience increased pressure from suppliers and subcontractors to shorten payment terms if the housing market, or construction activity generally, continues to recover, and we are therefore currently trialling a supply chain financing solution. Similarly, the payment terms (including retention levels) we are able to agree with our customers are dependent on several other factors, including collateral requirements and industry norms. Changes in any of these factors, certain of which may not be within our control, may induce our suppliers and subcontractors to shorten the payment terms of their invoices, or may induce our customers to seek to agree payment terms more favourable to them, such as increased retention levels or longer retention periods. Given the large amounts and volume of our purchases from suppliers and subcontractors, and our significant turnover streams under our customer contracts, changes in payment terms may materially adversely affect our working capital, liquidity and our ability to make payments to our suppliers and subcontractors, and consequently may materially adversely affect our business, financial condition and results of operations.

***We are exposed to risks in connection with joint ventures, other associated companies and special purpose vehicles.***

We conduct certain of our business operations through joint ventures, associated companies and special purpose vehicles in which we hold an interest, some of which are minority interests. See "*Presentation of financial and other information—Non-GAAP financial measures*". For the twelve months ended March 31, 2014, we had consolidated turnover of £8.9 million from joint venture companies. As of 30 June 2014 we had also provided loans totalling £5.2 million to, and provided a number of parent company guarantees to third parties in respect of the obligations of joint ventures, associated companies and special purpose vehicles in which we hold less than 100% of the shares. In the future we may also enter into further joint ventures or make investments or acquire participations in associated companies or special purpose vehicles.

To finance their activities, our joint ventures, associated companies and special purpose vehicles may obtain loans from third-party lenders, or issue bonds or other debt instruments, that are secured by the joint venture's assets. In certain instances, we and the other partners in a joint venture may also provide guarantees and indemnities to lenders with respect to the joint venture's debt, which may be triggered under certain conditions when the joint venture fails to fulfil its obligations under its loan agreements and debt instruments.

Our ability to fully exploit the strategic potential in markets in which we operate through joint ventures, associated companies and special purpose vehicles may be impaired if we are unable to agree with our joint venture partners or joint shareholders on a strategy or its implementation. The interests of our joint venture partners or joint shareholders could conflict with our interests or the interests of the holders of the Notes. Minority shareholders in certain joint ventures and associated companies may also have approval or other rights under applicable corporate law or the applicable joint venture or shareholder agreements or other organisational documents. The interests of these minority shareholders may differ from our economic interests and prevent us from pursuing our preferred business strategies with the relevant subsidiary. Our ability to implement organisational measures and pursue our preferred financial policies (in particular, dividend policies, capital expenditure plans and allocation of company assets) may also be impeded.

Further, we hold non-controlling interests in certain companies and joint ventures. Accordingly, we may not be able to influence the decision making with respect to certain key matters or may need to obtain the consent of other shareholders or joint venture participants. We therefore may depend on the other shareholders or participants to both cooperate and make mutually acceptable decisions regarding the conduct of the business and affairs of the company or joint venture and ensure that they, and the company or joint venture, fulfil their respective obligations to us and to third parties. If the other shareholders or participants do not provide such cooperation or fulfil these obligations due to their financial condition, strategic business interests (which may be contrary to ours) or otherwise, we may be required to spend additional resources (including payments under the guarantees we have provided to the joint ventures' lenders) and suffer losses, each of which could be significant. For example, under the terms of certain of our joint development agreements we may be jointly and severally liable for the obligations of our joint venture partners in the event they become insolvent or otherwise fail to perform their obligations, and we have in the past been required to purchase the assets of joint venture partners that have entered into administration. Moreover, our ability to recoup such expenditures and losses by exercising remedies against such partners may be limited due to potential legal defences they may have, their respective financial condition and other circumstances.

Similarly, some of our joint ventures or participations constitute financial investments, and we have only limited influence on the business success of the companies concerned. Such limitations could constrain our ability to pursue our corporate and economic objectives in the future (for example, by limiting our receipt of dividends from such ventures) and, thus, could have a material adverse effect on our business, financial condition and results of operations.

In addition, our joint venture partners or joint shareholders could under certain conditions terminate or refuse to extend contractual relationships, exercise option rights to acquire or sell interests in our joint ventures (especially through the exercise of "deadlock" provisions to the extent contained in the underlying joint venture or shareholder agreement), or otherwise influence the day-to-day business of our joint ventures or other associated companies or special purpose vehicles. When a joint venture is dissolved or terminated, we may be required to make payments to our partners in such joint venture, and such payments could be significant. Furthermore, we could be subject to fiduciary or contractual obligations to our joint venture partners or joint shareholders, which could prevent or impede our ability to unilaterally expand in a business area in which such a joint venture or associated company operates. We are also required to carry out any joint venture activity and any other cooperation in compliance with applicable competition laws which may limit the scope of such joint venture activity or cooperation.

Each of these factors may have a material adverse effect on our business, financial condition and results of operations, including by adversely affecting our relationships with Local Authorities, Housing Associations and other Registered Providers that may be dealing with our joint ventures, associated companies and special purpose vehicles.

***We are exposed to the risk of losses on our shared equity receivables portfolio.***

As of 30 June 2014, our shared equity receivables portfolio comprised outstanding loans in an aggregate amount of £35.8 million, with a net book value of £26.4 million. See "*Presentation of financial and other information—Non-GAAP financial measures*". We are exposed to risk of losses on this portfolio. With regard to our shared equity portfolio, we retain an asset that, under our accounting policy, assumes an average seven-year repayment. If this assumption is incorrect, it could take us longer to realise this receivable or, in the case of repossession, any fall in homes values could adversely affect our ability to recover this expected receivable. For example, if confidence in the housing market were to decline or if consumer home finance were to become more difficult to obtain, this could result in a significant readjustment of housing values that would impair the value of our shared equity book and reduce our future cash flow. Additionally, our shared equity loans are typically only secured on a second-ranking basis, meaning that our ability to recover amounts outstanding under such shared equity loans may be limited by the presence of prior ranking mortgages, particularly in a falling market. Moreover, our shared equity loan agreements generally contain provisions permitting the borrower to extend the term of the loan for up to five years beyond its 10 year term, and thereafter to elect to pay us rent at market rates in lieu of repaying the amount of the loan outstanding, on the basis of hardship. Each of these factors may result in us incurring significant losses in respect of our shared equity book.

***We may engage in future activities or expand into a region where we have limited management and delivery experience.***

We may undertake activities outside of the current scope of our expertise or regional operations. For example, we are a registered Green Deal provider, and may choose to expand our consumer finance offerings in the future. See “*Regulation—Regeneration UK funding schemes—Sustainability—ECO and Green Deal*”. Likewise, we are expanding our operations in Southern England and Scotland, where we have limited operational experience, and we may continue to expand into regions where we have little or no prior operational experience. If we expand the scope of our business activities we may have insufficient knowledge of the appropriate processes, systems and controls to deliver appropriate returns. In addition, to the extent we expand or invest in areas that are outside of our existing lines of business, we will face new challenges. These may include our ability to develop the expertise required to successfully engage in such businesses and to make such businesses successful; our ability to develop a reputation in industries into which we might expand; our ability to attract and retain customers, suppliers and managers for new businesses; our ability to control costs across a more complex regional or operational footprint; and competition from companies engaged in similar businesses in the markets that we have targeted for entry. Furthermore, to the extent such investments are undertaken as joint ventures, there can be no assurance that our public and private partners will meet their joint venture obligations in a timely manner or at all. Any of these risks may have a material adverse impact on our business, financial condition and results of operations.

***We may be subject to other financial risks, such as customer concentration, and are exposed to risks relating to failure of counterparties.***

Certain of our customers may become insolvent, default under their contracts or perform their payment obligations to us late. In case of default in payment obligations, we may be unable to collect any receivables, in which case some or all of such outstanding amounts would need to be written off. In case of a delay in a customer’s payment obligation, we may be exposed to the risk of bearing in advance the costs and amounts necessary to complete the relevant projects.

For the financial year ended 31 March 2014, 33.4% of turnover in our Regeneration division was derived from our top ten clients, based upon turnover. See “*Our business—Business operations—Regeneration division—Regeneration partnership model*”. Additionally, our business in the Central England region is heavily reliant on the Leeds PFI project. See “*Management’s discussion and analysis of financial condition and results of operations—Results of operations—Quarter ended 30 June 2014 as compared to the quarter ended 30 June 2013—Turnover*” and “*Our business—Group operations—Innovative funding: PFI and PPP*”. Our Regeneration division in Scotland is also heavily reliant on a single customer, from which it has derived more than one third of its turnover in each of the past two financial years. Any loss of, or a significant reduction in, business from a significant client, or any variation, termination, delay, scope reduction or adjustment of any given project may have a material adverse effect on our business, financial condition and results of operations.

Furthermore, should a supplier become insolvent or otherwise be unable to meet its obligations in connection with a particular project, we would need to find a replacement to carry out that party’s obligations or, alternatively, fulfil the obligations ourselves, which could increase costs and cause delays. Additionally, certain of our suppliers, including the major kitchen supplier to our Homes business, provide goods of a specific nature which would be time consuming and costly to source substitutes for.

In addition, should a financial counterparty default occur under contracts such as bank facilities, we would need to replace such facilities, thereby incurring additional costs. See “*An inability to obtain additional surety bonds could limit our future growth*”.

Any defaults or performance delays by commercial and financial counterparties could increase costs or liabilities, which may have a material adverse effect on our business, financial condition and results of operations.

***We may be subject to increases in insurance premiums or fail to secure or maintain adequate insurance coverage.***

We retain insurance policies that provide commercial, construction, employer, directors and officers, public and products liability, material damage, business interruption and money, terrorism, RI, motor vehicles, title defect, engineering and computer liability coverage. Because only a limited number of insurers offer such coverage, we may not be able to avoid increases in premiums. Furthermore, as insurance providers review the terms and conditions of our insurance policies on a periodic basis, we may not be able to obtain the same or similar coverage in the future. This could increase our exposure to various risks and related costs, which in turn could have an adverse impact on our business, profitability and growth. Finally, we have not retained insurance policies for certain types of risks, including the risks of operating loss and certain risks, such as criminal liability and radioactive contamination, are not insured. See “—Ownership, leasing or occupation of land as well as regeneration and house-building carries potential environmental risks and liabilities, including liability under claims for damages as a result of use of hazardous materials, including asbestos”. Our financial condition and profitability could be adversely affected if we suffer damages or losses or are exposed to liability based on risks for which we have no insurance coverage or insufficient insurance coverage, which may have a material adverse effect on our business, financial condition and results of operations. See “Our business—Insurance”.

***We may suffer uninsured losses or suffer material losses in excess of insurance proceeds in relation to natural disasters, terrorist attack, war, sabotage, social unrest, corruption and other unforeseen events outside our control.***

Our assets and projects are subject to risks associated with natural disasters and other catastrophic events, such as ice and wind storms, tornadoes, floods, hurricanes, earthquakes, power loss, telecommunications failures, network software flaws and acts of vandalism, arson, or terrorism, theft and fuel shortages as well as other unforeseen events outside our control. Any damage or destruction to our assets, including our land bank and major office or administrative facilities, as a result of these or other events would impact our ability to provide services to our customers or continue our business plans. If we are unable to provide services to our customers or continue our property development projects as a result of a natural disaster, terrorist attack, war, sabotage, social unrest, corruption and other unforeseen events outside our control, we could lose our current customers, contracts or projects within our Total Identified Opportunities. As a result, terrorist attack, war, sabotage, social unrest, corruption and other unforeseen events outside our control may increase costs, decrease demand for our services and result in other losses that may not be insured and, as a result, may have a material adverse effect on our business, financial condition and results of operations.

We could suffer physical damage to property or liabilities resulting in losses that may not be fully or partially compensated by insurance. In addition, certain types of risks may be, or may become in the future, either uninsurable or not economically insurable, or may not be currently or in the future covered by our insurance policies. Natural disasters, terrorist attacks, war, sabotage, social unrest, corruption or other events beyond our control could directly affect our project sites or, more broadly, negatively impact the UK market. Should an uninsured loss or a loss in excess of insured limits occur, we could sustain financial loss or lose capital invested in affected property as well as anticipated future income from that property. In addition, we could be liable to repair damage or meet liabilities caused by uninsured risks. We would also remain liable for any debt or other financial obligation related to affected property. No assurance can be given that material losses or liabilities in excess of insurance proceeds will not occur in the future.

***We can be impacted by the weather and the effects of climate change.***

Our assets and projects can be impacted by both short-term and longer-term weather events and longer-term changes to weather patterns. At a local level, changes to coastlines, river levels and directions, flood plains and other geographic features can impact our ability to conduct our operations and impact the value of our assets. In addition the statutory and regulatory responses to climate change could have an impact on our business. These could include changes to building regulation, use of materials, energy costs, carbon offsets, location and structure of developments as well as the allocation of public expenditure. Such weather and climate change risks may have a material adverse impact on our business, financial condition and results of operations.

***An inability to obtain additional surety bonds could limit our future growth.***

We are often required to provide surety bonds to secure our performance under construction contracts, development agreements and other arrangements. We have obtained facilities to provide the required volume of surety bonds to meet our current needs, and currently have substantial headroom under those facilities; however, further growth may require additional surety facilities. Our ability to obtain additional surety bonds primarily depends upon our financial rating, past performance, management expertise and the capacity of the surety market, and we have in the past had issues accessing this market. For example, around the time of the Group’s debt restructuring in 2012, the surety markets were temporarily

unavailable to the Group due to the instability and liquidity issues that were caused by the losses identified by the business, and we were also required by certain of our surety bond providers to collateralize certain of our surety bonds with letters of credit. See “*Management’s discussion and analysis of financial condition and results of operations—Liquidity and capital resources—Surety bonding*”. As of 30 June 2014, we had £53.6 million in surety bonds outstanding. If our claims record or surety providers’ requirements or policies change or if a relevant surety company fails and we cannot get the necessary consent from the issuer’s lenders, or if the market’s capacity to provide bonding is not sufficient for our growth, we could be unable to obtain additional surety bonds when required, which may have a material adverse impact on our business, financial condition and results of operations.

***An inability to meet carbon credit requirements could adversely affect our financial results.***

We perform various sustainability related work (e.g. installation of solar panels, boilers, and insulation) which in part is funded by energy companies as part of their carbon reduction commitments. By performing such sustainability related work we generate carbon credits which we in turn sell to the energy companies in accordance with pre-committed volumes. We generally aim to deliver the pre-committed volumes by performing sustainability related work, however, if we do not perform sufficient sustainability related work to meet our commitments, we may need to cover the deficit by purchasing carbon credits from third parties. For example, in the financial year ended 31 March 2014, we purchased approximately £6 million worth of carbon credits to meet our commitments with EDF Energy. In the financial year ended 31 March 2014 we generated a profit by purchasing carbon credits from our supply chain and selling them to EDF Energy, however, reliance on purchasing carbon credits from our supply chain or other third parties exposes us to risks of future supply shortages and increased prices of carbon credits which could adversely affect our financial results.

***Our pension liability may reduce our cash flow, profitability, financial condition and net assets.***

We provide retirement benefits for our former and current employees through a number of defined benefit and defined contribution pension schemes. We contribute to a hybrid pension scheme, the Keepmoat Limited Group Pension Plan, to two defined contribution plans, the assets of which are held in independently administered funds, as well as to three local government defined benefit pension schemes. Pension costs included within operating profit of the Group were £2.9 million for the financial year ended 31 March 2014.

As of 31 March 2014, we had pension assets of £1.0 million and a pension liability of £1.2 million, resulting in a net pension liability of £0.2 million. This net liability could increase depending, among other things, on changes in the valuation of publicly traded equities and interest rates. The Keepmoat Limited Group Pension Plan had a surplus of £0.3 million on the scheme-specific basis according to the 5 April 2013 actuarial valuation and a deficit on the buy-out basis of approximately £0.5 million. Certain of the local government defined benefit pension schemes we contribute to are also currently in deficit, including the Cambridgeshire Pension Fund (for which we had a net pension liability of £0.6 million as at 31 March 2014), the Derbyshire Pension Fund (for which we had a net pension liability of £0.5 million as of 31 March 2014), and the West Yorkshire Pension Fund (for which we had a net pension liability of £26,000 as at 31 March 2014).

Actuarial valuations are typically carried out every three years, if it would disclose a significant underfunding on the scheme-specific basis at any time, we could be obliged to make additional contributions into the pension plan in addition to the normal contributions currently payable under the plan’s schedule of contributions. We could also be required to make significant additional contributions upon any exit from the local government pension schemes, which may be calculated on the basis of such schemes’ internal funding targets.

The cost of funding benefits depends on a number of factors, including the real returns that can be obtained on the assets, future salary levels and inflation rates. In the event that the market value of the assets of such pension schemes declines or the value of the assessed liabilities increases or if the trustees determine that our financial position requires a different approach to contributions, we may be required to increase our contributions. Changes in the investment strategy of the schemes may also result in a requirement to increase our contributions.

A particular risk relating to defined benefit pension schemes is the extent to which allowance will need to be made in the assessed value of the liabilities for evidence of increased life expectancy.

Although we have some control over contributions, there are situations where the Pensions Regulator in the UK can require contributions (or that we put in place financial support) in respect of defined benefit pension plans without our agreement. Increases to our contributions or other forms of financial support may have a material adverse impact on our operating results and financial position and adversely affect our ability to service our debt, and a demand from the Pensions Regulator pursuant to a financial support direction or a contribution notice to us which has a material adverse effect for the purposes of the New Facilities would result in an event of default arising under the New Facilities.



There may also be circumstances, particularly with respect to the Transfer of Undertakings (Protection of Employment) Regulations 2006, in which we may assume additional, unforeseen pension risk when we hire additional employees.

***We and our connected or associated parties are exposed to risks in connection with the Pensions Act 2004.***

Under the Pensions Act 2004 a person that is “connected with” or an “associate” of an employer under an occupational pension scheme can be subject to either a contribution notice or a financial support direction. We are connected with the Keepmoat Limited Group Pension Plan. The definitions of “connected” and “associate” are taken from the Insolvency Act 1986 and are widely defined, covering our significant shareholders, group companies, directors and shadow directors.

A contribution notice could be served on us if we were party to an act, or a deliberate failure to act and the main purpose or one of the main purposes of such act was either (i) to prevent the recovery of the whole or any part of a debt which was, or might become, due from the employer under section 75 of the Pensions Act 1995 or (ii) to prevent such a debt becoming due, to compromise or otherwise settle such a debt, or to reduce the amount of such a debt which would otherwise become due. The Pensions Regulator could also issue a contribution notice where we are party to an act (or failure to act) and it is of the opinion that the act or omission has detrimentally affected in a material way the likelihood of accrued scheme benefits being received.

A financial support direction could be served on us where we, as an employer, are a service company or are insufficiently resourced. An employer is insufficiently resourced if the value of its resources is broadly less than 50% of the pension scheme’s deficit calculated on an annuity buy-out basis and there is a connected or associated person (or persons) whose resources at least cover that difference.

A contribution notice or financial support direction can only be served where the Pensions Regulator considers it reasonable to do so, having regard to a number of factors.

If a contribution notice or financial support direction were to be served on us, this could adversely affect your interests as a holder of the Notes.

***We may need to write down goodwill, which would adversely affect our financial results.***

As of 30 June 2014, 40% of our total group assets corresponded to goodwill. Goodwill arising from an acquisition represents the excess of the consideration transferred over the acquisition date fair values of the assets acquired, liabilities assumed and contingent liabilities recognised. Goodwill is recognized at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is amortised over its useful life and is tested for impairment annually whenever events or changes in circumstances indicate that the carrying amount of a cash generating unit may not be recoverable. For example, in the past we carried out an impairment review of the goodwill held on our balance sheet at 31 March 2012 and, as a result of that review, goodwill was impaired by £340.7 million in the consolidated audited financial statements of Lakeside 1 Limited as of and for the financial year ended 31 March 2012. Preparation of impairment review calculations requires the use of estimates and assumptions; the key assumptions used in cash flow projections are based on management estimates and estimates made by certain third parties. Any future impairment of our goodwill may result in material reductions of our income and equity. This may have an adverse effect on our business, results of operations, financial condition and prospects.

***We may experience further losses***

We experienced a loss for the financial years ended 2012 and 2013. We could continue to experience further losses going forward. For a discussion on the reasons for such losses, please see “*Management’s discussion and analysis of financial condition and results of operations—Results of operations*”.

**Risks related to the Transactions**

***The escrow arrangement is subject to uncertainties and risks.***

Pending consummation of the Acquisition, the gross proceeds from the Offering (less certain deductions in respect of fees and expenses associated with the Transactions) will be deposited into the Escrow Account. If the Acquisition is not consummated on or prior to the Escrow Longstop Date and upon the occurrence of certain other events, the Notes will be subject to a special mandatory redemption as described in “*Description of the Notes—Escrow of proceeds; Special Mandatory Redemption*”, and you may not obtain the return you expect to receive on the Notes.

The escrow funds will be limited to the gross proceeds of the Offering (less certain deductions in respect of fees and expenses associated with the Transactions) and may not be sufficient to pay the special mandatory redemption price, which is equal to 100% of the aggregate issue price of the Notes plus accrued and unpaid interest and additional amounts, if any, from the Issue Date to the date of special mandatory redemption. If the consummation of the Acquisition does not occur, the Issuer will not have sufficient funds to pay any deficiency of principal and any accrued and unpaid interest and additional amounts. To the extent not available in the Escrow Account, TDR Capital and Sun Capital will be required to fund any deficiency of principal and any accrued and unpaid interest and additional amounts owing to the holders of the Notes, pursuant to a guarantee provided by such funds. There can be no assurance that TDR Capital or Sun Capital will have sufficient funds to make these payments.

Your decision to invest in the Notes is made at the time of purchase. Changes in the business or financial condition of the Group, or the terms of the Acquisition or the Financing, between the closing of the Offering and the Completion Date may have an impact on our creditworthiness, and you will not be able to rescind your decision to invest in the Notes as a result thereof.

***The Acquisition is subject to uncertainties and risks.***

On 9 September 2014, Bidco and the current shareholders of Lakeside Holdco entered into the Acquisition Agreement providing for the sale of all of the securities of Lakeside Holdco to Bidco. The closing of the Acquisition is subject to certain conditions, including merger control clearance and approval of the Acquisition by certain of the Group's contractual counterparties. In the event that the closing conditions are not satisfied or waived by the Acquisition Longstop Date, the Acquisition Agreement will terminate.

If the Acquisition is not completed on or prior to the Escrow Longstop Date, or upon the occurrence of certain other events, then all of the Notes will be subject to a special mandatory redemption, and you will not obtain the investment return you expect on the Notes. See "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption.*" The special mandatory redemption will be a price equal to 100% of the issue price of such aggregate principal amount of Notes plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date to the date of special mandatory redemption. See "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption.*"

Your decision to invest in the Notes is made at the time of purchase. Changes in our business, results of operations or financial condition, or the terms of the Acquisition or the Financing, between the closing of this Offering and the completion of the Acquisition, will have no effect on your rights as a purchaser of the Notes.

***Bidco does not currently control Lakeside Holdco and its subsidiaries and will not control Lakeside Holdco and its subsidiaries until completion of the Acquisition.***

Lakeside Holdco and its subsidiaries are currently controlled by the current owners, of whom there is no overall controlling party. Bidco will not obtain control of Lakeside Holdco and its subsidiaries until the completion of the Acquisition on the Completion Date. We cannot assure you that the current owners will operate the business of the Group during the interim period in the same way that Bidco and its affiliates would.

The information contained in this Offering Memorandum has been derived from public sources and, in the case of historical information relating to Lakeside Holdco and its subsidiaries, has been provided to us by the current owners, and we have relied on such information supplied to us in its preparation. Furthermore, the Transactions themselves have required, and will likely continue to require, substantial time and focus from management, which could adversely affect their ability to operate the business. Likewise, other employees may be uncomfortable with the Transactions, which could have an impact on work quality and retention.

In addition, prior to the Completion Date, neither Lakeside Holdco nor any of its subsidiaries will be subject to the covenants described in "*Description of the Notes*", to be included in the Indenture. As such, we cannot assure you that, prior to such date, Lakeside Holdco or any of its subsidiaries will not take an action that would otherwise have been prohibited by the Indenture had those covenants been applicable.

***Bidco may not be able to enforce claims with respect to the representations and warranties that the sellers have provided to Bidco under the Acquisition Agreement.***

In connection with the Acquisition, the sellers have given certain customary representations and warranties related to their shares, the Group and the business of the Group under the Acquisition Agreement. There can be no assurance that Bidco will be able to enforce any claims against the sellers relating to breaches of such representations and warranties. The sellers' liability with respect to breaches of their representations and warranties under the Acquisition Agreement is very limited.

***Amendments made to the Acquisition Agreement may have adverse consequences for holders of the Notes.***

The Acquisition is expected to be consummated in accordance with the terms of the Acquisition Agreement. However, the Acquisition Agreement may be amended and the closing conditions may be waived at any time by the parties thereto. Any amendment made to the Acquisition Agreement, or waiver of the conditions to the closing of the Acquisition, may be adverse to the interests of the holders of the Notes, which, in turn, may have an adverse effect on the investment return you expect to receive on the Notes.

***The Acquisition may result in counterparties becoming entitled to exercise termination or other rights adverse to our interests under their contracts with us as a result of the change of control.***

The Acquisition will constitute a change of control under our contracts with certain counterparties, including under our surety bonding agreements, our funding agreements and certain PFI-related contracts, joint venture agreements and other commercial contracts. Accordingly, in the event that the consent of such counterparties to the change of control is not obtained or such counterparties are not notified of the change of control, as the case may be, such counterparties will be entitled to terminate their contractual arrangements with us or exercise other rights adverse to our interests (including, for example, by declaring an event of default under the contract or accelerating certain payment obligations). Completion of the Acquisition will be conditional on us obtaining consent or certain waivers in respect of the change of control from the counterparties to certain material contracts that Bidco has identified, including, among others, our surety bonding agreements, certain HCA and other funding agreements and certain contracts relating to the Leeds PFI project. Our other contracts also contain change of control provisions that may be triggered by the Acquisition, and we may be unable to obtain, or we may otherwise determine not to seek, consent to the change of control or any other necessary waivers under those contracts either prior to or following the Completion Date. In such cases, the counterparties under those contracts would become entitled to terminate their contracts with us or exercise other rights adverse to our interests, and such contracts may collectively represent a material portion of our turnover. In the event that such counterparties decide to exercise their termination or other contractual rights as a result of the change of control, our business, financial condition and results of operations may be materially and adversely affected.

***Rules relating to accounting for business combinations may adversely affect our reported results.***

Our results and forecasts are prepared according to UK GAAP assuming no change of control. The reported results may be affected by the change of control due to account rules for business combinations. See “*Presentation of financial and other information—Impact of the Acquisition on our results of operation and EBITDA*”.

**Risks related to our indebtedness and the Notes**

***Our substantial leverage and debt service obligations could adversely affect our business and prevent us from fulfilling our obligations with respect to the Notes and the Note Guarantees.***

We are, and following the issuance of the Notes, will continue to be, highly leveraged. As of 30 June 2014, after giving *pro forma* effect to the Transactions, we would have had total third-party debt of £263 million. We would also have had approximately £53 million available to draw under the Revolving Credit Facility and the ancillary facilities made available pursuant to the terms of the Revolving Credit Facility Agreement on a committed basis, with an option to increase this (on an uncommitted basis) by up to £15 million. See “*Capitalisation*”.

The degree to which the Group will remain leveraged following the issuance of the Notes could have important consequences to holders of the Notes offered hereby, including, but not limited to:

- making it difficult for us to satisfy our obligations with respect to the Notes;
- increasing our vulnerability to, and reducing our flexibility to respond to, general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of our cash flow from operations to the payment of interest on indebtedness, thereby reducing the availability of such cash flow to fund the payment of principal of indebtedness, working capital, capital expenditures, acquisitions, joint ventures or other general corporate purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business and the competitive environment and the industry in which we operate;
- placing us at a competitive disadvantage as compared to our competitors, to the extent that they are not as highly leveraged; and

- limiting our ability to borrow additional funds and increasing the cost of any such borrowing.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations, including the Notes.

***Despite our high level of indebtedness, we may be able to incur significant additional amounts of debt, which could further exacerbate the risks associated with our substantial indebtedness.***

We may be able to incur substantial additional indebtedness in the future. Although the Indenture will contain, and the Revolving Credit Facility Agreement currently contains, restrictions on the incurrence of additional indebtedness, these restrictions will be subject to a number of significant qualifications and exceptions, and under certain circumstances, the amount of indebtedness that could be incurred in compliance with those restrictions could be substantial. In addition, the Revolving Credit Facility Agreement does not prevent us (and the Indenture will not prevent us) from incurring obligations that would not constitute indebtedness under those agreements.

***Debt under our Revolving Credit Facility Agreement bears interest at a floating rate that could rise significantly, increasing our interest cost and debt and reducing our cash flow.***

The debt under our Revolving Credit Facility Agreement bears interest at floating rates of interest per annum equal to LIBOR, for interest periods of 1, 2, 3 or 6 months or other periods as agreed, plus an agreed margin. LIBOR could rise significantly in the future. Although we may enter into and maintain certain hedging arrangements designed to fix a portion of these rates, there can be no assurances that hedging will continue to be available on commercially reasonable terms. Hedging itself carries certain risks, including that we may need to pay a significant amount (including costs) to terminate any hedging arrangements. To the extent interest rates were to rise significantly, our interest expense associated with the debt under our Revolving Credit Facility Agreement would correspondingly increase, thus reducing cash flow.

***We are subject to restrictive debt covenants that may limit our ability to finance our future operations and capital needs and to pursue business opportunities and activities.***

The Revolving Credit Facility Agreement restricts (and the Indenture will restrict), among other things, our ability to:

- incur or guarantee additional indebtedness;
- pay dividends or make other distributions or purchase or redeem our stock;
- make investments or other restricted payments;
- enter into agreements that restrict our restricted subsidiaries' ability to pay dividends;
- transfer or sell assets;
- engage in transactions with affiliates;
- create liens on assets to secure indebtedness;
- impair security interests; and
- merge or consolidate with or into another company.

The covenants to which we will be subject could limit our ability to finance our future operations and capital needs and our ability to pursue business opportunities and activities that may be in our interest. All of these limitations will be subject to significant exceptions and qualifications.

For the restrictions that will be included in the Indenture, see “*Description of the Notes—Certain Covenants*”. For the restrictions that are included in the Revolving Credit Facility Agreement, see “*Description of other indebtedness—Revolving Credit Facility*”. In addition, we are subject to the affirmative covenants contained in the Revolving Credit Facility Agreement. In particular, the Revolving Credit Facility Agreement requires us to comply with a financial covenant. See “*Description of other indebtedness—Revolving Credit Facility*”. Our ability to meet this financial covenant can be affected by events beyond our control, and we cannot assure you that we will meet it. A breach of any of those covenants, ratios, tests or restrictions could result in an event of default under the Revolving Credit Facility Agreement, the Indenture and our other indebtedness. Upon the occurrence of any event of default under the Revolving Credit Facility Agreement, subject to applicable cure periods and other limitations on acceleration or enforcement, the relevant

creditors could cancel the availability of the facilities and elect to declare all amounts outstanding under the Revolving Credit Facility Agreement, together with accrued interest, immediately due and payable. In addition, any default under the Revolving Credit Facility Agreement could lead to an event of default and acceleration under other debt instruments that contain cross-default or cross-acceleration provisions, including the Indenture. If our creditors, including the creditors under the Revolving Credit Facility Agreement, accelerate the payment of those amounts, we cannot assure you that our assets and the assets of our subsidiaries would be sufficient to repay in full those amounts, to satisfy all other liabilities of our subsidiaries which would be due and payable and to make payments to enable the Group to repay the Notes, in full or in part. In addition, if we are unable to repay those amounts, the Group's creditors could proceed against any collateral granted to them to secure repayment of those amounts.

In the past, we have had difficulties satisfying the financial covenants under our financing instruments, in large part due to the challenging conditions we faced during the recent economic downturn. As a result, we undertook a restructuring of our debt in 2012 resulting in the ownership structure of the Group existing immediately prior to completion of the Acquisition. We had previously undergone another debt restructuring in 2010. There is no guarantee that we will not experience similar difficulties in the future.

***We require a significant amount of cash to service our debt and sustain our operations. Our ability to generate sufficient cash depends on many factors beyond our control.***

Our ability to make payments on and to refinance our debt, and to fund working capital and capital expenditures, will depend on our future operating performance and ability to generate sufficient cash. This depends, to some extent, on the success of our business strategy and on general economic, financial, competitive, market, legislative, regulatory and other factors, as well as the other factors discussed in these “*Risk factors*”, many of which are beyond our control. This also depends on our cash flow cycle. If our interest payment dates coincide with these periods of significant cash outflow, we may have insufficient cash to pay our obligations as they come due. We also experience seasonal fluctuations in our cash flow in both our Regeneration and Homes divisions. See “*Management’s discussion and analysis of financial condition and results of operations—Key factors affecting results of operations—Seasonality*”.

We cannot assure you that our business will generate sufficient cash flows from operations, that turnover growth, currently anticipated cost savings and operating improvements will be realised or that future debt and equity financing will be available to us in an amount sufficient to enable us to pay our debts when due, including the Notes, or to fund our other liquidity needs. See “*Management’s discussion and analysis of financial condition and results of operations*”.

If our future cash flows from operations and other capital resources (including borrowings under the Revolving Credit Facility Agreement) are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to:

- reduce or delay our business activities and capital expenditures;
- sell assets;
- obtain additional debt or equity capital; or
- restructure or refinance all or a portion of our debt, including the Notes, on or before maturity.

We cannot assure you that we would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. Any failure to make payments on the Notes on a timely basis would likely result in a reduction of our credit rating, which could also harm our ability to incur additional indebtedness. In addition, the terms of our debt, including the Notes and the Revolving Credit Facility Agreement, limit, and any future debt may limit, our ability to pursue any of these alternatives. Any refinancing of our debt could be at higher interest rates and could require us to comply with more onerous covenants, which could further restrict our business, financial condition and results of operations. There can be no assurance that any assets which we could be required to dispose of could be sold or that, if sold, the timing of such sale and the amount of proceeds realised from such sale would be acceptable.

***Creditors under the Revolving Credit Facility Agreement and certain hedge counterparties are entitled to be repaid with the proceeds of the Collateral sold in any enforcement sale in priority to the Notes.***

The obligations under the Notes and the Note Guarantees will be secured on a first-ranking basis with security interests over the Collateral, which also secure our obligations under the Revolving Credit Facility Agreement and in respect of certain hedging obligations. The Indenture will also permit the Collateral to be pledged to secure a substantial amount of additional indebtedness in accordance with the terms thereof and the Intercreditor Agreement. Pursuant to the Intercreditor Agreement, the liabilities under the Revolving Credit Facility Agreement and certain hedging obligations will have priority over any amounts received from the sale of the Collateral pursuant to an enforcement action taken with respect to the Collateral. See “*Description of other indebtedness—Intercreditor Agreement*”. As a result, in the event of any realization or enforcement of the Collateral, you may not be able to recover on the Collateral if the then-outstanding claims under the Revolving Credit Facility Agreement and certain hedging obligations are greater than the proceeds realised.

***The Notes will be secured only to the extent of the value of the Collateral that will have been granted as security for the Notes and the Note Guarantees, and such security may not be sufficient to satisfy the obligations under the Notes and the Note Guarantees.***

If there is an event of default on the Notes, the holders of the Notes will be secured only by the Collateral. See “*Description of the Notes—Security—The Collateral*”. There is no guarantee that the value of the Collateral will be sufficient to repay the Notes in the event of a foreclosure. There is no requirement to provide funds to enhance the value of the Collateral if it is insufficient. The proceeds of any sale of the Collateral following an event of default with respect to the Notes may not be sufficient to satisfy, and may be substantially less than, amounts due on the Notes.

The amount of proceeds realised upon the enforcement of the security interests over the Collateral or in the event of liquidation will depend upon many factors, including, among other things, general market and economic conditions, the condition of the market for the Collateral, the ability to sell Collateral in an orderly sale, the fair market value of the Collateral, the timing and manner of the sale, whether or not our business is sold as a going concern, the jurisdiction in which the enforcement action or sale is completed, the ability to readily liquidate the Collateral, the availability of buyers and the condition of the Collateral and exchange rates. Further, there may not be any buyer willing and able to purchase our business as a going concern, or willing to buy a significant portion of its assets in the event of an enforcement action. The book value of the Collateral should not be relied on as a measure of realizable value for such assets. Portions of the Collateral may be illiquid and may have no readily ascertainable market value. In addition, not all of our assets will be secured.

In relation to real estate, legal mortgages will be granted over certain freehold and leasehold properties in England and Wales. Other real estate in England and Wales will be subject to floating charges but may be released from such charges if the leases for the properties contain prohibitions on charging; certain of such other real estate may also be subject to prior-ranking security. See “*Risk factors—Risk relating to our business—Our rights in the plots comprising our land bank may be limited and we may be subject to uncertainties associated with the land contracts we enter into as part of our Homes business*.” No security will be granted over real estate located outside of England and Wales.

By its nature, some or all of the Collateral may not have a readily ascertainable market value or may not be saleable or, if saleable, there may be substantial delays in its disposal. To the extent that liens, security interests and other rights granted to other parties encumber assets owned by the Issuer or the Guarantors, those parties have or may exercise rights and remedies with respect to the property subject to their liens, security interests or other rights that could adversely affect the value of that Collateral and the ability of the Security Agent, the Trustee or holders of the Notes to realise or enforce that Collateral. If the proceeds of any sale of the Collateral are not sufficient to repay all amounts due on the Notes and the Note Guarantees, investors (to the extent not repaid from the proceeds of the sale of the Collateral) would have only an unsecured claim against the Issuer’s and the Guarantors’ remaining assets. Each of these factors or any challenge to the validity of the Collateral or the Intercreditor Agreement could reduce the proceeds realized upon enforcement of the Collateral. In addition, there can be no assurance that the Collateral could be sold in a timely manner, if at all. Proceeds from enforcement sales of capital stock and assets that are part of the Collateral must first be applied in satisfaction of obligations under the Revolving Credit Facility Agreement and counterparties under certain hedging obligations and thereafter towards application to repay the obligations of the Issuer and the Guarantor under the Notes, certain other hedging obligations and other indebtedness that is secured by the Collateral on a *pari passu* basis with the Notes. The Indenture will allow incurrence of additional permitted debt in the future that is secured by the Collateral on a priority or *pari passu* basis. The incurrence of any additional debt secured by the Collateral would reduce amounts payable to you from the proceeds of any sale of the Collateral.

To the extent that other first priority security interests, pre-existing liens, liens permitted under the Revolving Credit Facility Agreement and the Indenture and other rights encumber the Collateral securing the Notes, the parties may have

or may exercise rights and remedies with respect to the Collateral that could adversely affect the value of the Collateral and the ability of the Security Agent to realise or foreclose on the Collateral.

***The value of the Collateral may decrease because of obsolescence, impairment or certain casualty events.***

The value of the properties that the Guarantors own or lease and the real estate serving as Collateral may be adversely affected by depreciation and normal wear and tear or because of certain events that may cause damage to these properties. Although the Security Documents and the Revolving Credit Facility Agreement will contain certain covenants in relation to the maintenance and preservation of assets, the Guarantors will not be required to improve the Collateral. The Issuer will be obliged under the Security Documents and the Revolving Credit Facility Agreement to maintain insurance with respect to the Collateral, but the proceeds of such insurance may not be sufficient to rebuild or restore such properties to their original condition prior to the occurrence of certain events that caused the insured damages. Those insurance policies will most certainly not cover all the events that may conceivably result in damage to the Collateral.

***The Issuer and the Guarantors have control over the Collateral securing the Notes, and the sale of particular assets could reduce the pool of assets securing the Notes.***

The Security Documents will allow the Issuer and the Guarantors to remain in possession of, retain exclusive control over, freely operate, and collect, invest and dispose of any income from the Collateral securing the Notes. Subject to the Security Documents, so long as no acceleration right is exercised, no acceleration provision is automatically invoked under the Indenture and no acceleration event under the Revolving Credit Facility Agreement is exercised or would result therefrom, the Issuer and the Guarantors may, among other things, without any release or consent by the Security Agent, conduct certain ordinary course activities with respect to certain of the Collateral, such as selling, factoring, abandoning or otherwise disposing of Collateral and making ordinary course cash payments, including repayments of indebtedness. Any of these activities could reduce the value of the Collateral, which could reduce the amounts payable to you from the proceeds of any sale of the Collateral in the case of an enforcement of the liens on the Collateral.

***It may be difficult to realise the value of the Collateral securing the Notes.***

The Collateral securing the Notes will be subject to any and all exceptions, defects, encumbrances, liens and other imperfections permitted under the Indenture or the Intercreditor Agreement and accepted by other creditors that have the benefit of first-priority security interests in the Collateral securing the Notes from time to time, whether on or after the date the Notes are first issued. The existence of any such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the Collateral securing the Notes, as well as the ability of the Security Agent to realise or foreclose on such Collateral. Furthermore, the first-priority ranking of security interests can be affected by a variety of factors, including, among others, the timely satisfaction of perfection requirements, statutory liens or characterisation under the laws of certain jurisdictions. The security interests of the Security Agent will be subject to practical problems generally associated with the realisation of security interests over real or personal property such as the Collateral, and the Group's contracts may contain limited, if any, step in rights for the Group's financiers. For example, the Security Agent may need to obtain the consent of a third party to enforce a security interest. We cannot assure you that the Security Agent will be able to obtain any such consent. We also cannot assure you that such consents will be given when required to facilitate a foreclosure on such assets. Accordingly, the Security Agent may not have the ability to foreclose upon those assets, and the value of the Collateral may significantly decrease.

***The security interests in the Collateral will be granted to the Security Agent rather than directly to the holders of the Notes. The ability of the Security Agent to enforce certain of the Collateral may be restricted by local law.***

The security interests in the Collateral that will secure the obligations of the Issuer under the Notes and the obligations of the Guarantors under the Note Guarantees will not be granted directly to the holders of the Notes but will be granted only in favour of the Security Agent. The Indenture will provide (along with the Intercreditor Agreement) that only the Security Agent has the right to enforce the Security Documents. As a consequence, holders of the Notes will not have direct security interests and will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Trustee, who will (subject to the provisions of the Indenture) provide instructions to the Security Agent in respect of the Collateral.

***Security over certain Collateral will not be in place on the Issue Date or will not be perfected on the Issue Date.***

Security over certain Collateral will be in place as soon as reasonably practicable after the Completion Date, but in any case no later than 15 business days after the Completion Date, and therefore the Notes and the Note Guarantees will not be secured by certain Collateral on the Issue Date. See "Description of the Notes—Security". If the Issuer or any Guarantor were to become subject to a bankruptcy proceeding after the Issue Date, any such creation or perfection steps

would face a greater risk of being invalidated than if we had taken such steps at the Issue Date. If any such security interest is created or perfected after the Issue Date, it will be treated under bankruptcy law as if it were delivered to secure previously existing debt, which is materially more likely to be avoided as a preference by the bankruptcy court than if the steps were taken at the time of the Issue Date. To the extent that the grant or perfection of any such security interest is avoided as a preference, you would lose the benefit of such security interest. Furthermore, the grant of certain security will be subject to hardening periods. Accordingly, although we will endeavour to complete all steps necessary to perfect the security over the Collateral as soon as practicable within 15 business days of the Completion Date, we cannot provide any assurances as to when the Collateral will be perfected, if at all. See also “*Certain insolvency law and local law limitations on validity and enforceability of the guarantees and the security interests*”.

***Lakeside Holdco and the Subsidiary Guarantors will not initially guarantee the Notes and the Note Guarantees will not initially secure the Notes.***

As of the Issue Date, the Notes will be guaranteed by the Company and Bidco only and we will agree in the Indenture to take such necessary actions so that by no later than 15 business days after the Completion Date and subject to the Agreed Security Principles, Lakeside Holdco and the Subsidiary Guarantors will become guarantors of the Notes by executing and delivering to the Trustee a supplemental indenture (or supplemental indentures) in the form attached to the Indenture. There can be no assurance that we will be successful in procuring the foregoing additional guarantees or liens within the time period specified in the Indenture.

***The Notes will be structurally subordinated to the creditors and preference shareholders (if any) of our non-guarantor subsidiaries.***

Some, but not all, of our subsidiaries will guarantee the Notes. See “*Description of the Notes—Note Guarantees*”. Generally, claims of creditors of a non-guarantor subsidiary, including trade creditors, and claims of preference shareholders (if any) of the subsidiary, will have priority with respect to the assets and earnings of the subsidiary over the claims of creditors of its parent entity. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganisation, administration or other bankruptcy or insolvency proceeding of any of our non-guarantor subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to us and our holding company subsidiaries. As such, the Notes and the Note Guarantees will be structurally subordinated to the creditors (including trade creditors) and preference shareholders (if any) of our non-guarantor subsidiaries.

For the twelve months ended 30 June 2014, the Guarantors generated £960.4 million or 100% of the turnover and £57.3 million or 100.6% of the EBITDA of the Group. As of 30 June 2014, the Guarantors represented £2,196 million or 99.5% of the total unconsolidated assets of the Group.

***Payments under the Notes may be subject to withholding tax under the EU Directive on the taxation of savings income.***

Under EC Council Directive 2003/48/EC on the taxation of savings income (the “**Savings Directive**”), each Member State is required to provide to the tax authorities, or (to the extent relevant) any other competent authorities, of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or for the benefit of, an individual resident or certain limited types of entities established in that other Member State; however, for a transitional period, Austria and Luxembourg will instead apply a withholding system in relation to such payments, deducting tax at a rate of 35% (subject to a procedure whereby, on meeting certain conditions the beneficial owner of the interest or other income may request that no tax be withheld), unless during such period they elect otherwise. The transitional period is to terminate following agreement by certain non-EU countries to the exchange of information relating to such payments. The Luxembourg government has announced its intention to elect out of the withholding system in favour of an automatic information exchange with effect from 1 January 2015. A number of non-EU countries have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or for the benefit of, an individual resident or certain limited types of entities established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

On 24 March 2014, the Council of the European Union adopted a directive amending the Savings Directive, which when implemented, could potentially broaden the scope of the requirements described above. It is understood that EU Member States will have until 1 January 2016 to adopt the national legislation necessary to comply with this amending directive. Investors who are in any doubt as to their position should consult their professional advisers.



If a payment to an individual were to be made or collected through an EU Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to the Savings Directive or such other Directive, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax.

***The Issuer is a newly formed, wholly owned finance subsidiary that has no turnover generating operations of its own and will depend on cash from operating companies to be able to make payments on the Notes.***

The Issuer is a newly formed, wholly owned finance subsidiary of Bidco with no independent business operations or significant assets, other than the Proceeds Loan. The Issuer will be dependent upon the cash flow from our operating companies to meet its obligations under the Notes. We intend to provide funds to the Issuer in order for the Issuer to meet its obligations under the Notes principally through payments under the Proceeds Loan. We expect to provide funds to K&A Merger Limited to service the payments under the Proceeds Loan principally through the provision of intercompany loans and dividends and other distributions. If the subsidiaries within the Group do not fulfil their obligations under any such intercompany loans and do not otherwise distribute cash to K&A Merger Limited, and in turn to the Issuer, in order for the Issuer to make scheduled payments on the Notes, the Issuer will not have any other source of funds that would allow it to make payments to the holders of the Notes. The amount of cash available to the Issuer will depend on the profitability and cash flows of the operating companies in the Group and the ability of those companies to transfer funds under applicable law. The operating companies in the Group, however, may not be able to, or may not be permitted under applicable law to, make distributions or advance loans, directly or indirectly, to the Issuer in order for the Issuer to make payments in respect of the Notes. Various agreements, including agreements governing the Group's debt, may restrict, and in some cases, may prevent the ability of the members of the Group to transfer funds within the Group. In addition, the members of the Group that do not guarantee the Notes have no obligation to make payments with respect to the Notes.

***We may not be able to obtain the funds required to repurchase the Notes upon a change of control.***

The Indenture will contain provisions relating to certain events constituting a "change of control" of the Issuer. Upon the occurrence of a change of control, we will be required to offer to repurchase all outstanding Notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest and additional amounts, if any, to the date of repurchase. If a change of control were to occur, we cannot assure you that we would have sufficient funds available at such time, or that we would have sufficient funds to provide to the Issuer to pay the purchase price of the outstanding Notes or that the restrictions in our Revolving Credit Facility Agreement, the Indenture, the Intercreditor Agreement or our other then-existing contractual obligations would allow us to make such required repurchases. A change of control may result in an event of default under, or acceleration of, our Revolving Credit Facility and other indebtedness. The repurchase of the Notes pursuant to such an offer could cause a default under such indebtedness, even if the change of control itself does not. The ability of the Issuer to receive cash from members of the Group to allow it to pay cash to the holders of the Notes, following the occurrence of a change of control, may be limited by our then existing financial resources. In addition, under the terms of the Revolving Credit Facility Agreement, under certain circumstances, we are required to repay an equal amount of debt under our Revolving Credit Facility Agreement if we repay all or a portion of the principal under the Notes. Sufficient funds may not be available when necessary to make any required repurchases. If an event constituting a change of control occurs at a time when the Group is prohibited from providing funds to the Issuer for the purpose of repurchasing the Notes, we may seek the consent of the lenders under such indebtedness to the purchase of the Notes or may attempt to refinance the borrowings that contain such prohibition. If such a consent to repay such borrowings is not obtained, the Issuer will remain prohibited from repurchasing any Notes. In addition, we expect that we would require third party financing to make an offer to repurchase the Notes upon a change of control. We cannot assure you that the Group would be able to obtain such financing. Any failure by the Issuer to offer to purchase the Notes would constitute a default under the Indenture, which would, in turn, constitute a default under the Revolving Credit Facility Agreement. See "*Description of the Notes—Change of Control*".

The change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including a reorganization, restructuring, merger or other similar transaction involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a "Change of Control" as defined in the Indenture. Except as described under "*Description of the Notes—Change of Control*", the Indenture will not contain provisions that would require the Issuer to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

The definition of "Change of Control" in the Indenture includes a disposition of all or substantially all of the assets of the Company and its restricted subsidiaries, taken as a whole, to any person. Although there is a limited body of case law interpreting the phrase "all or substantially all", there is no precise established definition of the phrase under applicable

law. Accordingly, in certain circumstances, there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of “all or substantially all” of the Company’s and its restricted subsidiaries’ assets, taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

***English insolvency laws may provide you with less protection than U.S. bankruptcy law.***

The Issuer and other members of the Group, including the Guarantors, are incorporated under the laws of England and Wales. Accordingly, insolvency proceedings with respect to any of those entities would be likely to proceed under, and be governed by, English insolvency law. English insolvency laws may not be as favourable to investors as the laws of the United States or other jurisdictions with which investors are familiar. In the event that any one or more of the Issuer or Guarantors experiences financial difficulty, it is not possible to predict with certainty the outcome of insolvency or similar proceedings. See “*Certain insolvency law and local law limitations on validity and enforceability of the guarantees and the security interests*”.

***Each Note Guarantee is subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defences that may limit its validity and enforceability.***

Each Note Guarantee provides the holders of the Notes with a direct claim against the relevant Guarantor. However, the Indenture provides that each Note Guarantee will be limited to the maximum amount that can be guaranteed by the relevant Guarantor without rendering the relevant Note Guarantee, as it relates to that Guarantor, voidable or otherwise ineffective or limited under applicable law, and enforcement of each Note Guarantee would be subject to certain generally available defences. See “*Certain insolvency law and local law limitations on validity and enforceability of the guarantees and the security interests*”.

Enforcement of any of the Note Guarantees against any Guarantor will be subject to certain defences available to Guarantors in the relevant jurisdiction, including contractually agreed limitations. These laws and defences generally include those that relate to corporate purpose or benefit, preference, transactions at an undervalue, transactions defrauding creditors, avoidance of floating charges, insolvency or bankruptcy challenges, financial assistance, preservation of share capital, thin capitalization, capital maintenance or similar laws, regulations or defences affecting the rights of creditors generally. If one or more of these laws and defences are applicable, a Guarantor may have no liability or decreased liability under its Note Guarantee depending on the amounts of its other obligations and applicable law. Limitations on the enforceability of judgments obtained in New York courts in such jurisdictions could limit the enforceability of any Note Guarantee against any Guarantor.

In general, under English insolvency law and other laws, a court could (i) subordinate, avoid or invalidate all or a portion of a Guarantor’s obligations under its Note Guarantee, (ii) direct that the holders of the Notes return any amounts paid under a Note Guarantee to the relevant Guarantor or to a fund for the benefit of the Guarantor’s creditors or (iii) take other action that is detrimental to you, typically if the court found that:

- the relevant Note Guarantee was incurred with actual intent to give preference to one creditor over another, hinder, delay or defraud any present or future creditors or shareholders of the Guarantor or, when the granting of the Note Guarantee has the effect of giving a creditor a preference over another when the Guarantors contemplated filing for insolvency or the Guarantors subsequently entered into an insolvency process or when the recipient was aware that the Guarantor was insolvent or it would be rendered insolvent when it granted the relevant Note Guarantee;
- the Guarantor did not receive valuable consideration or consideration of equivalent value in money or money’s worth or corporate benefit for the relevant Note Guarantee and the Guarantor was: (i) unable pay its debts or becomes unable to pay its debts in consequence of the relevant Note Guarantee; (ii) undercapitalized or became undercapitalized because of the relevant Note Guarantee; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;
- the Guarantors incur debts beyond their ability to pay those debts as they mature;
- the relevant Note Guarantee was held to exceed the corporate objects of the Guarantor or not to be in the best interests or for the corporate benefit of the Guarantor; or
- the amount paid or payable under the relevant Note Guarantee was in excess of the maximum amount permitted under applicable law.

These or similar laws may also apply to any future guarantee granted by any of our subsidiaries pursuant to the Indenture.

We cannot assure you that a court would not determine that a Guarantor was unable to pay its debts or rendered unable to pay its debts on the date its Note Guarantee was issued, or that payments to holders of the Notes constituted preferences, transactions at an undervalue, transactions defrauding creditors on other grounds. This will be a matter of fact to be determined by the court in accordance with the applicable statutory provisions.

The liability of each Guarantor under its Note Guarantee will be limited to the amount that will result in such Note Guarantee not constituting a preference, a transaction at an undervalue, a transaction defrauding creditors or improper corporate distribution or otherwise being set aside. However, there can be no assurance as to what standard a court will apply in making a determination of the maximum liability of each Guarantor. There is a possibility that the entire Note Guarantee may be set aside, in which case the entire liability may be extinguished.

If a court were to decide that a Note Guarantee was a preference, a transaction at an undervalue, a transaction defrauding creditors, and voided such Note Guarantee, or held it unenforceable for any other reason, you may cease to have any claim in respect of the relevant Guarantor and would be a creditor solely of the Issuer and, if applicable, of any other Guarantor under the relevant Note Guarantee which has not been declared void. In the event that any Note Guarantee is invalid or unenforceable, in whole or in part, or to the extent the agreed limitation of the Note Guarantee obligations apply, the Notes would be effectively subordinated to all liabilities of the applicable Guarantor, and if we cannot satisfy our obligations under the Notes or any Note Guarantee is found to be a preference, a transaction at an undervalue, a transaction defrauding creditors, or is otherwise set aside, we cannot assure you that we can ever repay in full any amounts outstanding under the Notes.

***There are circumstances other than repayment or discharge of the Notes under which the Collateral securing the Notes and the Note Guarantees will be released automatically and under which the Note Guarantees will be released automatically, without your consent or the consent of the Trustee.***

Under various circumstances, Collateral securing the Notes and the Note Guarantees will be released automatically, including:

- upon payment in full of principal, interest and all other obligations on the Notes issued under the Indenture or discharge or defeasance thereof;
- upon release of a Note Guarantee (with respect to Liens (as defined in “*Description of the Notes*”) securing such Note Guarantee granted by such Guarantor);
- in connection with any disposition of Collateral to any Person; *provided* that if the Collateral is disposed to the Company or a Restricted Subsidiary; the relevant Collateral becomes immediately subject to a substantially equivalent Lien in favour of the Security Agent securing the Notes (but excluding any transaction subject to “*Description of the Notes—Certain Covenants—Merger and consolidation—The Issuer and the Company*”); *provided*, further, that, in each case, such disposition is permitted by the Indenture;
- if the Company designates any Subsidiary Guarantor to be an Unrestricted Subsidiary (as defined in “*Description of the Notes*”) in accordance with the applicable provisions of the Indenture, the release of the property, assets and Capital Stock of such Unrestricted Subsidiary (each as defined in “*Description of the Notes*”);
- in connection with certain enforcement actions taken by the creditors under certain of our Secured Indebtedness as provided under the Intercreditor Agreement, as otherwise in compliance with the Intercreditor Agreement;
- as may be permitted by the covenant described under “*Description of the Notes—Certain Covenants—Impairment of security interest*,” or
- in order to effectuate a merger, consolidation, conveyance or transfer conducted in compliance with the covenant described under “*Description of the Notes—Certain Covenants—Merger and consolidation*.”

In addition, under various circumstances, the Note Guarantees will be released automatically, including:

- except in respect of the Company’s Note Guarantee and Bidco’s Note Guarantee, a sale or other disposition (including by way of consolidation or merger) of capital stock of the relevant Guarantor or of a parent thereof, such that such Guarantor ceases to be a Restricted Subsidiary, or the sale or disposition of all or substantially all the assets of the relevant Guarantor (other than to the Company or a Restricted Subsidiary), in each case in a transaction otherwise permitted by the Indenture;

- except in respect of the Company's Note Guarantee and Bidco's Note Guarantee, the designation in accordance with the Indenture of the relevant Guarantor as an Unrestricted Subsidiary (as defined in "*Description of the Notes*");
- defeasance or discharge of the Notes, as provided under the captions "*Description of the Notes—Defeasance*" and "*Description of the Notes—Satisfaction and discharge*";
- in the case of a Subsidiary Note Guarantee only (other than the initial Subsidiary Note Guarantees), to the extent that the relevant Guarantor is not an Immaterial Subsidiary (as defined in "*Description of the Notes*") solely due to the operation of clause (i) of the definition of "Immaterial Subsidiary", (as defined in "*Description of the Notes*") upon the relevant release of the guarantee or discharge of Indebtedness referred to in such clause;
- upon full payment of all obligations of the Issuer and the Guarantors under the Indenture and the Notes; or
- in connection with certain enforcement actions taken by the creditors under certain of our secured Indebtedness as provided under the Intercreditor Agreement.

In addition, the Note Guarantees will each be subject to release upon enforcement sale as contemplated under the Intercreditor Agreement. Unless consented to, the Intercreditor Agreement provides that the Security Agent shall not, in an enforcement scenario, exercise its rights to release the relevant Note Guarantees or security interests in the Collateral unless the relevant sale or disposal is made:

- for consideration all or substantially all of which is in the form of cash;
- to the extent there is a release of Note Guarantees or security granted for the benefit of the holders of Notes, concurrently with the discharge or release of the indebtedness of the disposed entities to certain other creditors, including the creditors under the Revolving Credit Facility Agreement and holders of the Notes; and
- pursuant to a public auction, or a fairness opinion has been obtained from an internationally recognised investment bank or accounting firm selected by the Security Agent.

See "*Description of other indebtedness—Intercreditor Agreement*" and "*Description of the Notes*".

***The Notes will initially be held in book-entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.***

The Notes will initially only be issued in global certificated form and held through Euroclear and Clearstream. Interests in the Global Notes (as defined herein) will trade in book-entry form only, and Notes in definitive registered form, or definitive registered Notes, were issued in exchange for book entry interests only in very limited circumstances. Owners of the book-entry interests will not be considered owners or holders of Notes unless and until definitive notes are issued in exchange for book-entry interests. Instead, the common depositary (or its nominee) for Euroclear and Clearstream will be the sole registered holder of the Notes in global form. Payments of principal, interest and other amounts owing on or in respect of the Notes in global form will be made to the Paying Agent, which will make payments to Euroclear and Clearstream. Thereafter, such payments will be credited to Euroclear and Clearstream participants' accounts that hold book-entry interests in the Notes in global form and credited by such participants to indirect participants. After payment to the common depositary for Euroclear and Clearstream, none of the Issuer, the Guarantors, the Trustee, the Paying Agent or any other paying agent will have any responsibility or liability for any aspect of the records relating to or payments of interest, principal or other amounts to Euroclear and Clearstream, or to owners of book-entry interests. Accordingly, if you own a book-entry interest in the Notes, you must rely on the procedures of Euroclear and Clearstream and, if you are not a participant in Euroclear and/or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of the Notes under the Indenture. Owners of book-entry interests will not have the direct right to act upon our solicitations for consents or requests for waivers or other actions from holders of the Notes, including enforcement of security for the Notes and the Note Guarantees. Instead, if you own a book-entry interest, you will be reliant on the common depositary (as registered holder of the Notes) to act on your instructions and/or will be permitted to act directly only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream or, if applicable, from a participant. We cannot assure you that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any requested actions or to take any other action on a timely basis.

***There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited.***

We cannot assure you as to:

- the liquidity of any market in the Notes;
- your ability to sell your Notes; or
- the prices at which you would be able to sell your Notes.

Future trading prices for the Notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities. Historically, the market for non-investment grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. The liquidity of a trading market for the Notes may be adversely affected by a general decline in the market for similar securities and is subject to disruptions that may cause volatility in prices. The trading market for the Notes may attract different investors and this may affect the extent to which the Notes may trade. It is possible that the market for the Notes will be subject to disruptions. Any such disruption may have a negative effect on you, as a holder of the Notes, regardless of our prospects and financial performance. As a result, there is no assurance that there will be an active trading market for the Notes. If no active trading market develops, you may not be able to resell your holding of the Notes at a fair value, if at all.

In addition, the Indenture will allow us to issue Additional Notes in the future, which could adversely impact the liquidity of the Notes. See “*Description of the Notes—Additional Notes*”.

***Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.***

One or more independent credit rating agencies may assign credit ratings to the Notes. The credit ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financings and could adversely affect the value and trading of the Notes.

***The transferability of the Notes may be limited under applicable securities laws.***

The Notes and the Note Guarantees have not been, and will not be, registered under the Securities Act or the securities laws of any state or any other jurisdiction and, unless so registered, may not be offered or sold in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and the applicable securities laws of any state or any other jurisdiction. See “*Transfer restrictions*”. It is the obligation of holders of the Notes to ensure that their offers and sales of the Notes within the United States and other countries comply with applicable securities laws.

***Investors in and purchasers of the Notes may have limited or no recourse against our independent auditors.***

See “*Independent auditors*” for a description of the independent auditors’ reports, including language limiting the independent auditors’ scope of responsibility in relation to their audit work. Investors in and purchasers of the Notes may have limited or no recourse against the independent auditors.

Investors in and purchasers of the Notes should understand that the independent auditors’ reports included elsewhere in this Offering Memorandum each state that such report, including the opinions therein, has been prepared solely for the Company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and that the independent auditors will not accept or assume responsibility for any other purpose or to any other person to whom the report is shown or into whose hands it may come save where expressly agreed by the prior consent of the independent auditors in writing. In the context of the Offering, the independent auditors have reconfirmed to us that they do not intend their duty of care in respect of their audits to extend to any party, such as investors in and purchasers of the Notes, other than the addressees of their reports.

Without in any way or on any basis affecting or adding to or extending the independent auditors’ duties and responsibilities to the addressees or giving rise to any duty or responsibility being accepted or assumed by or imposed on the independent auditors to any party except the addressees, the independent auditors have provided consent to the Company’s inclusion, independently of the independent auditors, of the audit reports with the non-statutory historical

financial statements to which they relate in this Offering Memorandum for a proposed issuance of Notes, thereby demonstrating that an audit of the non-statutory directors' reports and financial statements for each relevant period has been undertaken for the addressees. The consent provided by the independent auditors is different from a consent filed with the SEC under Section 7 of the Securities Act, which is applicable only to transactions involving securities registered under the Securities Act. As the Notes have not been and will not be registered under the Securities Act, the independent auditors have not filed a consent under Section 7 of the Securities Act. The independent auditors' historical reports for the financial year ended 31 March 2014, 2013 and 2012 are included elsewhere in this Offering Memorandum.

The SEC would not permit such limiting language to be included in a registration statement or a prospectus used in connection with an offering of securities registered under the Securities Act, or in a report filed under the Exchange Act. If a U.S. court (or any other court) was to give effect to the language set out above, the recourse that investors in and purchasers of the Notes may have against the independent auditors based on their reports or the non-statutory directors' report and financial statements to which they relate could be limited. The extent to which independent auditors may have responsibility or liability to third parties can be unclear under the laws of many jurisdictions, including the United Kingdom. The inclusion of the language referred to above, however, may limit the ability of holders of the Notes to bring any action against the independent auditors for damages arising out of an investment in or purchase of the Notes. See *"Independent auditors"*.

### **Risks related to our ownership**

#### ***The interests of our principal shareholders may conflict with your interests.***

The interests of our principal shareholders, in certain circumstances, may conflict with your interests as a holder of the Notes. Following the Acquisition, TDR Capital and Sun Capital will control us. See *"Principal shareholders"*. TDR Capital and Sun Capital, acting through Keystone JVCo Limited, will be able to appoint the majority of the directors of Keystone Topco Limited and its subsidiaries, including the Company and the Issuer, and to determine our corporate strategy, management and policies. In addition, TDR Capital and Sun Capital, acting through their investment vehicle Keystone JVCo Limited, will have control over our decisions to enter into any corporate transaction and will have the ability to prevent any transaction that requires the approval of shareholders regardless of whether holders of the Notes believe that any such transactions are in their own best interests. For example, the shareholders could vote to cause us to incur additional indebtedness, to sell certain material assets or make dividends, in each case, so long as the Indenture, the Revolving Credit Facility Agreement and the Intercreditor Agreement so permit. The incurrence of additional indebtedness would increase our debt service obligations and the sale of certain assets could reduce our ability to generate turnover, each of which could adversely affect holders of the Notes.

Additionally, TDR Capital and Sun Capital are in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete directly or indirectly with us. TDR Capital and Sun Capital may also pursue acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us. So long as investment funds associated with or designated by TDR Capital and Sun Capital collectively continue to, directly or indirectly, own a significant amount of our capital stock, even if such amount is less than 50%, TDR Capital and Sun Capital will continue to be able to strongly influence or effectively control our decisions. The interests of TDR Capital and Sun Capital may not coincide with your interests.

## Use of proceeds

The net proceeds received from the Offering will be £260.4 million. Pending consummation of the Acquisition, the Initial Purchasers will deposit the gross proceeds from the Offering (less certain deductions in respect of fees and expenses associated with the Transactions) into the Escrow Account for the benefit of the holders of the Notes. See “*Description of the Notes—Escrow of proceeds; Special Mandatory Redemption*”.

The estimated sources and uses of the funds necessary to consummate the Transactions, including the Acquisition, are shown in the table below. Actual amounts will vary from estimated amounts depending on several factors, including certain adjustments to the Acquisition consideration, differences from our estimates of fees and expenses, the costs of repaying the Existing Senior Facilities and the Existing Mezzanine Facility and the actual Completion Date. Any changes in these amounts may affect the amount of the Equity Contribution.

Sources	£ in millions	Uses	£ in millions
Notes offered hereby <sup>(1)</sup> .....	260.4	Repayment of existing facilities <sup>(3)</sup> .....	288.2
Equity Contribution <sup>(2)</sup> .....	111.1	Acquisition consideration <sup>(2)(4)</sup> .....	63.6
		Transaction costs <sup>(5)</sup> .....	18.5
		Cash to balance sheet.....	1.2
<b>Total sources</b> .....	<b>371.5</b>	<b>Total uses</b> .....	<b>371.5</b>

- (1) Represents £263.0 million aggregate principal amount due at maturity less the issue discount.
- (2) The Acquisition consideration will be subject to certain adjustments. The amount of the Equity Contribution will vary, among others, depending on the Acquisition consideration to be paid under the Acquisition Agreement but will in any event equal no less than 30% of the total sources required to complete the Acquisition (excluding cash to balance sheet).
- (3) Represents the estimated principal amount outstanding under the Existing Senior Facilities and the Existing Mezzanine Facility as of, and includes estimated accrued and unpaid interest through, 28 November 2014 (the assumed date of discharge of the Existing Senior Facilities and the Existing Mezzanine Facility). As part of the Acquisition, the outstanding indebtedness under the Existing Senior Facilities and the Existing Mezzanine Facility, including estimated accrued and unpaid interest and any break costs in connection with terminating the Existing Senior Facilities and the Existing Mezzanine Facility, will be repaid in full on or about the Completion Date. See “*Capitalisation*”.
- (4) Represents the base Acquisition consideration that will be payable by Bidco under the Acquisition Agreement.
- (5) Represents the estimated fees and expenses associated with the Transactions, including commitment, placement, financial advisory and other transaction costs and professional fees. Actual fees and expenses may differ from the amounts presented.

In connection with the Transactions, we have entered into a Revolving Credit Facility Agreement, which provides for a Revolving Credit Facility in the amount of £75 million to be made available on the Completion Date. No amounts are expected to be drawn under the Revolving Credit Facility on the Completion Date. However, approximately £22 million is expected to be utilised under the Revolving Credit Facility on the Completion Date to roll over certain existing letters of credit and surety bonds, which will reduce the amount available for drawing under the Revolving Credit Facility by a corresponding amount.

For descriptions of our anticipated indebtedness following the Offering, see “*Description of the Notes*” and “*Description of other indebtedness*”.

## Capitalisation

The Issuer has no indebtedness except the issuance of the Notes.

The following table sets forth, in each case, the consolidated cash and cash equivalents and the capitalisation of:

- Lakeside Holdco, on a historical basis, derived from Lakeside Holdco's consolidated financial statements as of 30 June 2014, which were prepared in accordance with UK GAAP and are included elsewhere in this Offering Memorandum; and
- Lakeside Holdco, adjusted to give *pro forma* effect to the Transactions as if they had occurred on 30 June 2014. The adjustments are based on available information and contain assumptions made by our management.

You should read this table in conjunction with “Summary—The Transactions”, “Use of proceeds”, “Summary consolidated financial information”, “Selected historical consolidated financial data”, “Management’s discussion and analysis of financial condition and results of operations”, “Description of other indebtedness”, “Description of the Notes” and the consolidated financial statements and the accompanying notes of Lakeside Holdco appearing elsewhere in this Offering Memorandum.

(in £ millions)	As of 30 June 2014	
	Historical	As adjusted
	(unaudited)	
<b>Cash and cash equivalents<sup>(1)</sup></b> .....	<b>22.0</b>	<b>—</b>
Total debt:		
Bank overdraft .....	—	0.7
Existing Facility A Loan .....	37.5	—
Existing Tranche B1 Loan .....	151.5	—
Existing Tranche B2 Loan .....	46.0	—
Existing Revolving Credit Facility .....	—	—
<b>Total Existing Senior Facilities</b> .....	<b>235.0</b>	<b>—</b>
Existing Mezzanine Facility .....	77.1	—
Revolving Credit Facility <sup>(2)</sup> .....	—	—
Notes offered hereby .....	—	263.0
<b>Total debt (before unamortised issue costs)</b> .....	<b>312.1</b>	<b>263.7</b>
Unamortised issue costs <sup>(3)</sup> .....	(0.5)	(7.4)
<b>Total debt (net of unamortised issue costs)</b> .....	<b>311.6</b>	<b>256.3</b>
<b>Capital employed</b> .....	<b>16.7</b>	<b>52.6</b>
<b>Total capitalisation</b> .....	<b>328.3</b>	<b>308.9</b>

- (1) Represents the assumed available cash and cash equivalents of Lakeside Holdco and its subsidiaries on the Completion Date.
- (2) No amounts are expected to be drawn under the Revolving Credit Facility on the Completion Date, although approximately £22 million is expected to be utilised under the Revolving Credit Facility on the Completion Date to roll over certain existing letters of credit and surety bonds, which will reduce the amount available for drawing under the Revolving Credit Facility by a corresponding amount.
- (3) Represents estimated fees and expenses which may be capitalised in connection with the Offering after elimination of the existing £0.5 million of unamortised issue costs.



## Selected historical consolidated financial data

The tables below set forth the selected historical consolidated financial information and other data of Lakeside Holdco as of the dates and for the periods indicated. The Issuer and Bidco were formed on 3 June 2014 and the Company was formed on 21 May 2014. The Issuer was incorporated for the purposes of facilitating the Transaction and issuing the Notes offered hereby. It has no material assets or liabilities and has not engaged in any activities other than those related to its formation in preparation for the Transactions, including the Offering. Because of the limited historical financial information available for the Issuer, Bidco and the Company, unless otherwise indicated, the financial information presented in this Offering Memorandum is the historical consolidated financial information of Lakeside Holdco and its consolidated subsidiaries.

The selected consolidated profit and loss account, balance sheet and cash flow information for Lakeside Holdco set forth below (i) as of and for the financial years ended 31 March 2013 and 2014 were derived from the audited consolidated financial statements as of and for the financial years ended 31 March 2013 and 2014 of Lakeside Holdco and notes thereto; (ii) as of and for the financial year ended 31 March 2012 was derived from the adjusted comparative figures presented in the audited consolidated financial statements as of and for the year ended 31 March 2013 of Lakeside Holdco and notes thereto and (iii) as of and for the quarter ended 30 June 2013 and 2014 were derived from the unaudited condensed consolidated interim financial statements as of and for the quarter ended 30 June 2013 and 2014 of Lakeside Holdco and notes thereto, in each case prepared in accordance with UK GAAP and included elsewhere in this Offering Memorandum.

The financial information presented for the interim periods or prior years is not necessarily indicative of the results to be expected for the full year or any future period or our financial condition at any future date. The financial information presented herein should be read in conjunction with, and is qualified in its entirety by reference to, the consolidated financial statements of Lakeside Holdco and the accompanying notes included elsewhere in this Offering Memorandum, and should also be read together with the information set forth below in “*Presentation of financial and other information*”, “*Use of proceeds*”, “*Capitalisation*”, “*Selected historical consolidated financial data*”, “*Management’s discussion and analysis of financial condition and results of operations*” and our consolidated financial statements and notes thereto included elsewhere in this Offering Memorandum.

### Selected consolidated profit and loss account information

(in £ million)	2012	2013	2014	2013	2014
	For the financial year ended 31 March			For the quarter ended 30 June	
Turnover including share of joint ventures and associates .....	676.1	889.6	939.5	195.7	225.3
Less: share of joint ventures and associates .....	—	(3.1)	(8.9)	(1.1)	(1.0)
<b>Group turnover</b> .....	<b>676.1</b>	<b>886.5</b>	<b>930.6</b>	<b>194.6</b>	<b>224.3</b>
Cost of sales .....	(625.8)	(788.1)	(820.7)	(173.9)	(200.1)
<b>Gross profit</b> .....	<b>50.3</b>	<b>98.4</b>	<b>109.9</b>	<b>20.7</b>	<b>24.2</b>
Administration expenses .....	(422.5)	(75.0)	(73.1)	(17.9)	(20.5)
Other operating income .....	—	—	0.3	—	0.1
Group operating profit before exceptional items and goodwill amortisation .....	32.2	48.4	55.9	7.0	9.1
Exceptional items .....	(373.9)	(8.4)	(2.1)	—	(1.1)
Amortisation .....	(30.5)	(16.6)	(16.7)	(4.2)	(4.2)
<b>Group operating (loss) / profit</b> .....	<b>(372.2)</b>	<b>23.4</b>	<b>37.1</b>	<b>2.8</b>	<b>3.8</b>
Share of operating (loss) / profit in joint ventures and associated undertakings .....	—	—	(0.2)	—	—
<b>Total operating (loss) / profit: group and associated undertakings</b> .....	<b>(372.2)</b>	<b>23.4</b>	<b>36.9</b>	<b>2.8</b>	<b>3.8</b>
Net interest payable .....	(100.4)	(44.8)	(20.7)	(5.3)	(4.8)
<b>(Loss) / profit on ordinary activities before taxation</b> .....	<b>(472.6)</b>	<b>(21.4)</b>	<b>16.2</b>	<b>(2.5)</b>	<b>(1.0)</b>
Tax on profit / (loss) on ordinary activities .....	1.0	—	(5.2)	(0.3)	(0.7)
<b>(Loss) / profit for the financial year</b> .....	<b>(471.6)</b>	<b>(21.4)</b>	<b>11.0</b>	<b>(2.8)</b>	<b>(1.7)</b>

### Consolidated balance sheet

As of 31 March

(in £ million)	2012	2013	2014	As of 30 June 2014
<b>Fixed assets</b>				
Intangible assets.....	287.5	272.7	256.0	251.9
Tangible assets.....	12.7	10.6	9.9	9.7
Investments in joint ventures				
Share of gross assets.....	—	0.9	1.8	2.3
Share of gross liabilities.....	—	(1.0)	(1.8)	(2.3)
<b>Total share of gross assets / (liabilities).....</b>	<b>—</b>	<b>(0.1)</b>	<b>—</b>	<b>—</b>
Investments in associates.....	—	—	(0.3)	(0.3)
<b>Investments.....</b>	<b>—</b>	<b>(0.1)</b>	<b>(0.3)</b>	<b>(0.3)</b>
Pension asset.....	0.8	0.6	1.0	1.1
<b>Total fixed assets.....</b>	<b>301.0</b>	<b>283.8</b>	<b>266.6</b>	<b>262.4</b>
<b>Current assets</b>				
Land held for and under development.....	26.8	45.2	52.7	56.0
Work in progress.....	52.6	54.5	71.3	84.2
Debtors: Amount falling due after more than one year.....	23.9	28.0	35.4	34.0
Debtors: Amount falling due within one year.....	179.1	158.6	170.5	169.7
Cash at bank and in hand.....	8.5	10.6	47.1	22.0
<b>Total current assets.....</b>	<b>290.9</b>	<b>296.9</b>	<b>377.0</b>	<b>365.9</b>
<b>Total assets.....</b>	<b>591.9</b>	<b>580.7</b>	<b>643.6</b>	<b>628.3</b>
<b>Liabilities</b>				
<b>Capital and reserves</b>				
Called up share capital.....	0.6	0.6	0.6	0.6
Share premium account.....	240.1	588.5	—	—
Merger reserve.....	294.0	294.0	19.9	19.9
Profit and loss reserve.....	(853.1)	(875.2)	(1.5)	(3.2)
<b>Total shareholders' (deficit) / funds.....</b>	<b>(318.4)</b>	<b>7.9</b>	<b>19.0</b>	<b>17.3</b>
<b>Minority interests.....</b>	<b>(0.6)</b>	<b>(0.6)</b>	<b>(0.6)</b>	<b>(0.6)</b>
<b>Capital employed.....</b>	<b>(319.0)</b>	<b>7.3</b>	<b>18.4</b>	<b>16.7</b>
<b>Other liabilities</b>				
Bank loans due after one year.....	614.8	302.7	282.6	283.7
Other creditors falling due after one year.....	—	—	—	—
Bank loans due in under one year.....	—	—	27.9	27.9
Other creditors falling due in under one year.....	290.8	266.9	311.1	296.3
Pension liability.....	—	0.9	1.2	1.3
<b>Total other liabilities.....</b>	<b>905.6</b>	<b>570.5</b>	<b>622.8</b>	<b>609.2</b>
<b>Provisions for liabilities.....</b>	<b>5.3</b>	<b>2.9</b>	<b>2.4</b>	<b>2.4</b>
<b>Total liabilities.....</b>	<b>591.9</b>	<b>580.7</b>	<b>643.6</b>	<b>628.3</b>

#### Selected consolidated statement of cash flow information

(in £ million)	For the financial year ended 31 March			For the quarter ended 30 June	
	2012	2013	2014	2013	2014
<b>Net cash (outflow)/inflow from operating activities.....</b>	<b>23.1</b>	<b>23.3</b>	<b>54.6</b>	<b>(10.3)</b>	<b>(18.5)</b>
<b>Returns on investment and servicing of finance</b>					
Interest received.....	—	—	0.2	0.1	0.2
Interest paid.....	(31.9)	(10.9)	(15.0)	(0.4)	(4.5)
<b>Net cash (outflow) / inflow from returns on investment and servicing of finance.....</b>	<b>(31.9)</b>	<b>(10.9)</b>	<b>(14.8)</b>	<b>(0.3)</b>	<b>(4.3)</b>
<b>Taxation</b>					
UK corporation tax refund / (paid).....	0.6	(0.6)	(1.8)	(0.1)	(1.8)
<b>Capital expenditure and financial investment</b>					
Purchase of tangible fixed assets.....	(1.3)	(1.6)	(2.4)	(0.6)	(0.5)
Sale of tangible fixed assets.....	—	0.7	0.9	0.1	—
<b>Net cash outflow from capital expenditure and financial investment.....</b>	<b>(1.3)</b>	<b>(0.9)</b>	<b>(1.5)</b>	<b>(0.5)</b>	<b>(0.5)</b>
<b>Acquisitions</b>					
Purchase of subsidiary undertakings.....	(2.0)	—	—	—	—

Net cash acquired with subsidiary undertakings .....	13.3	—	—	—	—
<b>Net cash inflow from acquisitions</b> .....	<b>11.3</b>	—	—	—	—
<b>Financing</b>					
Proceeds from issue of ordinary share capital .....	0.3	—	—	—	—
(Decrease) / increase in borrowings.....	(1.5)	(8.8)	—	15.0	—
<b>Net cash (outflow) / inflow from financing</b> .....	<b>(1.2)</b>	<b>(8.8)</b>	—	<b>15.0</b>	—
<b>Increase / (decrease) in cash</b> .....	<b>0.6</b>	<b>2.1</b>	<b>36.5</b>	<b>3.8</b>	<b>(25.1)</b>

## Management's discussion and analysis of financial condition and results of operations

The following is a discussion and analysis of the results of operations and financial condition of the Group based on the audited consolidated financial statements of the Group and its subsidiaries as of and for the financial years ended 31 March 2012, 2013 and 2014, and the unaudited condensed consolidated interim financial statements as of and for the quarter ended 30 June 2014, in each case, prepared in accordance with UK GAAP.

Except as the context otherwise indicates, when discussing historical results of operations in this "Management's discussion and analysis of financial condition and results of operations", the "Group", "we", "our" and other similar terms are generally used to refer to the business of the Group and its subsidiaries.

You should read this discussion in conjunction with the consolidated financial statements of the Group and the accompanying notes included elsewhere in the Offering Memorandum. A summary of the critical accounting estimates that have been applied to the Group's consolidated financial statements is set forth below in "Critical accounting estimates". You should also review the information in the sections "Presentation of financial and other information" and "Selected historical financial data". This discussion also includes forward-looking statements which, although based on assumptions that we consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. For a discussion of risks and uncertainties facing us as a result of various factors, see "Risk factors".

### Overview

We are a leading provider of community regeneration services and housing. Our Regeneration division delivers bespoke refurbishment, maintenance and construction solutions to providers of social housing in the UK. Our Regeneration customers include Local Authorities, Housing Associations and other Registered Providers of social housing. Our Homes division is a leading developer of high-quality lower price quartile homes in the UK, focused on first-time and lower-income buyers.

Our Regeneration and Homes divisions benefit from the strong, long term relationships that we have developed with Local Authorities, Housing Associations and other Registered Providers as an integral part of our business. In Regeneration, our model allows us to work with these organisations to access large, multi-service contracts that provide long-term contract visibility and a strong pipeline of work. For Homes, our partnership model allows us to work with land owners, typically Local Authorities, from the early stages of a development project, such as identification of land opportunities and assessment of project viability, thereby minimising development risks and allowing us to operate a capital-light business model relative to traditional housebuilders that generates strong cash conversion.

We believe the complementary working capital models of our Regeneration and Homes divisions enhances our ability to deliver strong cash generation for our group. In Regeneration, clients predominantly pay us earlier than we pay our supply chain which generates cash that, in turn, supports the required investment in land and build WIP in our Homes division. In addition, the working capital requirement of our Homes division is lower than some large listed traditional house builders due to our partnership-led control of the land bank and the ability under several of our partnership agreements to defer payments until plot completions.

We believe these operational and financial synergies between our Regeneration and Homes divisions enable us to deliver strong cash generation and have led to profit growth. Our sales grew by 5.0%, from £886.5 million in the financial year ended 31 March 2013 to £930.6 million in the financial year ended 31 March 2014 and our Adjusted EBITDA grew by 15.0%, from £51.9 million in the financial year ended 31 March 2013 to £59.7 million in the financial year ended 31 March 2014.

The following table sets forth our total turnover and gross profit for the periods indicated:

(in £ million, except percentages)	Financial year ended						Last twelve months ended	
	31 March 2012		31 March 2013		31 March 2014		30 June 2014	
<b>Turnover</b>								
Regeneration .....	517.4	76.5%	729.2	82.3%	720.8	77.5%	740.4	77.1%
Homes .....	158.7	23.5%	157.3	17.7%	209.8	22.5%	219.9	22.9%
<b>Total .....</b>	<b>676.1</b>	<b>100.0%</b>	<b>886.5</b>	<b>100.0%</b>	<b>930.6</b>	<b>100.0%</b>	<b>960.3</b>	<b>100.0%</b>
(in £ million, except percentages)	Financial year ended						Last twelve months ended	
	31 March 2014						30 June 2014	

<b>Gross profit</b>				
Regeneration.....	78.5	71.4%	80.0	70.5%
Homes.....	31.4	28.6%	33.4	29.5%
<b>Total.....</b>	<b>109.9</b>	<b>100.0%</b>	<b>113.4</b>	<b>100.0%</b>

## Regeneration

Our Regeneration division is a national leader delivering refurbishment and maintenance of social housing stock, bespoke Regeneration schemes, PPP projects and construction for Local Authorities, Housing Associations and other Registered Providers. We believe our long-term client relationships are central to our business model, and we estimate that the average length of our relationships with each of our top ten clients (by turnover for the year ended 31 March 2014) was approximately 11 years as at 31 March 2014. See “—*Business operations—Homes division—Partner relationships and land bank*”.

Our prominence as a national supplier to our clients gives us good visibility of upcoming projects, which we believe is reflected by our Total Identified Opportunities. As of 31 March 2014, our estimated Total Secured Business, Total Underpinnings and Total Identified Opportunities represented £1.3 billion, £2.0 billion and £6.9 billion in potential turnover, respectively. When valuing Total Secured Business, Total Underpinnings and Total Identified Opportunities, we make a number of judgments, estimates and assumptions based on many factors which are inherently uncertain and subject to significant uncertainties and contingencies, all of which are difficult to predict and many of which are beyond our control. There can be no assurance that the estimates and assumptions we make with respect to our probability of success or otherwise will prove to be correct or that we will fully realise the potential value of the contracts and opportunities within our Total Secured Business, Total Underpinnings or Total Identified Opportunities. For a discussion of how we calculate our Total Secured Business, Total Underpinnings and Total Identified Opportunities and its constituent parts and the various limitations associated with such measures, see “*Presentation of financial and other information—Operational measures—Total Secured Business, Total Underpinnings and Total Identified Opportunities*”. We believe the scale and breadth of our combined capabilities allow us to bid competitively on large, complex projects, which are only available to the industry’s largest players, and provide us with significant procurement advantages over our smaller peers in a highly fragmented market.

Our Regeneration division comprises six key services offerings:

**Refurbishment and Planned Maintenance** of occupied buildings, social housing and private housing, libraries, community centres and health and emergency services facilities on a regular or cyclical basis. These services, for example, include the replacement of boilers, roofs, windows, bathrooms and kitchens. We estimate that turnover from these services accounted for approximately 67% of our Regeneration division’s turnover in the financial year ended 31 March 2014.

**New Build Housing** construction of social housing for rent under contracts with Local Authorities, Housing Associations and other Registered Providers, which is distinct from our Homes division. We estimate that turnover from these services accounted for approximately 10% of our Regeneration division’s turnover in the financial year ended 31 March 2014.

**Responsive Maintenance** through multi-year contracts with Local Authorities, Housing Associations and other Registered Providers that provide 24-hour call out for plumbing, heating, joinery, electrical services and general repairs to social housing residents, delivered mainly by the KPS division. We estimate that turnover from these services accounted for approximately 6% of our Regeneration division’s turnover in the financial year ended 31 March 2014.

**Extra Care** through construction or refurbishment of housing specifically designed for elderly or disabled residents, under contract. We estimate that turnover from these services accounted for approximately 6% of our Regeneration division’s turnover in the financial year ended 31 March 2014.

**Education** through construction and refurbishment of schools and educational facilities. We estimate that turnover from these services accounted for approximately 6% of our Regeneration division’s turnover in the financial year ended 31 March 2014.

**Sustainability** through the provision of energy efficient measures, such as boilers, roof and wall insulation and the installation of energy-efficient windows, often as part of wider refurbishment schemes. We estimate that turnover from these services accounted for approximately 6% of our Regeneration division’s turnover in the financial year ended 31 March 2014.

## FY14 turnover split by value stream £720.8 million

[GRAPHIC]

We believe our Regeneration division is geographically well-balanced across the UK. The following table sets forth our turnover by geography for the years indicated:

(£ million, except percentages)	Financial year ended 31 March			
	2013		2014	
<b>Regeneration turnover by geography</b>				
Northern England.....	199.0	27.3%	194.3	27.0%
London.....	155.3	21.3%	168.6	23.4%
Southern England.....	179.4	24.6%	149.8	20.7%
Central England.....	163.9	22.5%	160.5	22.3%
KPS.....	31.6	4.3%	43.1	6.0%
Divisional Head office.....	—	—	4.5	0.6%
<b>Regeneration Total</b> .....	<b>729.2</b>	<b>100.0%</b>	<b>720.8</b>	<b>100.0%</b>

### Homes

Our Homes division primarily builds high-quality lower price quartile homes targeted to first-time and lower-income buyers. Our homes are typically standard in design, with two or three bedrooms. In the financial year ended 31 March 2014, sales grew by 23% to 1,853 Completions for an Average Selling Price of £113,000, of which 75.9%, or 1,406 Completions, were to private individuals and 24.1%, or 447 sales, were to Registered Providers. We occupy a position in the UK market between traditional, more speculative, developers and those who build under contracts and therefore do not sell homes in the open market. We believe that this position, combined with our focus on the lower price quartile of the market and our capital-light model, differentiates us from the competition.

Our Homes division has historically served four main geographies in the UK: Yorkshire, the Midlands, North East England and North West England. We have begun to expand into Southern England to capitalise on the significant undersupply of homes and to source land through the strength of legacy Apollo relationships with Local Authorities in that region. Since May 2014, we have begun to take reservations for homes and have exchanged contracts with clients in Southern England. We are also currently in the development stages for a sixth region, Scotland, where we have resources in place with a view to commencing operations when appropriate sites are ready for development.

The geographical distribution of our Homes turnover is set forth in the following table for the years indicated:

(£ million, except percentages)	Financial year ended 31 March					
	2012		2013		2014	
<b>Homes turnover by geography</b>						
Yorkshire .....	50.4	31.8%	36.3	23.1%	60.5	28.8%
Midlands .....	41.4	26.1%	47.6	30.2%	63.5	30.3%
North East England.....	38.6	24.3%	42.3	26.9%	46.4	22.1%
North West England .....	28.3	17.8%	31.1	19.8%	39.4	18.8%
<b>Total</b> .....	<b>158.7</b>	<b>100.0%</b>	<b>157.3</b>	<b>100.0%</b>	<b>209.8</b>	<b>100.0%</b>

### Key factors affecting results of operations

Our performance and results of operations have been and will continue to be affected by a number of factors, including external factors. Certain of these key factors that have had, and may have in the future, an effect on our results are set forth below. Our Regeneration division is impacted by spending decisions of Local Authorities and other Registered Providers, the mix of services it provides and the pricing and management of contracts. Our Homes division is impacted by the availability and price of land, the housing market and the availability of mortgages. For further discussion of the factors affecting our results of operations, see “*Risk factors*”.

### Funding environment and spending by Local Authorities, Housing Associations and other Registered Providers

Our Regeneration business is driven by spending of our clients, predominantly Local Authorities, Housing Associations and other Registered Providers, which is in part driven by various government funding sources and the overall availability of public funding. According to the OC&C Report, in total our Regeneration addressable markets (excluding one-off funding streams) represented more than £12.5 billion in annual spend in 2013. Drivers such as long term underinvestment in housing and an increasing affordability gap continue to support demand for social housing of a good standard and therefore funding to support this aim is currently anticipated to rise each year to 2018, according to the OC&C Report.

Following HRA reforms in 2012, our clients are able to directly spend the income generated by rental of their social housing stock. This means they are less reliant on central government funding and have greater freedom to manage their own budgets in order to maintain and replenish social housing. In order to secure work from these organisations, we target projects that are to be funded by their local budgets, as well as by funds allocated by central government, which are often directed at particular aims, such as sustainability improvements, quality government sponsored housing, housing for the elderly or educational facilities. See “*Industry—Regeneration UK funding schemes*” and “*Industry—Homes funding schemes*”.

The way in which Local Authorities choose to spend funds received through various schemes as well as rental income from social housing directly impacts our turnover. Trends in spending by Local Authorities may change, which may alter demand for our services accordingly. For example, in the financial year ended 31 March 2014, a significant proportion of our turnover was derived from our traditional refurbishment services, including one-off Refurbishment and Planned Maintenance. If not obligated by the UK government to spend funds on particular services, Local Authorities may prioritise certain Regeneration services over others, such as refurbishment, which could impact our turnover and margins. Our diverse Regeneration business model allows us to respond to such changes in spending by offering a multitude of services to match customer requirements.

Our ability to provide complex funding solutions is important in securing larger, more profitable contracts. Our partnership solutions team (“**Partnership Solutions**”) focuses on providing innovative project and funding solutions that enable Local Authorities to tap into private financing to help fund large scale regeneration projects. For example, with the Leeds PFI scheme we secured a 20-year contract to provide Responsive Maintenance (as defined herein), and a contract to provide new build housing and refurbishment services to be completed within 45 months, by bundling our services and assisting with provision of a mixture of private and public funding.

Our ability to provide innovative solutions includes integrating services from our Regeneration and Homes divisions to unlock opportunities that may not otherwise be available to our clients. As Local Authorities look for ways to access funding and increase their turnover, we can combine developments that allow us to build houses on unused land to sell into the private market alongside social housing from which they can generate increased rental turnover. We believe that providing these innovative solutions which allow clients to generate increased turnover with minimal capital outlay is a compelling proposition and important driver of future performance.

#### *Mix of services and ability to provide complex projects*

Our Regeneration division provides a diverse range of services comprising refurbishment and planned maintenance (“**Refurbishment and Planned Maintenance**”), responsive maintenance (“**Responsive Maintenance**”), new build housing (“**New Build Housing**”), extra care (“**Extra Care**”), education (“**Education**”) and sustainability (“**Sustainability**”). Our clients require these services in varying capacities and at different times, and our ability to meet this demand is important for securing future turnover. Additionally, there is an increasing trend for customers to require full-service contracts that bundle a number of our Regeneration service offerings into one contract. The diversity of services we can provide will accordingly impact our ability to secure these contracts.

Our Regeneration services have different profit margins and project durations and therefore an increase or decrease in demand for a particular service offering has a corresponding effect on profits and turnover visibility. For example, Responsive Maintenance contracts are typically lower margin but longer in duration than Refurbishment contracts as they provide ongoing maintenance services, which gives greater turnover visibility. Additionally, some services, such as Sustainability, generate strong margins and are often undertaken as part of wider New Build Housing or refurbishment projects, which can make them dependent on other Regeneration services being provided to generate such margins.

#### *Pricing of contracts and impact of cost fluctuations*

One of the factors affecting our Regeneration margins is our ability to correctly price our contracts. Our contracts generally provide for monthly invoicing, followed by payment net of any deductions. Our estimated margins for such contracts are typically determined by the costs and availability of commodities such as materials, labour and subcontractors, each of which may fluctuate during the period of the contract. To further mitigate these effects, at the time of bidding we enter into annual agreements with our suppliers for certain raw materials and fixed subcontractor prices for packages of work. Following the 2012 Merger we strengthened our internal controls, which has improved our bidding, purchasing and contract monitoring performance.

#### *Availability and price of land*

Our Homes division requires a sufficient supply of land to construct our housing units at any given time. Government policies directed at freeing up land for development in order to tackle the UK’s housing shortage impacts our ability to

source land and has created a favourable trend for our land bank. The series of 'Land Development and Disposal Plans' announced by the HCA in 2011 are focused on freeing up capacity for more than 100,000 dwellings and, for example, the HCA has been granted funding of more than £190 million from the Public Land Infrastructure Fund to de-risk potential sites that may be used for development. The budget is to be spent on remediation and infrastructure work where development would otherwise not be commercially viable. As of 31 March 2014, our land bank of 16,235 plots represented an almost nine-year supply of land based on sales completions in the year ended 31 March 2014. As at 31 March 2014, we had secured or been appointed preferred developer for 100% of our expected project completions by 31 March 2015 and approximately 89% of expected completions by 31 March 2016.

As part of the development process, we work with Local Authorities from an early stage to identify land and conduct technical planning as part of our bidding and tendering process. We are required to obtain numerous permits and approvals from government authorities regarding, among other things, zoning and land use, historic preservation, utilities, including gas, electricity and water, and waste disposal as well as UK Town & Country Planning Act obligations. The process of identifying land and working through the various stages to development alongside our partners is formalised and structured as part of our wider quality management system. See *"Our business—Group operations—IT and Controls—The Homes planning process and quality management"*. As a developer of brownfield sites, the technical planning process is critical to our business in terms of pricing developments accurately and obtaining the necessary permits.

Partnership with Local Authorities and Housing Associations is central to our capital-light Homes business model. A benefit of our partnership-led agreements is our ability to develop houses in phases and reassess land valuations when we draw down plots for development. Where a typical developer may take long-term risk on an entire development site, operating in phases limits the risk attached to our development of a property. The relatively low cost of our land plots, on average £10,077 each in the financial year ended 31 March 2014, represented 8.9% of our Average Selling Price for that financial year. Additionally we are often able to defer our payment for the land until we subsequently sell homes to the public. Therefore compared with some other large listed traditional house builders, historically our Homes division has had relatively low capital requirements and therefore an attractive return on capital employed ("**ROCE**").

#### ***Housing market and the availability of customer financing***

Our Homes division sells predominantly into the private market with 75.9% of Completions in the financial year ended 31 March 2014 being Open Market Sales and the remaining 24.1% to Registered Providers. Therefore a strong private housing market is beneficial for volumes and prices, both of which impact our turnover. If sales prices increase over estimations at the time of agreeing land costs, our agreements often contain 'overage' provisions which require us to share the gains with our partners. However, if house prices do not achieve estimated levels, we usually bear the costs, which are minimised by developing land in phases, and deferring payments. We re-appraise the next phase of the land at re-assessed sales income levels.

Supply of housing in the UK market has historically lagged behind demand, and from 2006 to 2009 there were significant declines in the supply of new lower price quartile housing, according to the OC&C Report. This shortfall has created favourable trends for housing developers and has encouraged the UK and Scottish governments to take various stimulating measures, most recently the HTB scheme, which have been beneficial for our Homes division. Each of our regions develops and markets its homes according to local conditions and they compete with both New Build Housing providers, at our price point, and the secondary housing market. Therefore local market valuations of both new and secondary homes can impact prices and our ability to generate profits from our developments. Again, by developing land in phases we are able to minimise these risks to each phase rather than an entire development.

The UK mortgage market and the availability of finance directly impact our customers' ability to secure long-term financing to purchase our homes. Our turnover is therefore directly influenced by the willingness of banks to lend to customers at affordable rates and any change in available mortgage products can have a significant impact on our turnover. The UK economy significantly influences interest rates and, subsequently, mortgage rates, which are critical to our Homes business. Our Homes addressable market consists of homes in the lowest price quartile, and our Average Selling Price was £113,000 in the financial year ended 31 March 2014. The challenging economic climate in the recession led to a lack of availability of mortgages and subsequently a contraction in the housing market, although we were able to use shared equity loans to drive sales during the relevant period. Renewed confidence in the economy supported by government-led incentives such as the HTB scheme is now reversing that trend. As of 30 June 2014, the HTB scheme had supported over 27,000 house sales since its inception. Its focus on new build homes and first time buyers is directly benefitting our target customer base, as 56% of customers within our Homes division used the HTB scheme during the financial year ended 31 March 2014. This scheme has been extended to 2020; however, it remains subject to potential future regulatory changes that may reduce the willingness of government to fund mortgages, which in turn may reduce public demand within the Homes market.



### *Supply of subcontractors and materials and the impact of cyclical end markets*

Across our group, Regeneration and Homes sub-contract a large proportion of labour to third-party providers and, therefore, our ability to source subcontractors that meet our strict quality requirements and rate/price expectation is critical to our business. Both of our divisions compete within the same pools of labour as our competitors and therefore changes in the labour market directly impact our costs. In the financial year ended 31 March 2014, we subcontracted £584.4 million of work to third parties, accounting for 62.8% of our turnover. The concentration of our subcontractors is low, with our top 50 subcontractors representing less than 30% of our overall subcontractor spend for the financial year ended 31 March 2014. This diversification minimises our exposure to individual subcontractor risk.

Our Homes division, in particular, is directly exposed to the cyclicity of the construction industry. However both divisions can be impacted through the labour market. During periods of market contraction, pools of labour leave the market, sometimes permanently, for example to retrain in other professions or move abroad in search of work. As markets recover demand for labour increases and the associated impact on labour rates and availability can impact both of our divisions. Additionally, in support of providing a lasting impact on local areas, we aim to use local subcontractors. In order to minimise risks of subcontractor rate increases on developments, our Homes division typically aims to lock in subcontractor prices over a phase, or part-phase, of a development through ‘all risk’ contracts. By matching subcontractor agreements to our agreements with landowners we aim to limit our exposure to cost increases during development. Similarly, Regeneration uses fixed subcontractor prices for packages of work.

Like labour, both divisions are heavily impacted by our ability to source the correct materials such as bricks, panels and blocks. The cyclicity of the construction industry also impacts the supply of materials so that in times of market contraction, production is scaled back and therefore when markets recover there can be a lag on supply which pushes prices upwards. It is therefore crucial to our business to have strong supplier relationships that can meet our demands. Our national scale has created cost efficiencies as we continue to realise the benefits of our scale post-2012 Merger both in procurement, in which we are achieving increased buying power, and in our cost base where we have increased our use of subcontractors. As of 31 March 2014, we had realised over £5.0 million synergy savings in material procurement in the two years following the 2012 Merger.

### *Seasonality*

Our turnover is seasonal in both our Regeneration and Homes divisions. In Regeneration, turnover falls in December as internal refurbishment works in residents’ homes are suspended over the same Christmas period. The last quarter in our financial year is the busiest period for the business, largely because some Registered Providers increase their spending during that quarter. Some of our projects in certain areas are subject to seasonal fluctuations, however, since we work on medium and long-term projects, we are frequently able to anticipate seasonality and we plan and schedule our work accordingly, in agreement with our customers.

Our Homes division turnover is also seasonal, driven largely by the timing of developments and sales completions which causes quarterly sales peaks. Historically sales have peaked in the final quarter of the fiscal year which is driven by our increased internal focus on the year end, along with some seasonal market influences such as the timing of purchases through Open Market Sales and Registered Providers. The impact of seasonality on volumes directly impacts turnover as we recognise turnover on legal completion of homes sales.

### *Effects of the merger with Apollo and subsequent refinancing*

On 23 March 2012 we completed a strategic merger (the “**2012 Merger**”) between the Keepmoat group of companies (which included Bramall Construction, Frank Haslam Milan, Milnerbuild and Keepmoat Homes, together the “**Keepmoat Group Companies**”), which had previously operated as four autonomous entities, and Apollo. Accordingly, from March 2012, the 2012 Merger had a significant effect on our operating results, financial performance and financial condition. We recorded significant increases in certain profit and loss account line items, such as turnover and cost of sales from March 2012, as well as certain exceptional items related to the restructuring of our group, the refinancing of our bank debt and the identification of loss making Regeneration contracts, namely in the West Midlands region, as set forth in the following table:

(£ million)	Financial year ended 31 March			Quarter ended 30 June	
	2012	2013	2014	2013	2014
<b>Exceptional items</b>					
Exceptional trading losses <sup>(1)</sup>	17.0	0.7	—	—	—
<b>Subtotal</b>	<b>17.0</b>	<b>0.7</b>	<b>—</b>	<b>—</b>	<b>—</b>
Refinancing costs and strategy review <sup>(2)</sup>	—	2.9	1.7	—	1.1

Redundancy and restructuring <sup>(3)</sup>	6.0	4.6	0.4	—	—
<b>Subtotal</b>	<b>6.0</b>	<b>7.5</b>	<b>2.1</b>	<b>—</b>	<b>1.1</b>
Discontinued operations <sup>(4)</sup>	1.7	—	—	—	—
Impairment <sup>(5)</sup>	7.4	—	—	—	—
Dilapidations	0.5	0.1	—	—	—
Onerous lease <sup>(6)</sup>	0.6	—	—	—	—
Goodwill impairment <sup>(7)</sup>	340.7	—	—	—	—
Rebranding	—	0.1	—	—	—
<b>Subtotal</b>	<b>350.9</b>	<b>0.2</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total</b>	<b>373.9</b>	<b>8.4</b>	<b>2.1</b>	<b>—</b>	<b>1.1</b>

- (1) Exceptional trading losses relate to a small number of contracts that originated from our West Midlands business unit where certain significant issues associated with procurement and delivery resulted in contract losses of a magnitude that we believe represent exceptional items. While the majority of losses were recognised in the financial year ended 31 March 2012, certain legacy costs were incurred in the financial year ended 31 March 2013.
- (2) During the financial year ended 31 March 2013, we undertook a refinancing of our debt and incurred corporate, legal and due diligence costs and fees in connection therewith. In the financial year ended 31 March 2014, we incurred costs in connection with a review of the strategic options for the Group.
- (3) Following the 2012 Merger, we incurred significant restructuring costs in connection with the closure of our in-house hire division, Keepmoat Site Services Limited, and disposal of assets. These costs comprised redundancies and associated restructuring costs, costs in relation to vacated properties, and asset impairment.
- (4) During the financial year ended 31 March 2011, we ceased operations in Evolve Built for Life Limited, our joint venture manufacturing division of off-site modular units. While most of the costs associated with the termination of this joint venture were incurred in the financial year ended 31 March 2011, £1.3 million of legacy costs were incurred in the financial year ended 31 March 2012. In the financial year ended 31 March 2012, we also incurred exceptional items in dismantling our photovoltaic installation business which we no longer considered viable following the UK government's decision, at short notice, to bring forward the commencement date for reductions in the feed-in tariffs from March 2012 to December 2011.
- (5) Impairment costs for the financial year ended 31 March 2012 included property write-downs, land revaluation and Keepmoat Site Services asset impairment.
- (6) Onerous lease costs were concentrated in Liverpool and North East England.
- (7) We carried out an impairment review of the goodwill held on our balance sheet at 31 March 2012. The goodwill was assessed by reference to our five year business plan, using a discounted cash flow valuation. The key assumptions used in the impairment review by management were a post-tax discount rate of 12% and a long term growth assumption of 1.5%. As a result, goodwill was impaired to a fair value of £287.5 million as of 31 March 2012.

In particular, our year-on-year turnover increased by 31.1%, or £210.4 million, from £676.1 million in the financial year ended 31 March 2012, which included one week of Apollo's financial performance, to £886.5 million in the financial year ended 31 March 2013.

Following completion of the 2012 Merger, we underwent a significant operational and financial restructuring, which included the appointment of the current management team. Lloyds Banking Group converted a significant proportion of debt into equity, amounting to £348.4 million, in order to provide us with a more appropriate balance sheet from which to continue trading. As part of the operational restructuring, a full review of internal systems and controls was undertaken resulting in implementation of a new control environment from which we benefit from stronger tendering and performance management.

We had legacy loss making contracts in the West Midlands business unit of the Regeneration division and as a result the Group reported exceptional contracts losses of £17.0 million in the year to 31 March 2012 and £0.7 million in the year to 31 March 2013. These contract losses were attributed to significant issues with controls over tendering, poor programme management and an inexperienced management team in New Build Housing projects. The team responsible for the loss making contracts has since left the business as part of our reorganisation and the Central England regional team of the Regeneration division (which inherited the contracts) is making good progress in closing out the contracts.

Discovery of the contract losses created a period of instability in the Regeneration division, and resulted in us focusing on honouring current contracts, including completing those with issues in order to retain our customer relationships and maintain our reputation. As a consequence, the division temporarily retrenched from New Build Housing work which contributed to a decline in Regeneration turnover. We believe the decision to complete loss making contracts has since benefitted us, and following the 2012 Merger and refinancing of the Group we have been able to increase our focus on new opportunities and new contracts with clients that we may have otherwise lost.

### **Key performance indicators**

Following the 2012 Merger we have implemented a rigorous control framework and moved the Regeneration division onto a single eVision platform, which enables us to monitor the Group's performance more effectively. KPIs are a key part of this control framework and are closely monitored by management in order to maintain tight control of our operations on a daily, weekly, fortnightly and monthly basis, as appropriate.

Regeneration KPIs focus on Total Secured Business, Total Underpinnings and Total Identified Opportunities. See *"Presentation of financial and other information—Operational measures—Total Secured Business, Total Underpinnings and Total Identified Opportunities."* As of 31 March 2014, our estimated Total Secured Business, Total Underpinnings and Total Identified Opportunities represented £1.3 billion, £2.0 billion and £6.9 billion in potential turnover, respectively. Our Total Secured Business (comprising our Order Book and Operations Pipeline) as at 31 March 2014, for the next financial year only, grew by 8.7% compared to 31 March 2013, from £638 million as of 31 March 2013 to £694 million as of 31 March 2014. When valuing Total Secured Business, Total Underpinnings and/or Total Identified Opportunities, we make a number of judgments, estimates and assumptions based on many factors. Such judgments, estimates, assumptions and other factors are inherently uncertain and subject to significant business, economic, competitive, regulatory, weather-related and other uncertainties and contingencies, all of which are difficult to predict and many of which are beyond our control. There can be no assurance that the estimates and assumptions we make with respect to our probability of success of winning bids for work, generating turnover from potential opportunities or otherwise will prove to be correct or that we will fully realise the potential value of the contracts and opportunities within our Total Secured Business, Total Underpinnings and/or Total Identified Opportunities.

Our Regeneration division also focuses on monitoring financial KPIs in real-time through our eVision system, including elements of contracts such as accrued income, overdue debtor days and retentions from Local Authorities and Housing Associations. These indicators are part of our wider focus on cash management, including daily cash reporting.

Under our Homes division, we monitor a different set of KPIs than under our Regeneration division. Under our Homes division, we use the measurement of Completions, Average Selling Price and Open Market Sales as key performance indicators for our Homes business. For the financial year ended 31 March 2014, our Completions numbered 1,853 new build homes for an Average Selling Price of £113,000. Of these Completions, 75.9%, or 1,406 sales, were Open Market Sales to private individuals and 24.1%, or 447 sales, were sales to Housing Associations and Registered Providers. For a discussion regarding how we calculate Completions, Average Selling Price and Open Market Sales, see *"Presentation of financial and other information—Operational measures—Completions, Average Selling Price and Open Market Sales."*

In our Regeneration division, we monitor cash and working capital levels closely. At a Group level, we monitor gross profit, EBITDA and CFADS as key financial performance indicators. See *"Presentation of financial and other information—Non-GAAP financial measures"*.

## **Cost controls**

In Homes, our cost control processes involve monthly appraisals of scheme build costs to identify cost pressures and potential opportunities to ensure they are working towards delivering a scheme within a cost plan. Investment in land (land WIP) and work in progress on sites under development (build WIP) are also closely monitored by management. A secure land bank is critical to providing turnover security for the Homes division, and therefore our Land and Partnerships team works with Local Authorities and Housing Associations to develop opportunities. Investment tied up in sites under construction is critical to managing our cash requirements and therefore build WIP is closely monitored against budgets to ensure we maintain tight control of cash.

## **Key line items**

### ***Group turnover***

Turnover comprises the fair value of the consideration received or receivable, net of value added tax, rebates and discounts and after eliminating sales within the Group. Turnover is recognised as follows:

#### *Regeneration*

Turnover and profit are recognised on a long-term contract basis. Turnover and profit is recognised to include an appropriate portion of total contract value as contract activity progresses. If it is expected that there will be a loss on a contract as a whole, all of the loss is recognised as soon as it is foreseen. All contracts are treated as long term even if their duration is less than 12 months.

#### *Homes*

Turnover is recognised upon the completion of the sale of a home. Turnover in respect of the sale of residential properties is recognised at the fair value of the consideration received or receivable on legal completion. Open Market Sales are recognised at the sale price, while the RSL sale price is recognised at the fair value of the sale. This fair value may be higher than the amount paid by the RSL where the price paid by Keepmoat for the land is lower than the fair value of the land. In some instances, for example, we pay a discounted price for land, by providing social units at a heavily discounted price. In these instances the value of the land is 'grossed up' to reflect the true value, including the discount taken by the RSL.

### ***Operating costs***

Our operating costs comprise:

#### *Cost of sales*

Costs of sales can be divided between our two divisions. Cost of sales for our Regeneration division consists of:

- labour, consisting of direct employees of the Group;
- subcontractors, labour only suppliers and professional services; and
- materials and plant.

Cost of sales for our Homes division consists of:

- costs associated with the investment in land (land purchase costs) which are recognised in WIP as it is incurred and allocated to plot sales based on remaining plots to be sold at each site;
- build costs, including direct labour, subcontractors and materials, which like land costs, are recognised in WIP as they are incurred and allocated to plot sales based on remaining plots to be sold at each site; and
- sales and marketing costs related to the sales of our new build homes.

### *Administration expenses*

Our administration expenses include both cash and non-cash items and are made up of personnel costs (including wages, salaries, bonuses and national insurance costs) as well as non-personnel overhead costs for office rental and rates as well as IT costs and other expenses.

### *Exceptional items*

Exceptional items comprise:

- contract losses in the financial years ended 31 March 2012 and 2013 associated with a small number of contracts associated with our legacy West Midlands business;
- restructuring and associated costs in connection with the 2012 Merger and certain refinancing activities;
- land impairment;
- legacy costs associated with the discontinued operations relating to the closure of a joint venture for manufacturing off-site modular units prior to the financial year ended 31 March 2012 and costs associated with dismantling our photovoltaic installation business;
- property impairment;
- goodwill impairment; and
- certain other exceptional items that include a dilapidations provision which covers all of our leased estate. The dilapidations provision is determined based on the expected dilapidations cost per property up to the end of the lease, and providing for the element up to the date of the financial statements, on a straight line basis.

### *Amortisation*

- Amortisation represents amortisation of goodwill arising on acquisition of subsidiary entities.

### ***Group operating (loss) / profit***

Group operating (loss) / profit represents gross profit for the applicable period less administration expenses plus other operating income for such period.

### ***Net interest payable***

Net interest payable includes interest payable on loans and overdrafts plus any fees or interest payable on undrawn facilities and on certain letters of credit, less any interest received on deposit balances, any return on pension scheme assets and any benefit from the unwinding of shared equity schemes.

### ***Income tax***

Income tax includes all current and deferred taxes, as calculated in accordance with the relevant tax laws in force.

### **Results of operations**

#### ***Quarter ended 30 June 2014 as compared to the quarter ended 30 June 2013***

The following table sets forth our statutory profit and loss account for the quarter indicated:

#### **Summary consolidated profit and loss account**

(in £ million)	2013	2014
	Quarter ended 30 June	
Turnover including share of joint ventures and associates .....	195.7	225.3
Less: share of joint ventures and associates .....	(1.1)	(1.0)

<b>Group turnover</b> .....	<b>194.6</b>	<b>224.3</b>
Cost of sales.....	(173.9)	(200.1)
<b>Gross profit</b> .....	<b>20.7</b>	<b>24.2</b>
Administration expenses.....	(17.9)	(20.5)
Other operating income.....	—	0.1
Group operating profit before exceptional items and goodwill amortisation.....	7.0	9.1
Exceptional items.....	—	(1.1)
Amortisation.....	(4.2)	(4.2)
<b>Group operating profit</b> .....	<b>2.8</b>	<b>3.8</b>
Share of operating profit in joint ventures and associated undertakings.....	—	—
<b>Total operating profit: group and associated undertakings</b> .....	<b>2.8</b>	<b>3.8</b>
Net interest payable.....	(5.3)	(4.8)
<b>Loss on ordinary activities before taxation</b> .....	<b>(2.5)</b>	<b>(1.0)</b>
Tax on loss on ordinary activities.....	(0.3)	(0.7)
<b>Loss for the financial quarter</b> .....	<b>(2.8)</b>	<b>(1.7)</b>

#### Group turnover

The following table sets forth our turnover for each of our divisions for the quarters indicated:

(£ million)	Quarter ended 30 June		Per cent. change (%)
	2013	2014	
<b>Turnover</b>			
Regeneration.....	157.8	177.4	12.4%
Homes.....	36.8	46.9	27.4%
<b>Total</b> .....	<b>194.6</b>	<b>224.3</b>	<b>15.3%</b>

Group turnover in the quarter ended 30 June 2014 was £224.3 million, which represented a 15.3%, or a £29.7 million, increase over £194.6 million in the quarter ended 30 June 2013, due primarily to a 12.4%, or £19.6 million, increase in Regeneration turnover and a 27.4%, or £10.1 million, increase in Homes turnover.

The following table sets forth our Regeneration turnover for the periods indicated:

(£ million, except percentages)	Quarter ended 30 June			
	2013		2014	
<b>Regeneration turnover by geography</b>				
Northern England.....	45.2	28.6%	48.2	27.2%
London.....	39.4	25.0%	41.1	23.2%
Southern England.....	35.5	22.5%	30.9	17.4%
Central England.....	29.0	18.4%	42.9	24.2%
KPS.....	8.6	5.5%	14.2	8.0%
Divisional Head office.....	0.1	—	0.1	—
<b>Regeneration Total</b> .....	<b>157.8</b>	<b>100.0%</b>	<b>177.4</b>	<b>100.0%</b>

Regeneration turnover in the quarter ended 30 June 2014 across our regions was driven by spending by Local Authorities, Housing Associations and other Registered Providers. In the Central England region, the commencement of the Leeds PFI project resulted in an additional £9.0 million turnover in the quarter ended 30 June 2014 compared to the quarter ended 30 June 2013. KPS turnover grew significantly in the quarter ended 30 June 2014 as compared to the quarter ended 30 June 2013, which was largely driven by an increase in Responsive Maintenance work on key contracts in the Southern region.

The following table sets forth our Homes turnover by geography for the periods indicated:

(£ million, except percentages)	Quarter ended 30 June			
	2013		2014	
<b>Homes turnover by geography</b>				
Yorkshire.....	10.0	27.2%	11.8	25.1%
Midlands.....	12.7	34.5%	15.6	33.3%
North East England.....	8.6	23.4%	8.3	17.7%
North West England.....	5.5	14.9%	11.2	23.9%

**Total** ..... **36.8** **100.0%** **46.9** **100.0%**

Homes turnover in the quarter ended 30 June 2014 was driven by a number of macro-economic factors that impacted our performance across regions. Improved consumer confidence and the HTB scheme continued to drive a higher volume of housing transactions during the quarter ended 30 June 2014 than in the quarter ended 30 June 2013. Our Open Market Sales volumes increased by 9.3%, or 25 Completions, from 270 Completions in the quarter ended 30 June 2013 to 295 Completions in the quarter ended 30 June 2014. RSL sales increased by 69.8% from 63 Completions in the quarter ended 30 June 2013 to 107 Completions in the quarter ended 30 June 2014.

In the North West region, turnover for the quarter ended 30 June 2014 was £11.2 million, an increase of £5.7 million, or 103.6%, compared to the quarter ended 30 June 2013. This increase in turnover was due to a higher number of sites under development in the quarter ended 30 June 2014 compared to the quarter ended 30 June 2013 ( 98 Completions in the quarter ended 30 June 2014 compared to 50 Completions in the quarter ended 30 June 2013, an increase of 48 Completions, or 96.0%). In addition, in the quarter ended 30 June 2014, 91 Completions, which represented 93.0% of our Completions in the North West region, were Open Market Sales, which generated a higher Average Selling Price in the quarter ended 30 June 2014, compared to 39 Completions, which represented 78.0% of Completions, in the quarter ended 30 June 2013.

#### *Cost of sales and gross profit*

Cost of sales before exceptional items in the quarter ended 30 June 2014 was £200.1 million, which represented a 15.1% increase of £26.2 million from £173.9 million in the quarter ended 30 June 2013, which was largely due to an increase in our trading activity in the quarter ended 30 June 2014 compared to the quarter ended 30 June 2013.

#### *Administration expenses*

Administration expenses before exceptional items and goodwill amortisation in the quarter ended 30 June 2014 were £15.2 million, which represented a 10.9%, or a £1.5 million, increase from £13.7 million in the quarter ended 30 June 2013, due to a combination of cost inflation in our cost base, an increase in our overhead costs due to our expansion into the South West region in regeneration and the South region in Homes and strengthening of health and safety and other functions to support business growth.

#### *Group operating profit before exceptional items and goodwill amortisation*

Operating profit before exceptional items and goodwill amortisation in the quarter ended 30 June 2014 was £9.1 million, which represented a 30.0%, or a £2.1 million, increase over £7.0 million in the quarter ended 30 June 2013, due primarily to our higher turnover.

#### *Exceptional items*

Exceptional items in the quarter ended 30 June 2014 were £1.1 million, which represented a £1.1 million increase from £0.0 million in the quarter ended 30 June 2013, due primarily to costs incurred in relation to the Transactions during the quarter ended 30 June 2014.

#### *Amortisation*

Amortisation in the quarter ended 30 June 2014 was £4.2 million, which is consistent with £4.2 million in the quarter ended 30 June 2013.

#### *Net interest payable*

Net interest payable in the quarter ended 30 June 2014 was £4.8 million, which represented a 9.4%, or a £0.5 million decrease from £5.3 million in the quarter ended 30 June 2013, due primarily to paying more cash interest on our Existing Mezzanine Facility during the quarter ended 30 June 2014, which was at a lower rate than the payment-in-kind interest payment that we made on this facility in the quarter ended 30 June 2013, and payment of lower non-utilisation fees in the quarter ended 30 June 2014 following the step down in the aggregate value of our Existing Senior Facilities during the quarter ended 30 June 2014 compared to quarter ended 30 June 2013.

### *Tax on loss on ordinary activities*

Tax on loss on ordinary activities in the quarter ended 30 June 2014 was £0.7 million, which represented a 133.3% increase from £0.3 million in the quarter ended 30 June 2013, due primarily to a higher expected tax charge for the financial year ending 31 March 2015.

### *Loss for the financial quarter*

The loss on ordinary activities after taxation in the quarter ended 30 June 2014 was £1.7 million, which represented a £1.1 million decrease over a £2.8 million loss in the quarter ended 30 June 2013.

### ***Financial year ended 31 March 2014 as compared to the financial year ended 31 March 2013***

The following table sets forth our statutory profit and loss account for the years indicated:

#### **Summary consolidated profit and loss account**

(in £ million)	2013 Financial year ended 31 March	2014 Financial year ended 31 March
Turnover including share of joint ventures and associates .....	889.6	939.5
Less: share of joint ventures and associates .....	(3.1)	(8.9)
<b>Group turnover</b> .....	<b>886.5</b>	<b>930.6</b>
Cost of sales .....	(788.1)	(820.7)
<b>Gross profit</b> .....	<b>98.4</b>	<b>109.9</b>
Administration expenses .....	(75.0)	(73.1)
Other operating income .....	—	0.3
Group operating profit before exceptional items and goodwill amortisation .....	48.4	55.9
Exceptional items .....	(8.4)	(2.1)
Amortisation .....	(16.6)	(16.7)
<b>Group operating profit</b> .....	<b>23.4</b>	<b>37.1</b>
Share of operating (loss) / profit in joint ventures and associated undertakings .....	—	(0.2)
<b>Total operating profit: group and associated undertakings</b> .....	<b>23.4</b>	<b>36.9</b>
Net interest payable .....	(44.8)	(20.7)
<b>Profit / (loss) on ordinary activities before taxation</b> .....	<b>(21.4)</b>	<b>16.2</b>
Tax on profit / (loss) on ordinary activities .....	—	(5.2)
<b>(Loss) / profit for the financial year</b> .....	<b>(21.4)</b>	<b>11.0</b>

### *Group turnover*

The following table sets forth our turnover for each of our divisions for the years indicated:

(£ million)	Financial year ended 31 March 2013	Financial year ended 31 March 2014	Per cent. change
<b>Turnover</b>			
Regeneration .....	729.2	720.8	(1.2%)
Homes .....	157.3	209.8	33.4%
<b>Total</b> .....	<b>886.5</b>	<b>930.6</b>	<b>5.0%</b>

Group turnover in the financial year ended 31 March 2014 was £930.6 million, which represented a 5.0%, or a £44.1 million, increase over £886.5 million in the financial year ended 31 March 2013, due primarily to an increase in Homes turnover, which benefitted from strong growth in Yorkshire, the Midlands and North West regions. Regeneration turnover decreased by £8.4 million largely as a result of a decrease in turnover in South England, which was partially offset by an increase in turnover in London and KPS.

The following table sets forth our Regeneration turnover for the years indicated:

(£ million, except percentages)	Financial year ended 31 March 2013	Financial year ended 31 March 2014
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**Regeneration turnover by geography**

Northern England.....	199.0	27.3%	194.3	27.0%
London.....	155.3	21.3%	168.6	23.4%
Southern England.....	179.4	24.6%	149.8	20.7%
Central England.....	163.9	22.5%	160.5	22.3%
KPS.....	31.6	4.3%	43.1	6.0%
Divisional Head office.....	—	—	4.5	0.6%
<b>Regeneration Total .....</b>	<b>729.2</b>	<b>100.0%</b>	<b>720.8</b>	<b>100.0%</b>

Performance across our regions is driven by spending by Local Authorities, Housing Associations and other Registered Providers. A reduction in sustainability funding impacted turnover in Northern England and Southern England in the financial year ended 31 March 2014 as the Community Energy Saving Programme (“CESP”) and ECO funding ended, although a fall in turnover in the North was partly offset by key Extra Care and Education contracts commencing. London turnover grew primarily due to new refurbishment contracts commencing and increasing volumes under existing contracts. In our Central England region, refurbishment contracts that ended were largely replaced New Build Housing work secured under framework agreements and a significant increase in turnover as Leeds PFI work commenced. KPS turnover grew significantly and was largely driven by an increase in Responsive Maintenance work on key contracts in the Southern region.

The following table sets forth our Homes turnover by geography for the years indicated:

<b>(£ million, except percentages)</b>	<b>2013</b>		<b>2014</b>	
<b>Homes turnover by geography</b>				
Yorkshire .....	36.3	23.1%	60.5	28.8%
Midlands .....	47.6	30.2%	63.5	30.3%
North East England.....	42.3	26.9%	46.4	22.1%
North West England .....	31.1	19.8%	39.4	18.8%
<b>Total .....</b>	<b>157.3</b>	<b>100.0%</b>	<b>209.8</b>	<b>100.0%</b>

Homes turnover in the financial year ended 31 March 2014 was driven by a number of macro-economic factors that applied across our regions. An improved economy and consumer confidence drove a higher volume of housing transactions than in the financial year ended 31 March 2013. The HTB scheme had a significant effect on our business as it benefitted first-time house buyers who we estimate, based on surveys completed by a sample of our customers, represented approximately 73% of Open Market Sales in the financial year ended 31 March 2014. Open Market Sales volumes increased by 34.4%, or 360 plots, from 1,046 plots in the financial year ended 31 March 2013 to 1,406 plots in the financial year ended 31 March 2014. RSL sales fell by 13 plots from 460 plots in the financial year ended 31 March 2013 to 447 plots in the financial year ended 31 March 2014.

In addition to macroeconomic drivers, significant growth in Yorkshire turnover was partly driven by an increase in marketing spend in the final quarter of the financial year ended 31 March 2013, which increased sales in the financial year ended 31 March 2014. Midlands and North West England turnover also displayed strong growth through a greater proportion of Open Market Sales plot sales which in turn contributed to an increase in Average Selling Price for the financial year ended 31 March 2014. Growth in North East England was less pronounced, partly a result of our more established presence in that region which provides less opportunity for significant growth than other regions.

*Cost of sales and gross profit*

Cost of sales before exceptional items in the financial year ended 31 March 2014 was £820.7 million, which represented a 4.2% increase of £33.3 million from £787.4 million in the financial year ended 31 March 2013, which was largely due to an increase in Homes’ building and land costs as a result of increased building activity. Gross profit margin before exceptional items increased to 11.8%, or £109.9 million, in the financial year ended 31 March 2014 from 11.2%, or £99.1 million, in the financial year ended 31 March 2013 primarily due to strong control of costs in Regeneration that more than offset higher land costs in Homes.

*Administration expenses*

Administration expenses before exceptional items and goodwill amortisation in the financial year ended 31 March 2014 were £54.3 million, which represented an 7.1%, or a £3.6 million, increase from £50.7 million in the financial year ended 31 March 2013, due to additional costs incurred in strengthening the group structure and additional bonus costs resulting from higher profitability than the financial year ended 31 March 2013.

### *Group operating profit before exceptional items and goodwill amortisation*

Operating profit before exceptional items and goodwill amortisation in the financial year ended 31 March 2014 was £55.7 million (adjusted for £0.2 million representing the share of operating loss in joint ventures and associated undertakings for the period), which represented a 15.1%, or a £7.3 million, increase over £48.4 million in the financial year ended 31 March 2013, due primarily to growth in turnover of the Homes business.

### *Exceptional items*

Exceptional items in the financial year ended 31 March 2014 were £2.1 million, which represented a 75.0%, or a £6.3 million, decrease from £8.4 million in the financial year ended 31 March 2013, due primarily to lower restructuring and refinancing costs compared with the financial year ended 31 March 2013 and no exceptional contract losses relating to the historical West Midlands region.

### *Amortisation*

Amortisation in the financial year ended 31 March 2014 was £16.7 million, which is consistent with £16.6 million in the financial year ended 31 March 2013.

### *Net interest payable*

Net interest payable in the financial year ended 31 March 2014 was £20.7 million, which represented a 53.8%, or a £24.1 million, decrease from £44.8 million in the financial year ended 31 March 2013, due primarily to lower interest costs on our bank debt following the Refinancing which took place mid-way through the financial year ended 31 March 2013.

### *Tax on profit / (loss) on ordinary activities*

Tax on profit on ordinary activities in the financial year ended 31 March 2014 was £5.2 million, which represented a substantial increase over a small tax credit in the financial year ended 31 March 2013, due primarily to an increase operating and pre-tax profits following the Group's improved performance in the year to the financial year ended 31 March 2014 and a reduction in the Group's interest expense.

### *(Loss) / profit for the financial year*

Profit on ordinary activities after taxation in the financial year ended 31 March 2014 was £11.0 million, which represented a £32.4 million increase over a loss of £21.4 million in the financial year ended 31 March 2013.

### ***Financial year ended 31 March 2013 as compared to the financial year ended 31 March 2012***

The following table sets forth our statutory profit and loss account for the years indicated:

<b>(in £ million)</b>	<b>2012 Financial year ended 31 March</b>	<b>2013 Financial year ended 31 March</b>
Turnover including share of joint ventures and associates .....	676.1	889.6
Less: share of joint ventures and associates .....	—	(3.1)
<b>Group turnover</b> .....	<b>676.1</b>	<b>886.5</b>
Cost of sales .....	(625.8)	(788.1)
<b>Gross profit</b> .....	<b>50.3</b>	<b>98.4</b>
Administration expenses .....	(422.5)	(75.0)
Other operating income .....	—	—
Group operating profit before exceptional items and goodwill amortisation .....	32.2	48.4
Exceptional items .....	(373.9)	(8.4)
Amortisation .....	(30.5)	(16.6)
<b>Group operating (loss) / profit</b> .....	<b>(372.2)</b>	<b>23.4</b>
Share of operating (loss) / profit in joint ventures and associated undertakings .....	—	—
<b>Total operating (loss) / profit: group and associated undertakings</b> .....	<b>(372.2)</b>	<b>23.4</b>
Net interest (payable) .....	(100.4)	(44.8)
<b>Loss on ordinary activities before taxation</b> .....	<b>(472.6)</b>	<b>(21.4)</b>

Tax on loss on ordinary activities .....	1.0	—
<b>Loss for the financial year .....</b>	<b>(471.6)</b>	<b>(21.4)</b>

The 2012 Merger which took place on 23 March 2012 significantly impacted our operating results for the financial year ended 31 March 2013, which affects the comparability of our results for the period with the financial year ended 31 March 2012.

#### *Group turnover*

The following table sets forth our turnover for each of our business activities for the years indicated:

(£ million)	Financial year ended 31 March		Per cent. change
	2012	2013	
<b>Turnover</b>			
Regeneration .....	517.4	729.2	40.9%
Homes .....	158.7	157.3	(0.9%)
<b>Total .....</b>	<b>676.1</b>	<b>886.5</b>	<b>31.1%</b>

Turnover in the financial year ended 31 March 2013 was £886.5 million, which represented a 31.1%, or a £210.4 million, increase from £676.1 million in the financial year ended 31 March 2012, due primarily to the increase in Regeneration turnover from £517.4 million to £729.2 million, as a result of the merger of our group and Apollo, on 23 March 2012, which was partially offset by lower underlying Keepmoat turnover.

The following table sets forth our Regeneration turnover by geography for the financial year ended 31 March 2013:

(£ million, except percentages)	Financial year ended 31 March 2013 <sup>(1)</sup>	
<b>Regeneration turnover by geography</b>		
Northern England .....	199.0	27.3%
London .....	155.3	21.3%
Southern England .....	179.4	24.6%
Central England .....	163.9	22.5%
KPS .....	31.6	4.3%
<b>Regeneration Total Turnover .....</b>	<b>729.2</b>	<b>100.0%</b>

- (1) Regeneration turnover by geography for the financial year ended 31 March 2012 is not shown as we did not collect such data prior to the financial year ended 31 March 2013.

Regeneration turnover increased from £517.4 million in the financial year ended 31 March 2012 to £729.2 million in the financial year ended 31 March 2013 due to a combination of the following:

- The 2012 Merger which significantly increased Regeneration turnover in the financial year ended 31 March 2013 compared with only one week of Apollo turnover contributing to Group turnover in the financial year ended 31 March 2012.
- A reduction in Decent Homes funding which in turn impacted volumes.
- A decline in turnover as a result of management's focus on the 2012 Merger. Both Keepmoat and Apollo management were focussed on integrating the businesses and therefore there was reduced focus on securing new turnover until the 2012 Merger was complete and the Group had a strong platform.
- Exceptional loss making contracts in the West Midlands resulting in management making a strategic decision to focus on honouring current contracts (including completing those with issues), temporarily retrenching from New Build Housing work and therefore placing less focus on winning new work.

The following table sets forth our Homes turnover by geography for the years indicated:

Homes turnover by geography	Financial year ended 31 March	
	2012	2013

Yorkshire .....	50.4	31.8%	36.3	23.1%
Midlands .....	41.4	26.1%	47.6	30.2%
North East England .....	38.6	24.3%	42.3	26.9%
North West England .....	28.3	17.8%	31.1	19.8%
<b>Homes Total .....</b>	<b>158.7</b>	<b>100.0%</b>	<b>157.3</b>	<b>100.0%</b>

Homes turnover was not directly impacted by the 2012 Merger in the financial year ended 31 March 2013. However, there was significant operational disruption and additional management distraction with the refinancing exercise which impacted sales focus in the financial year ended 31 March 2013 which caused turnover to fall from £158.7 million to £157.3 million. In addition, cash constraints resulting from both the 2012 Merger and refinancing processes in the financial year ended 31 March 2012 and early in the financial year ended 31 March 2013 resulted in reduced investment in sites and delayed the opening of developments and sales offices which drive sales.

Yorkshire turnover fell significantly as a result of the phasing of schemes, with a number of large schemes completing in the financial year ended 31 March 2012. In addition, a greater proportion of sales were to Registered Providers resulted in lower Average Selling Prices in the financial year ended 31 March 2013 as well as some discounting in the final quarter of the year in order to stimulate sales. Turnover in the Midlands displayed strong growth as a result of a number of large schemes commencing during the financial year ended 31 March 2013. North West England turnover grew as a result of an increase in volumes driven by government incentives.

### *Cost of sales and gross profit*

Cost of sales before exceptional items in the financial year ended 31 March 2013 was £787.4 million, which represented a 30.2% increase of £182.6 million from £604.8 million in the financial year ended 31 March 2012, which was largely due to an increase in Regeneration costs as a result of the full year effect of the 2012 Merger. Gross profit margin before exceptional items increased to 11.2%, or £99.1 million, in the financial year ended 31 March 2013 from 10.5%, or £71.3 million, in the financial year ended 31 March 2012 primarily due to stronger control of costs following the 2012 Merger and subsequent operational restructuring.

### *Administration expenses*

Administration expenses before exceptional items and goodwill amortisation in the financial year ended 31 March 2013 was £50.7 million, which represented a 29.7% increase from £39.1 million in the financial year ended 31 March 2012 largely as a result of increase in overheads from the 2012 Merger.

### *Group operating profit before exceptional items and goodwill amortisation*

Operating profit before exceptional items and goodwill amortisation in the financial year ended 31 March 2013 was £48.4 million, which represented a 50.3% or a £16.2 million increase from £32.2 million in the financial year ended 31 March 2012, due primarily to increased turnover from a full year of contribution from Apollo offsetting a decline in underlying Regeneration activity as the business temporarily retrenched from new build housing activities.

### *Exceptional items*

Exceptional items in the financial year ended 31 March 2013 were £8.4 million, which represented a substantial decrease from £373.9 million in the financial year ended 31 March 2012, which is largely attributable to an impairment of goodwill of £340.7 million and £17.0 million of exceptional contract losses relating to the West Midlands region. The financial year ended 31 March 2013 exceptional items primarily related to restructuring costs and costs associated with the refinancing, such as professional advisors fees.

### *Amortisation*

Amortisation in the financial year ended 31 March 2013 was £16.6 million, which represented a decrease of £13.9 million from £30.5 million in the financial year ended 31 March 2012 as a result of a lower goodwill balance following the impairment in the financial year ended 31 March 2012.

### *Net interest payable*

Net interest payable in the financial year ended 31 March 2013 was £44.8 million, which represented a substantial decrease from net interest payable of £100.4 million in the financial year ended 31 March 2012, due primarily to the refinancing part way through the year having eliminated £348.4 million of the Group's debt thereby reducing the interest charge.

### *Tax on loss on ordinary activities*

Tax payable for the Group was nil in the financial year ended 31 March 2013, as losses available for surrender by group relief exceeded taxable profits.

### *Loss for the financial year*

Loss on ordinary activities after taxation in the financial year ended 31 March 2013 was £21.4 million, which represented a substantial decrease in losses compared to £471.6 million in the financial year ended 31 March 2012, primarily due to no goodwill impairment, growth in turnover and operating profit.

## **Liquidity and capital resources**

Liquidity describes the availability of liquid funds to satisfy our ongoing financial obligations, including working capital needs, availability of surety bonds and letters of credit, other commitments and contractual obligations. See “—*Working capital*”. Our principal sources of financing are the following:

- our cash and bank balances;

- our operating cash flow (including net changes in working capital);
- borrowings under the Revolving Credit Facility; and
- borrowings under the term loan.

Our cash requirements consist mainly of the following:

- investing in the Homes business; and
- debt servicing requirements.

Our indebtedness primarily consists of financial debt incurred in borrowing money. As of 30 June 2014, we had cash of £22.0 million and total debt of £311.6 million resulting in net debt of £289.6 million (net debt is calculated by deducting cash and cash equivalents from total debt). As adjusted to give *pro forma* effect to the Transactions, we would have had approximately £53 million of undrawn and committed credit facilities as of 30 June 2014.

### ***The Transactions***

In connection with the completion of this Offering, we will deposit the gross proceeds of the Offering (less certain deductions in respect of fees and expenses associated with the Transactions) into escrow.

Upon completion of the Transactions, we will:

- repay an estimated £288.2 million of borrowings under our Existing Senior Facilities and our Existing Mezzanine Facility;
- pay an estimated £63.6 million as Acquisition consideration; and
- pay an estimated amount of approximately £18.5 million of fees and expenses in connection with the Transactions.

The above summarises the expected use of proceeds in connection with the Transactions. The actual amounts as compared to those set forth above, which are based on 31 March 2014 outstanding balances, are subject to adjustment and may differ at the time of issuance depending on several factors, including differences from our estimation of fees and expenses, the costs of repaying the Existing Senior Facilities and the Mezzanine Facility and the actual Completion Date.

### ***Liquidity following the Transactions***

Following completion of the Transactions, our primary sources of cash liquidity will consist of the following:

- our cash and bank balances;
- our operating cash flow; and
- borrowings under the Revolving Credit Facility.

Our ability to generate cash from our operations depends on future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control, as well as other factors discussed under “*Risk factors*”.

We believe that the cash generated from our operations, the proceeds from the offering of the Notes, capacity under the Revolving Credit Facility as well as our other bilateral loans will be sufficient to meet our liquidity requirements for the next twelve months, although we can provide no assurances that this will be the case.

Following the offering of the Notes and the application of the proceeds therefrom, our debt service obligations will consist primarily of interest payments on the Notes and principal and interest payments on amounts drawn under the Revolving Credit Facility.

### ***Surety bonding***

Performance bonds are often required to be put in place during the life of certain contracts and developments. Following the Group’s debt restructuring in 2012, the surety markets were temporarily unavailable to the Group due to the

instability and liquidity issues that were caused by the losses identified by the business. For the majority of its requirements, the Group looks to the surety markets to bond, and currently has bonding lines with HCCI, Liberty, Aviva, ACE Group and Euler Hermes.

When tendering for a new piece of work, the relevant quantity surveyor will agree the bond terms with the customer, and link back to the Group's broker, AON, and treasury function to put the bond in place. Treasury will review the bonding proposal to ensure it is required, the wording is in line with the Group's standard requirements, and the rates are acceptable and in line with the facilities.

Standard performance bonds tend to run for up to two and three years over the life of a project. The Group monitors the end dates of these bonds (see above), and reports on any overdue bonds, although it does not have any experience of bonds not ultimately being released. Specific bid bonds are generally longer term, relating to major projects such as the Leeds PFI project. The Group will generally go to market as part of the tender process to specifically bond against major projects.

The Existing Revolving Credit Facility, which we put in place as a part of the Group's debt restructuring in 2012, provided, in addition to a facility for issuing letters of credit and guarantees, a bridge for performance bonds pending re-establishment of surety lines in the surety markets, which has now taken place. With the re-establishment of our surety bonding lines, we no longer need to issue letters of credit to secure performance bonds and we are unwinding the existing letters of credit issued to secure such bonds.

### *Letters of credit*

In addition to performance bonds, the Group has certain letters of credit arrangements in place provided as part of the Existing Revolving Credit Facility. Letters of credits are put in place mainly for two different reasons:

- Letters of credits issued to funders of PFI contracts as additional security over and above cash retentions and bonds and are expected to step down in line with the performance bonds. These are different to surety bonds in that they are payable on demand and on an unconditional basis. We believe that it is unlikely that these would be called. We currently do not foresee the need for significant additional letters of credits for PFI contracts; and
- Specific letters of credit to support the contractual investment commitments of some of our joint ventures. The need for such support reduces over the life of the contracts.

In addition, historically, we have issued letters of credit to surety companies as security for certain bonds, which were put in place on a temporary basis following the 2012 Merger. They are payable if the bonder suffers a loss that is not reimbursed by the Company. With the re-establishment of our surety bonding lines, we no longer need to issue letters of credit to secure performance bonds and we are unwinding the existing letters of credit issued to secure such bonds.

### *Net cash flow*

The summary cash flow statement below sets forth how our cash and cash equivalents changed over the relevant periods indicated by cash inflows and outflows:

(in £ million)	Financial year ended 31 March			Quarter ended 30 June	
	2012	2013	2014	2013	2014
<b>Adjusted EBITDA</b> .....	<b>34.9</b>	<b>51.9</b>	<b>59.7</b>	<b>8.0</b>	<b>10.3</b>
Exceptional items.....	(33.2)	(8.4)	(2.1)	—	(1.1)
Re-allocation of shared equity from interest.....	(0.7)	(1.4)	(1.8)	(0.5)	(0.5)
Depreciation.....	(2.0)	(2.1)	(2.2)	(0.5)	(0.7)
Goodwill impairment.....	(340.7)	—	—	—	—
Amortisation .....	(30.5)	(16.6)	(16.7)	(4.2)	(4.2)
<b>Operating profit/(loss)</b> .....	<b>(372.2)</b>	<b>23.4</b>	<b>36.9</b>	<b>2.8</b>	<b>3.8</b>
Share of loss in joint ventures and associated companies.....	—	—	0.2	—	0.1
Depreciation and impairment on tangible fixed assets (net of profit on disposals) .....	7.7	2.1	2.2	0.5	0.7
Goodwill amortisation and impairment .....	371.2	16.6	16.7	4.2	4.2
(Increase)/decrease in land held for development.....	4.9	(18.4)	(7.5)	(1.4)	(3.3)
(Increase)/decrease in stocks and Build WIP.....	(8.4)	(1.9)	(16.8)	(13.2)	(12.9)
(Increase)/Decrease in debtors.....	4.2	17.3	(17.7)	5.5	3.6
(Decrease)/increase in creditors.....	12.6	(13.9)	41.1	(8.0)	(14.7)

(Decrease)/increase in provisions .....	3.0	(2.4)	(0.5)	(0.7)	(0.1)
Difference between pension charge and cash contributions .....	0.1	0.5	—	—	(0.1)
<b>Net cash inflow/(outflow) from operating activities .....</b>	<b>23.1</b>	<b>23.3</b>	<b>54.6</b>	<b>(10.3)</b>	<b>(18.5)</b>
<b>Returns on investment and servicing of finance</b>					
Interest received .....	—	—	0.2	0.1	0.2
Interest paid .....	(31.9)	(10.9)	(15.0)	(0.4)	(4.5)
<b>Net cash outflow from returns on investment and servicing of finance .....</b>	<b>(31.9)</b>	<b>(10.9)</b>	<b>(14.8)</b>	<b>(0.3)</b>	<b>(4.3)</b>
<b>Taxation</b>					
UK corporation tax .....	0.6	(0.6)	(1.8)	(0.1)	(1.8)
<b>Capital expenditure and financial investment</b>					
Purchase of tangible fixed assets .....	(1.3)	(1.6)	(2.4)	(0.6)	(0.5)
Sale of tangible fixed assets .....	—	0.7	0.9	0.1	—
<b>Net cash outflow from capital expenditure and financial investment .....</b>	<b>(1.3)</b>	<b>(0.9)</b>	<b>(1.5)</b>	<b>(0.5)</b>	<b>(0.5)</b>
<b>Acquisitions</b>					
Purchase of subsidiary undertakings .....	(2.0)	—	—	—	—
Cash acquired with subsidiary undertakings .....	13.3	—	—	—	—
<b>Net cash inflow from acquisitions .....</b>	<b>11.3</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Financing</b>					
Equity dividends paid .....	—	—	—	—	—
Issue to loan to parent undertaking .....	0.3	—	—	—	—
(Decrease) / increase in borrowings .....	(1.5)	(8.8)	—	15.0	—
<b>Net cash inflow/(outflow) from financing .....</b>	<b>(1.2)</b>	<b>(8.8)</b>	<b>—</b>	<b>15.0</b>	<b>—</b>
<b>Increase/(decrease) in cash .....</b>	<b>0.6</b>	<b>2.1</b>	<b>36.5</b>	<b>3.8</b>	<b>(25.1)</b>

#### ***Net cash inflow/(outflow) from operating activities***

Net cash from operating activities comprises operating profit/(loss) adjusted for working capital as well as certain non-cash items such as provisions and depreciation.

Cash outflows from operating activities in the quarter ended 30 June 2014 amounted to £18.5 million, which was an increase of £8.2 million, or 79.6%, from £10.3 million in the quarter ended 30 June 2013. This increase was due primarily to the following:

- increased investment in land for development of £1.9 million in the quarter ended 30 June 2014 completed to the same quarter in 2013 in order to support turnover growth in Homes;
- a £3.6 million decrease in debtors in the quarter ended 30 June 2014 compared to a £5.5 million decrease in the quarter ended 30 June 2013, mainly as a result of a part of cash due from debtors in the quarter ended 30 June 2014 being received in the previous quarter (i.e., the quarter ended 31 March 2014);
- a £14.7 million decrease in creditors in the quarter ended 30 June 2014 compared to a £8.0 million decrease in the quarter ended 30 June 2013, due mainly to the timing of supply chain payments over the quarter end.

These increases were partially offset by:

- a £3.8 million operating profit in the quarter ended 30 June 2014 compared to £2.8 million in the quarter ended 30 June 2013, mainly due to higher turnover.

Cash inflows from operating activities in the financial year ended 31 March 2014 amounted to £54.6 million, which was an increase of £31.3 million, or 134.3%, from £23.3 million in the financial year ended 31 March 2013. This increase was due primarily to the following:

- a net cash inflow from creditors of £41.1 million in the financial year ended 31 March 2014 compared to a net cash outflow of £13.9 million in the financial year ended 31 March 2013, due to a combination of increased trading activity and higher deferred income;
- goodwill amortisation of £16.7 million in the financial year ended 31 March 2014 compared to £16.6 million in the financial year ended 31 March 2013; and



- a depreciation and impairment on tangible fixed assets, net of profit on disposal of fixed assets, of £2.2 million in the financial year ended 31 March 2014 compared to £2.2 million in the financial year ended 31 March 2013.

These increases were partially offset by the following:

- an increase in the cash outflow for stock and WIP of £16.8 million from £1.9 million in the financial year ended 31 March 2013 driven by investment in Homes build WIP as a result of increased building activity;
- a £17.7 million increase in debtors compared to a £17.3 million reduction in the financial year ended 31 March 2013 due to the early payment of value added tax (“**VAT**”) and pay as you earn (“**PAYE**”) not otherwise due until the following financial year;
- increased investment in land for development of £7.4 million, in order to support turnover growth in Homes in the financial year ended 31 March 2014; and
- a reduction in provisions of £0.5 million in the financial year ended 31 March 2014 compared to £2.4 million in the financial year ended 31 March 2013.

Cash inflows from operating activities in the financial year ended 31 March 2013 amounted to £23.3 million, which was an increase of £0.2 million or 0.9% from £23.1 million in the financial year ended 31 March 2012. The increase was due primarily to the following:

- a decrease in debtors of £4.2 million in the financial year ended 31 March 2012 compared to a decrease of £17.3 million in the financial year ended 31 March 2013, as a result of higher end of year cash collection; and

- a goodwill amortisation and impairment of £16.6 million in the financial year ended 31 March 2013 compared to £371.2 million in the financial year ended 31 March 2012.

These increases were partially offset by the following

- increased investment in land for development of £18.5 million, in order to support turnover growth in Homes in the financial year ended 31 March 2013 compared to a decrease of £4.9 million in the financial year ended 31 March 2012;
- a decrease in creditors of £13.9 million in the financial year ended 31 March 2013 compared to an increase of £12.6 million in the financial year ended 31 March 2012;
- a provision reduction of £2.4 million in the financial year ended 31 March 2013 compared to a provision increase of £3.0 million in the financial year ended 31 March 2012, due the increased scale of the business following the 2012 Merger; and
- a decrease in investment in stock and WIP of 77.4% from £8.4 million in the financial year ended 31 March 2012 to £1.9 million in the financial year ended 31 March 2013, due to a lower increase in Build WIP.

Cash flow from operating activities is significantly affected by changes in working capital. As a result, our cash flow can be significantly affected by the commencement of new projects as those factors affect the amount of inventories, trade accounts receivable and trade accounts payable.

### ***Working capital***

In general, contracts in our Regeneration division are predominantly paid by our clients in approximately 21 days, while our payment terms with our suppliers and subcontractors generally extend up to 65 and 49 days, respectively. This model generates a negative working capital in Regeneration that, in turn, supports working capital requirements of Homes' investment in land and build WIP. These complementary working capital models nevertheless generate strong operating cash flow for the Group, as demonstrated by growth in Group operating cash flow, from £23.3 million to £54.6 million, during the financial years ended 31 March 2013 and 2014, respectively. However, because we do not maintain sizeable inventories and have relatively short payment terms in our Regeneration division, our operating cash flows are impacted in the short-term by changes in our turnover.

We define changes in working capital as the sum of changes in accrued/deferred income, changes in receivables, changes in subcontractor and supplier payables and other creditors, accrual, debtors and prepayments, and changes in land and build WIP resulting from the cash flow statement.

Our working capital requirements in our Regeneration division are driven by turnover, customer payment terms, subcontractor and supplier payment terms, retentions, levels of WIP and overdue retentions from authorities. Our working capital requirements in our Homes division are driven by timing of land payments, plot completions, build WIP and supplier and subcontractor terms.

Receivables include stage payments from RSLs in our Homes division and invoices to Local Authorities and Housing Associations in our Regeneration Division.

Payables mainly include invoices from subcontractors and suppliers.

Our contract provisions typically provide for accruals for subcontractor work completed and materials supplied that have not been invoiced.

### ***Capital expenditure***

Our capital expenditure requirements are low and comprise mainly investment in IT and computer equipment, such as eVision, plant and general refurbishment of office space. Gross capital expenditure for the quarter ended 30 June 2014 was £0.5 million, which was consistent with the quarter ended 30 June 2013. Gross capital expenditure for the financial year ended 31 March 2014 was £2.4 million and for the financial year ended 31 March 2013 was £1.6 million. We generated cash inflow from disposals of fixed assets of £0.9 million for the financial year ended 31 March 2014 and £0.8 million for the financial year ended 31 March 2013.

Capital expenditures for the current financial year are expected to be materially in line with capital expenditures made during the financial year ended 31 March 2014.

For the quarter ended 30 June 2014, we had spent £0.5 million on capital expenditure. We expect to fund our budgeted capital expenditures principally through a combination of cash generated from operations and sale of fixed assets.

### ***Net cash inflow/(outflow) from financing***

Net cash outflow from financing comprises net cash proceeds from financing arrangements and the payment of dividends to our shareholders or to minority interests.

Cash inflow from financing was nil in the quarter ended 30 June 2014 and was £15.0 million in the quarter ended 30 June 2013. This was due to the drawdown of £15.0 million under the Existing Revolving Credit Facility during June 2013.

Cash outflow from financing activities was nil in the financial year ended 31 March 2014 and was £8.8 million in the financial year ended 31 March 2013. This was due primarily to the repayment of bank loans.

Cash outflow from financing activities was £8.8 million in the financial year ended 31 March 2013 and was £1.2 million in the financial year ended 31 March 2012. This was due to the repayment of £8.8 million loans under the Existing Revolving Credit Facility as part of the refinancing in the financial year ended 31 March 2013 and to the repayment of £1.5 million loans and a £0.3 million share subscription in the financial year ended 31 March 2012.

### ***Cash flows from taxation and acquisitions***

Our net cash outflow for taxation increased from £0.1 million in the quarter ended 30 June 2013 to £1.8 million in the quarter ended 30 June 2014. This increase was primarily attributable to higher taxable profits in the quarter ended 30 June 2014.

Our net cash outflow for taxation increased from £0.6 million in the financial year ended 31 March 2013 to £1.9 million in the financial year ended 31 March 2014. This increase was primarily attributable to higher taxable profits in the financial year ended 31 March 2014.

Our net cash outflow for taxation increased from a net cash inflow of £0.6 million in the financial year ended 31 March 2012 to an outflow of £0.6 million in the financial year ended 31 March 2013 primarily due to lower tax losses.

Our net cash inflow from acquisitions in the financial year ended 31 March 2012 was £11.3 million, consisting of an inflow of £13.3 million in cash acquired with subsidiary undertakings in connection with the 2012 Merger, which was offset by an outflow of £2.0 million of purchase of subsidiary undertakings. There was no cash flow from acquisitions in either the financial year ended 31 March 2013 or the financial year ended 31 March 2014.

### ***Contractual obligations***

Our consolidated contractual obligations as of 31 March 2014 are set forth in the table below.

(£ millions)	Payments / Release due by Period		
	Total	Within 1 Year	After 1 Year
Surety bonds .....	55.4	22.7	32.7
Letters of credit .....	25.6	0.6	25.0
<b>Total surety bonds and letters of credit .....</b>	<b>81.0</b>	<b>23.3</b>	<b>57.7</b>
Long-term debt .....	310.9	27.9	283.0
Short-term debt .....	—	—	—
Finance lease agreements .....	—	—	—
<b>Borrowings .....</b>	<b>310.9</b>	<b>27.9</b>	<b>283.0</b>
Payable to related parties and other payables .....	—	—	—
<b>Total contractual obligations .....</b>	<b>391.9</b>	<b>51.2</b>	<b>340.7</b>

Bonds and letters of credit are not cash drawn and are released on either receipt of a practical completion certificate, completion of the making-good-defect period or the date of expiry unless an earlier release or extension is agreed.

## Financial liabilities

### Bank debt

Following completion of the 2012 Merger, we, together with the Lloyds Banking Group, converted a significant proportion of our debt into equity, amounting to £348.4 million. The following table sets forth our bank debt as of 30 June 2014 along with their interest rates and maturity dates:

(£ million)	Quarter ended 30 June 2014		
	Amount	Interest rate (%)	Debt term (maturity date)
Existing Facility A Loan.....	37.5	Libor + 4.25%	September 2018
Existing Tranche B1 Loan .....	151.5	Libor + 4.75%	March 2019
Existing Tranche B2 Loan .....	46.0	Libor + 4.75%	March 2019
Existing Revolving Credit Facility <sup>(1)</sup> .....	—	Libor + 4.25%	September 2018
Existing Mezzanine Facility <sup>(2)</sup> .....	77.1	Libor + 4.0%	September 2019
Unamortised debt issue costs .....	(0.5)		
<b>Total debt</b> .....	<b>311.6</b>		
(Cash) / overdraft .....	(22.0)		
<b>Net debt</b> .....	<b>289.6</b>		

(1) Includes a non-utilisation fee of 1.25%

(2) In addition, there is also a 6.0% PIK rate.

### Off balance sheet arrangements and contingent liabilities

At 31 March 2014 the Group had annual commitments under non-cancellable operating leases expiring as follows:

(in £ million)	Land and buildings	Other
Within one year.....	0.3	0.6
Within two to five years.....	1.3	2.6
Expiring over five years.....	0.3	—
	<b>1.9</b>	<b>3.2</b>

As part of our construction activities, we are sometimes required to procure third party sureties from banks and insurance companies and in some cases letters of credit in favour of the bodies contracting the works. See “—*Liquidity and capital resources*”. As of 30 June 2014, the overall amount of these provided is equal to an aggregate of £73.4 million and refers to the following items:

- Sureties for works, issued for commercial purposes by banks and insurance companies in the interest of the Group, in favour of customers, on our own account, for a total amount of £53.6 million; and
- Letters of credit and guarantees for a total amount of £19.8 million, which consists of collateral to surety companies and to customers and partners.

While in the past we have not been subject to claims under sureties, these bonds present an on-going potential for substantial cash out-flows.

### Quantitative and qualitative disclosures about market risk

#### Credit risk

Credit risk is the risk of financial loss where counterparties are not able to meet their obligations.

Our policy is that surplus cash when not used to repay borrowings is placed on deposit and with our short-term revolving credit facility bank based on a minimum credit rating.

Trade and other receivables comprise mainly amounts receivable from Local Authorities. Management consider that the credit quality of the various debtors is good in respect of the amounts outstanding and therefore credit risk is considered

to be low. There is no significant concentration risk. A small allowance for credit losses against sundry debtors is held; however, the balance is not material in relation to the gross carrying value of this particular class of financial asset.

The carrying amount of financial assets, as detailed above, represents our maximum exposure to credit risk at the reporting date assuming that any security held has no value.

### ***Interest rate risk***

In order to support and develop our own business activities, we use certain external sources of financing that bear a floating interest rate. Changes in interest rates affect the market value of financial assets and liabilities of the Group and the level of net financial charges.

### ***Liquidity risk***

We might not be able to generate sufficient cash flow from our operations to meet our financial commitments deriving from contracts and, more generally, from short-term financial commitments. The main factors determining our liquidity risk are the timing of receipts from our trade debtors and the timing of house completions.

We aim to maintain a sufficient cash margin to allow for coverage of financial requirements with the availability of committed and uncommitted credit lines. Cash flow, the need for financing and the liquidity held by Group companies are monitored on an ongoing basis and are managed by us with the aim of guaranteeing effective and efficient management of financial resources.

We have adopted a series of policies and processes aimed at maximising the management of sources of financing and reducing the liquidity risk, including:

- Maintenance of a suitable level of available liquidity;
- Diversification of instruments for obtaining financial resources and ongoing focus on financial markets;
- Obtainment of appropriate bank credit facilities (committed and uncommitted); and
- Monitoring of future short-term and long-term liquidity conditions in relation to corporate planning.

### **Critical accounting estimates**

The preparation of our financial statements requires our management to make assumptions that affect the reported amount of assets and liabilities at the balance sheet date and the reported amounts of turnover and expenses during the fiscal period. Estimates and judgments used in the determination of reported results are continuously evaluated.

Estimates and judgments are based on historical experience and on various other factors that are believed to be reasonable in the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The following estimates and judgments are considered important to understand our financial position.

#### ***Estimation of costs to complete***

To determine the profit that we are able to recognise on the proportion of completion for the period, we carry out internal site valuations for each development at regular intervals throughout the year. The valuations will include an estimation of the costs to complete and remaining turnover that may differ to the actual costs incurred and turnover received on completion.

#### ***Contracting work***

Where the outcome of a construction contract can be estimated reliably, turnover and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by surveys of work performed to date. Variations of contract work, claims and incentive payments are included to the extent that it is probable they will result in turnover and they are capable of being reliably measured.

When the outcome of a contract cannot be estimated reliably, turnover is recognised to the extent of contract costs incurred that will probably be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract turnover, the expected loss is recognised in full as an expense immediately.

### ***Impairment of goodwill and other intangible assets***

The determination of whether goodwill and other intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which the asset has been allocated. The value in use calculation involves significant judgement, including an estimate of the future cash flow expected to arise from the cash generating unit, the future growth rate of turnover and costs, and a suitable discount rate. An impairment test was not performed in the year to 31 March 2014 due to there being no indicators of impairment.

## Industry

*In this Offering Memorandum, we rely on and refer to information regarding our business and the markets in which we operate and compete. The market data and certain economic and industry data and forecasts used in this Offering Memorandum were obtained from internal surveys, market research, governmental and other publicly available information, independent industry publications and reports prepared by industry consultants. In particular, we commissioned OC&C Strategy Consultants (“OC&C”) to prepare a commercial vendor due diligence report dated 30 April 2014 for the purposes of the Acquisition (the “OC&C Report”). Other external sources include the Homes and Communities Agency (“HCA”) and the “Barker Review of Housing Supply 2004”. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. We believe that these industry publications, surveys and forecasts, to the extent quoted or referred to herein, are reliable, but we have not independently verified them and cannot guarantee their accuracy or completeness. See “Presentation of industry and market data”.*

*This “Industry overview” section contains projections and forward- looking information. Such projections and forward-looking information are not guarantees of future performance, and actual events, facts and circumstances could differ materially from the projections and forward-looking information contained herein. Numerous factors could cause or contribute to such differences. See “Forward-looking statements” and “Risk factors”.*

### Overview

Through our Regeneration business, we deliver community regeneration programmes and property refurbishment services throughout the UK, primarily relating to new build housing, refurbishment and maintenance services for Social Housing. Our Homes business operates in the house-building market, developing properties in the lower price quartile targeted at first-time and lower-income buyers.

According to the OC&C Report, our core addressable markets across these sectors had an estimated expenditure of approximately £12.5 billion in our core addressable Regeneration market and £2.1 billion in our core addressable Homes market in the year ended 31 December 2013 and is expected to grow, as indicated below:

[GRAPHIC]

[GRAPHIC]

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Source: OC&C Report

Note: The above tables do not include funding from one-off funding streams. According to the OC&C Report, such streams accounted for £4.8 billion of expenditure in 2011, £2.8 billion in 2012 and £2.0 billion in 2013, and are expected to account for £1.5 billion in 2014.

There are three housing tenures within our addressable markets:

- (i) *Affordable Housing*: comprising rental houses providing lower cost accommodation to individuals and families at a subsidised rent which may be owned and managed by Local Authorities, Housing Associations or other Registered Providers;
- (ii) *Owner occupied*: comprising households owning their home outright and households with a mortgage; and
- (iii) *Private rented*: comprising rented accommodation without government subsidy.

Our Regeneration division competes for work types related to Affordable Housing, whereas our Homes division focuses on owner occupied and private rented tenures. Nevertheless, both the Regeneration and Homes markets support private rented housing. The alignment of our Regeneration and Homes markets to the applicable housing tenures (based on surveys conducted by the Department for Communities and Local Government between April 2011 and March 2013) is shown below.

[GRAPHIC]

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Source: Department for Communities and Local Government

Our target customers in the Regeneration market are Local Authorities, Housing Associations and other Registered Providers, who primarily fund their regeneration works with rental income from tenants. According to the OC&C Report, such customers also benefit from a variety of local and central government funding schemes, with annual spend estimated to be approximately £12.5 billion in 2013 (excluding expenditure from one-off funding streams). Decisions to carry out regeneration works are mainly taken at a local level. The recent reform of the HRA is a good example of this, increasing local level financial independence by permitting Local Authorities to finance repair and maintenance, as well as new-build social housing work, with private debt, rather than contributions from central government. See “—*Regeneration UK Funding Schemes*”.

Demand in the Regeneration market is expected to remain strong in the foreseeable future, as there is an increasing need for more and improved quality housing in the UK, which has one of the oldest housing stocks in Europe. According to the Department for Communities and Local Government, the majority of private housing (approximately 77% of private housing stock) and Local Authorities housing (approximately 92% of Local Authority housing stock) in the UK was built prior to 1981. Some past government measures have helped improve the general condition of Affordable Housing in the UK, such as the introduction of the Decent Homes programme in 2000 by the Labour Government, and there are also expected to be additional UK and European public funding sources available to continue to support expenditures on social infrastructure in the foreseeable future.

Our Homes division sells properties predominantly into the private market, with 75.9% of sales in the year ended 31 March 2014 occurring in the open market and the remaining 24.1% representing sales to Registered Providers. We often partner with land owners (typically Local Authorities) to access and develop their land as part of a broader community improvement programme. Funding for our homes is mainly sourced through the UK mortgage finance market, hence mortgage availability directly impacts our customers’ ability to secure long-term financing to purchase our homes. See “*Risk factors—Failure by our Homes customers to procure a mortgage or other form of funding could lead to decreased sales, reservations and cancellations of sale contracts*”. According to the Bank of England, an increase in gross mortgage lending (on a seasonally adjusted basis) from approximately £135 billion in 2010 to approximately £175 billion in 2013 has contributed to a strengthened Homes market. Likewise, government stimulus of the UK housing market (for examples, initiatives such as the HTB scheme) has also improved customer confidence and helped contribute to increasing demand for our homes.

Structural need for more housing in the UK is expected to support both our Regeneration and Homes markets. According to the Department for Communities and Local Government, ownership is at its lowest level since 1987 and despite demand for social housing remaining high, low build rates have resulted in a waiting list for social housing of 1.8 million as of 2012. The total UK housing supply outlook was discussed in the 2004 Barker Review, which published warnings that an average of 240,000 dwellings would need to be built per year in order to maintain stable house prices in the UK. For the period from 2009 to 2013, completion rates lagged well behind this figure, with an average number of new build homes per year of only 143,000.

## **Regeneration**

### ***Customers***

The Regeneration market has three main customer groups:

- *Local Authorities*: comprising public sector entities which own and manage social housing stock, extra care facilities (for the elderly or disabled) and schools within their geographies. Funding is generated by rental income from properties, loan financing secured against assets (subject to borrowing caps set by local government) and public funding streams provided by central government.
- *Arm’s Length Management Organisations (“ALMOs”)*: comprising entities which set up and manage housing stock on behalf of Local Authorities, who continue to own the majority of the housing stock and also participate in the extra care and education sectors. Funding is generated by rental income from properties and loan financing secured against assets (subject to borrowing caps set by local government).
- *Housing Associations*: comprising private sector, independent organisations owning and managing housing stock on a not-for-profit basis. Housing Associations are also active in the extra care sector. Funding is generated by rental income from properties, from loan financing secured against certain assets and public funding streams provided by central government.

Local Authorities, ALMOs and Housing Associations in England are registered with the HCA and have historically been known collectively as Registered Social Landlords (“RSLs”). Collectively, these three groups meet the needs of tenants requiring Affordable Housing. RSLs are required to ensure housing is suitable for their tenants in terms of insulation and



furnishing (kitchen and bathrooms) and have the ability to react quickly to problems. They oversee 3.8 million social homes of relatively old stock (primarily 30 years or older).

### ***Regeneration addressable market and growth drivers by value stream***

According to the OC&C Report, the addressable market for Regeneration is large, amounting to £15.0 billion of expenditure (including one-off funding streams) expected for the 2014 calendar year. The Regeneration market has generally demonstrated stability over the period between 2008 and 2013, despite a reduction in large one-off government funding schemes over the same period. The market is indirectly exposed to changes in macro-economic conditions driven by government reforms, funding initiatives and market volumes. According to the OC&C Report, the Regeneration market is expected to grow by 4% on a compound annual basis from 2013 to 2018, excluding one-off funding streams.

“Repair, maintenance and improvement” (“**RMI**”) is the term used to cover all forms of refurbishment, as well as reactive and planned maintenance. Specifically, “repair and maintenance” covers routine maintenance work, including planned and responsive (unplanned) contracts for social housing tenants. Separately, “refurbishment” covers renovation and improvement work, including sustainability-related improvements and regeneration of housing estates. Refurbishment services are provided to social housing stakeholders, as well as extra care facilities (housing for those with assisted needs) and education providers (schools, academies and colleges).

There is significant crossover between the services offered to the end users addressed by RMI services, but each can be viewed as distinct:

- *Social RMI:* Social RMI addresses the requirement to maintain social housing to a decent standard. We believe that Affordable Housing expenditure is to a certain degree politically insulated from cuts in public spending. However, during the recent recessionary period, RSLs prioritised more essential reactive maintenance expenditures over less time-critical refurbishment spend (representing a decrease of 3% between 2008 and 2013) resulting in a slight decline in the RMI spend per property between 2008 and 2013. However, according to the OC&C Report, the social RMI market is expected to grow in the UK from £6.6 billion to £7.6 billion between 2013 and 2018, representing a compound annual growth rate (“**CAGR**”) of 3%. The drivers underlying this growth include price inflation in refurbishment spend, an increase in numbers of homes approaching non decency and new funding becoming available for sustainability improvements (e.g. Green Deal and ECO).
- *Social Housing:* Social Housing includes the construction of houses suitable for social tenants. These properties are generally built on land owned by the Local Authority or Housing Association who retain the ownership once completed.
- *Education:* According to the OC&C Report, the education market has benefitted historically from significant government RMI funding to improve the quality of education facilities, including construction and expansion of the public buildings, including libraries, bus shelters and school estates. New government funding schemes for education (e.g. “Building schools for the future”) and the expected increase in the number of children of school age (by a CAGR of approximately 1.4% from 2014 to 2018, according to the Department of Education) is expected to drive expansion of existing schools and construction of new schools, thereby delivering modest growth for the education market.
- *Extra care:* Central and local government spending cuts over the period between 2008 and 2013 have reduced the size of the extra care market by a CAGR of negative 6%. However, the UK’s ageing population (whereby the “over 70s” are outgrowing other generations) and demand for assisted living is expected to support growth in demand in extra care. A new wave of funding streams, in particular the Better Care Fund that plans to inject £3.8 billion in total, is expected to support an increase in overall spend levels in extra care.
- *Alternative funding streams:* In 2008, the number of deals completed under the private finance initiative fell to fewer than 40. In the previous ten years, this figure had been at least 40 in every year. However, larger and longer contracts have created alternative financial packages in a tough financing environment.

### ***Regeneration UK funding schemes***

The HRA is the UK statutory requirement to account for Local Authority housing and sets out the major areas of housing revenue expenditure and financing charges and how these are met by income, including rent and working balances. In April 2012, the UK central government reformed the HRA to enable Local Authorities to be self-financing. Previously, Local Authorities passed on any surplus revenues to the HRA, which then redistributed these revenues as subsidies for Local Authorities facing deficits. The new scheme now allows Local Authorities to retain any surplus they generate, giving them greater flexibility to finance construction and maintenance through their surplus revenues and debt.

Specific additional funding streams available to local councils for Regeneration are outlined below:

### Refurbishment and maintenance

- *Renewal Heat Incentive:* The Renewable Heat Incentive scheme (“**RHI**”), representing £860 million for the period 2011 to 2015 and up to £430 million for the period 2015 to 2016, and Feed in Tariffs scheme for micro generation (“**FIT**”), representing estimated expenditures with a present value as at 2010 of approximately £8.6 billion from 2010 to 2030 (according to the Department of Energy and Climate Change’s 2010 impact assessment), provide additional funding to upgrade and increase energy efficiency. Both schemes aim to encourage the installation of renewable energy technology. FIT and RHI, launched in April 2010 and April 2014, respectively, provide funding for homeowners, private landlords and social landlords to install renewable electricity generation and heating systems. Successful applicants receive payments for a fixed period, and these sustainability funds have incentivised Housing Associations to upgrade their housing stock.
- *Decent Homes Programme:* The Decent Homes programme was introduced by the Labour Government in 2000 and is a government initiative that aims to ensure that all social housing meets a minimum standard of decency. These minimum standards established that social housing should be free of health and safety hazards, be in a reasonable state of repair, have reasonably modern kitchens, bathrooms and boilers, and be reasonably insulated. As a result, this programme helped generate demand for social RMI services. Under the Decent Homes programme, the UK government committed £1.6 billion for the refurbishment of social housing between the years 2011 and 2015. In the 2014 budget, an additional £160 million was allocated for the years 2015 and 2016. Additionally, the UK government’s 2014 budget for estate regeneration included £150 million in fully recoverable loans to private sector partners for the regeneration of large social housing estates in England, such funding being available from 2015 to 2019.
- *Scottish Housing Quality Standard:* There is a Scottish equivalent of the Decent Homes programme known as the Scottish Housing Quality Standard (“**SHQS**”), which was established in February 2004. Social landlords have until April 2015 to bring their houses up to the SHQS. The SHQS is a set of five broad housing criteria, subdivided into 55 elements and nine sub- elements, which a property must pass to meet the SHQS. The Scottish Housing Regulator (“**SHR**”) monitors progress with meeting SHQS both nationally and for individual Registered Social Landlords. We are not aware of any current funding initiatives in place to assist with meeting the SHQS, the onus instead being placed on the landlords.
- *European Investment Bank:* In 2014, the European Investment Bank (“**EIB**”) announced it would aim to lend £1 billion a year to support the construction of Affordable Housing in the UK.

### Sustainability

- *Green Deal and ECO:* The Energy Company Obligation (“**ECO**”) (approximately £1.3 billion per year until March 2015) and Green Deal (approximately £450 million) funding schemes are complementary policy mechanisms that provide funding to households and landlords to improve the energy efficiency of their homes. ECO imposes regulations on energy providers to improve the energy efficiency of buildings in three areas: Carbon Emissions Reduction Obligation, Carbon Saving Community Obligation and Home Heating Cost Reduction Obligation focusing on hard-to-treat homes and low income and vulnerable households. ECO has recently been extended to run through to March 2017. Green Deal finance was introduced by the UK government to run alongside ECO funding. Green Deal finance provides upfront loan funding for energy efficiency improvements repaid in instalments through electricity bills for the property. Only Green Deal providers, such as us, approved by the Secretary of State for Energy & Climate Change can provide this financial product to households. Following changes to ECO announced in October 2013, the UK government replaced its Green Deal Cashback mechanism with a new £120 million per year Green Deal Home Improvement Fund. The ECO and Green Deal schemes provide funding and finance support for a variety of energy-saving improvements, such as insulation, efficient heating, draught-proofing, and double-glazing.
- *EU structural and investment funds:* For the period from 2014 to 2020, the UK is to receive €10.8 billion from the European Regional Development Fund (“**ERDF**”) and the European Social Fund (“**ESF**”). Funding from the ERDF is focused on reducing economic, environmental and social problems in urban areas, and in particular supporting sustainable urban development. Funding from the ESF targets improving employment and education opportunities.

### Social Housing

- *Affordable Homes Programme, Affordable Homes Programme 2 and Affordable Housing Supply Programme:* The Affordable Homes Programme was established in 2008, known initially as the National Affordable Housing

Programme, to increase the supply of new affordable homes in England. In its first round of funding between 2008 and 2011, the Affordable Homes Programme funded 155,000 new homes, including a proportion for low cost home ownership and social rent. In its second round, between 2011 and 2015, the programme will provide £4.5 billion in Affordable Housing, with the majority of houses to be made available for affordable rent. In its third round, as the Affordable Homes Programme 2, it will provide £2.95 billion (£1.7 billion of which is available for the delivery of 165,000 new affordable homes outside London and £1.25 billion of which is available to build 45,000 affordable homes in Greater London between 2015 and 2018).

- The Scottish equivalent is the Scottish Government's Affordable Housing Supply Programme, which has made a commitment to deliver at least 30,000 affordable homes, of which at least two thirds will be for social rent (including 5000 for council housing) over the three year period to March 2015. The Affordable Housing Supply Programme aims to invest £970 million in new affordable homes during that period with a planned further investment of £391 million in 2015/2016.

## Education

- *Basic Need and Targeted Basic Need:* The UK government provides funding to meet the basic needs for school places, namely achieving sufficient school capacities for the purpose of growing communities. Basic need funding of £1.6 billion was allocated to Local Authorities from 2013 until 2015 in order to create additional school places. In 2014, this was supplemented by the Targeted Basic Need programme, which provides an additional £820 million for the construction of 45 new schools and the expansion of 333 schools. Additionally, the Devolved Formula Capital has allocated £200 million for the years 2014 and 2015 to schools' priority work on buildings, information communications technology and other capital needs.
- *Priority School Building Programme ("PSBP"):* The PSBP, with £2.4 billion in funding, aims to address the needs of the 261 schools most in need of urgent repair. The programme plans to deliver to all schools by 2017. On 1 May 2014, the UK government announced the second round of the programme, which is proposed to provide approximately £2 billion of funding between 2015 and 2021.

## Extra care

- *Better Care Fund:* The Better Care Fund (formerly the Integration Transformation Fund) was established by the Department of Health in 2013 with the aim of helping health and social care services to deliver better services to older and disabled people. In its 2013 spending review, the UK government allocated £3.8 billion to the fund. While the fund targets a broad range of health and social care services, the initiative provides opportunities for housing providers to work together with Local Authorities and Local Health and Wellbeing Boards to adapt and refurbish facilities for the use of the elderly and disabled population. Additionally, over five years from 2013/14, the Department of Health is providing capital funding of £160 million for specialist housing providers to put forward proposals for developing specialist housing outside of London to address the needs of older people and adults with disabilities. In the first two years of the programme this funding may be increased by up to a further £80 million capital funding. The Homes and Community Agency will deliver and manage this programme.

## Homes

### Customers

New build homes for open market sale in our target lower price quartile segment are primarily sold to first and second time buyers and other buyers with relatively low income levels. In 2012-2013, there were an estimated 22.7 million homes in England. Of these, 18.9 million (or approximately 83%) were in the private sector, of which 14.8 million were in the owner occupied sector and 4.1 million were in the private rented sector. The remaining 3.8 million dwellings were in the social sector, with 1.8 million owned by Local Authorities and 2.0 million owned by Housing Associations. Brownfield sites (generally land previously used for industrial or other commercial purposes) are regularly identified as locations for new housing developments to satisfy the lower price quartile housing demand, with HCA helping Local Authorities to develop identified projects.

### Homes addressable market by geography

The Southern and Central England regions are the largest regions in our addressable Homes market in terms of Completions. We have not historically been present in Southern England, but we have recently expanded into this region where we already have strong relationships with Local Authorities and RPs in our Regeneration business (See "*Our business—Homes*").

[GRAPHIC]

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- (1) Source: OC&C Report.
- (2) Includes North East England and North West England.
- (3) Includes Yorkshire and the Midlands.

### **Industry dynamics**

New build homes volumes are still around half the required level in England, amounting to approximately 125,000 new homes in 2012/13, representing an 8% decrease from 2011/12 and an amount that is 44% lower than the 2007/08 peak of approximately 224,000 homes, according to the Department for Communities and Local Government. Whilst the demand for homes in England is projected by the Department for Communities and Local Government to grow at a rate of 221,000 homes per year, supply is likely to fail to meet demand, and if additions continue at 2011 levels, the Institute for Public Policy Research, in its report entitled “The good, the bad and the ugly: Housing demand 2025” (dated March 2011), predicts the UK will have a shortfall of 750,000 homes by 2025.

[GRAPHIC]

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- (1) Department of Communities and Local Government, as at 21 August 2014.
- (2) Net housing supply defined as the annual net change in the dwelling stock.
- (3) Office of National Statistics, Annual Mid-year Population Estimates, 2013.

Our Homes market, primarily consisting of lower income first or second time private buyers, was affected by the recent financial crisis as the lack of availability of mortgage finance resulted in reduced completions over the period from 2008 to 2011. Since then, the Homes market has shown strong momentum, due to a combination of structural undersupply of housing stock in the Homes market generally, increased government stimulus programmes (such as the HTB scheme, which has been extended to 2020), improving macroeconomic conditions and renewed lending confidence. As a result, according to the OC&C Report, the Homes market is expected to exhibit strong volume growth from 2013 to 2018, representing a CAGR of 9.5%.

The following are key drivers that are expected to support demand and supply in the Homes market:

- *Brownfield land redevelopment:* Since 2011, the UK government has focused on policies concentrated on unlocking land suitable for construction. Local Authorities are also increasingly keen to release brownfield sites and approve new house building.
- *Macroeconomic environment:* According to the Office of National Statistics, UK GDP figures for 2013 show growth of 1.7%, which represents a significant increase from growth of 0.3% in 2012, supporting a more positive economic outlook compared with recent years.
- *Positive demographics:* According to the Office of National Statistics, households and the number of people in first time buyer demographics (20-35 year olds) grew by 7.9% and 5.6%, respectively, between 2001 and 2011, which is a positive trend for the lower price quartile Homes market. The UK’s population is also growing in size and average age, driving the demand for both student and elderly care facilities. According to the Office of National Statistics, the UK population is forecast to grow to 70 million by 2027, and the population of the UK is projected to continue ageing, with the number of people over 85 expected to more than double from 3.0 million in mid-2012 to 6 million by mid-2037.
- *Average Selling Price:* According to the OC&C Report, ASP growth is expected from 2013 to 2018 in our addressable Homes market, as additional demand filters through in the lower cost segment.
- *Availability of mortgage finance:* According to the Bank of England, since its trough of approximately £135 billion in 2010, gross mortgage lending (on a seasonally-adjusted basis) has subsequently recovered to approximately £175 billion in 2013. In April 2013, the UK government introduced the HTB scheme, which has significantly increased availability of mortgage finance for first and second time buyers and has now been extended until 2020. This has also increased liquidity in the mortgage market and an increasing number of higher LTV products are expected to return to the market.

- *Interest rates:* Interest rates at historical lows have supported favourable lending conditions and housing affordability in absolute terms. Following a split vote at the August meeting of the Bank of England's Monetary Policy Committee, market consensus suggests a future interest rate rise, however timing of such future interest rate rise remains unclear.
- *Unemployment rates:* Unemployment rates have continued to fall since their peak in November 2011. According to the Office of National Statistics, since the last quarter of 2013 the unemployment rate has fallen by 0.8% to 6.4% as at the end of the second quarter of 2014, and labour market statistics for the second quarter of 2014 show a quarterly rise in employment for a fifth consecutive quarter.

### ***Homes funding schemes***

Our Homes market primarily consists of buyers in the lower quartile pricing brackets who are typically first or second time buyers. We also compete with secondary housing in a similar price bracket or with homes offered through the private rental sector.

Our Homes market also benefits from UK government funding initiatives, including:

- *Help to Buy:* The HTB scheme is designed to encourage home ownership in the UK. In Phase I, the scheme committed funds as part of a shared equity scheme, under which buyers put down a minimum 5% deposit on a home with the UK government providing up to 20% of the purchase price. Phase II introduced a mortgage guarantee to commercial lenders for up to 15% of a property value, requiring only a 5% deposit from potential buyers under the scheme. In 2013, the UK government committed £3.5 billion for the HTB scheme through to 2016. The 2014 budget increased funding by £6 billion and extended the programme until 2020.
- *Affordable Rent to Buy:* Affordable Rent to Buy was announced in 2013. The program helps people who need support for a limited period of time through the provision of sub-market rent in order to allow them to save for a deposit to buy a home. The UK government announced in the 2013 spending round that the programme will receive £400 million in funding for new build homes that will be rented for affordable rent for a limited time before being sold, with the tenant getting the first chance to buy. The HCA has indicated that it will begin to deliver new homes under this scheme from 2015.
- *Right to Buy:* Right to Buy was first launched in 1980, giving council housing residents a discount on the purchase of their council residence. In March 2013, the UK government increased the maximum discount for tenants from £75,000 to £100,000 in London. At the same time, the UK government committed to building a new home for affordable rent to replace each council residence sold to a tenant.
- *Build to Rent Fund:* The Build to Rent Fund was launched in 2012 to stimulate new private rented housing supply. The fund was initially allocated £200 million, which was increased to £1 billion in the 2013 budget.
- *Builders' Finance Fund:* The Builders' Finance Fund will provide £525 million for the years from 2015 to 2017, and it is designed to aid the development of housing schemes of between 15 and 250 units that have slowed down or stalled. It seeks to address difficulties that small developers are facing in accessing development funds.
- *Strategic Land and Property:* The UK government announced in the 2014 budget that its Strategic Land and Property review identified scope to release £5 billion from government land and property to support housing growth and economic development.
- *New Homes Bonus:* This represents approximately £2.2 billion of grant funding made available to match council tax revenue on new homes conversions and long-term homes brought back into use (2011-2015).
- *Get Britain Building:* £500 million investment fund set up to help start construction on at least 12,000 locally-backed stalled sites with planning permission that are experiencing problems accessing finance.

### **Competition**

#### ***Regeneration market***

We are one of UK's leading regeneration service providers with the largest share, approximately 16%, of framework contracts as of February 2014 according to BE Built Environment Marketing's Public Sector Framework Database. Our participation in more frameworks than our peers reflects our long standing partnership with Local Authorities and our broad service portfolio offering in regeneration, enabling us to bundle several work types.

[GRAPHIC]

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Source: BE Built Environment Marketing

The competitive landscape in Regeneration is highly fragmented with numerous local and regional providers particularly given the wide service offering which overlaps between various markets.

[GRAPHIC]

For social housing, we compete against a range of player types and a range of player sizes broken down into the following:

- *Niche and regional players*: these consist of smaller companies that typically leverage specific relationships or capabilities in one or more regions. Increased bundling of contracts may lead to some regional players losing market share, but they will continue to leverage local legacy relationships working from a smaller cost structure.
- *Regeneration players*: these are focussed on large and long term contracts which may have a regional bias depending on legacy relationships. The core competitor set is well established with step changes in market share unlikely in the near term.
- *Social housing service companies*: the service offering in this category typically sits within a wider set of services, e.g. Mears healthcare. Growth is targeting through expansion of services within customer accounts.
- *Outsourcing generalists*: these typically consist of large companies offering a wide range of services across public and private sectors. They will target the larger contracts requiring capabilities across multiple areas.
- *Direct labour organisations*: these consist of internal maintenance teams delivering reactive and planned maintenance for some of the housing stock owned by local councils. Cost and time to set up are prohibitive to significant growth.

## Homes market

According to the OC&C Report, we are the UK's fifth largest house builder focused on first-time and lower- income buyers by number of developments listed on smartnewhomes.co.uk, totalling 35 as of February 2014, and we are the only large scale house builder focused entirely on this niche.

We compete against national players, such as Persimmon and Taylor Wimpey, who have scale advantage, and smaller regional players such as Gleeson. Nevertheless, few compete directly with us consistently at the lower price point and for brownfield sites, which require a different skill set as compared to the more traditional house builders who tend to focus on a higher price-point and greenfield sites.

Our focus on the lower quartile price segment of the Homes market is demonstrated by our lower Average Selling Prices in 2013/2014 as compared to other competitors outlined below:

• Berkeley:	£423,000
• Galliford Try:	£262,000
• Crest:	£227,000
• Redrow:	£239,500
• Barratt:	£219,900
• Bellway:	£212,071
• Taylor Wimpey:	£224,000
• Persimmon:	£186,970
• Bovis Homes:	£210,000
• Keepmoat:	£113,000

Some of these differences are also driven by size mix (larger or more premium properties drive higher average selling prices), specification (appropriate to the market segment) and geography (London and the South-East have higher average selling prices).

We are also differentiated by our partnership model with Local Authorities and Housing Associations, in which we are able to secure land on beneficial terms. Local Authorities benefit from our expertise in brownfield sites and ability to

combine mixed developments and access funding. It also reduces our exposure to house price risk relative to traditional house building models whilst providing us with a significant secured land portfolio.

## Our business

### Overview

We are a leading provider of community regeneration services and housing. Our Regeneration division delivers bespoke refurbishment, maintenance and construction solutions to providers of social housing in the UK. Our Regeneration customers include Local Authorities, Housing Associations and other Registered Providers of social housing. Our Homes division is a leading developer of high-quality lower price quartile homes in the UK, focused on first-time and lower-income buyers.

Our Regeneration and Homes divisions benefit from the strong, long term relationships that we have developed with Local Authorities, Housing Associations and other Registered Providers as an integral part of our business. In Regeneration, our model allows us to work with these organisations to access large, multi-service contracts that provide long-term contract visibility and a strong pipeline of work. For Homes, our partnership model allows us to work with land owners, typically Local Authorities, from the early stages of a development project, such as identification of land opportunities and assessment of project viability, thereby minimising development risks and allowing us to operate a capital-light business model relative to traditional housebuilders that generates strong cash conversion.

We believe the complementary working capital models of our Regeneration and Homes divisions enhance our ability to deliver strong cash generation for our group. In Regeneration, clients predominantly pay us earlier than we pay our supply chain which generates cash that, in turn, supports the required investment in land and build WIP in our Homes division. In addition, the working capital requirement of our Homes division is lower than some large listed traditional house builders due to our partnership-led control of the land bank and the ability under several of our partnership agreements to defer payments until plot completions.

We believe these operational and financial synergies between our Regeneration and Homes divisions enable us to deliver strong cash generation and have led to profit growth. Our sales grew by 5.0%, from £886.5 million in the financial year ended 31 March 2013 to £930.6 million in the financial year ended 31 March 2014 and our Adjusted EBITDA grew by 15.0%, from £51.9 million in the financial year ended 31 March 2013 to £59.7 million in the financial year ended 31 March 2014.

The following table sets forth our total turnover and gross profit for the periods indicated:

	Financial year ended						Last twelve months ended	
(in £ million, except percentages)	31 March 2012		31 March 2013		31 March 2014		30 June 2014	
<b>Turnover</b>								
Regeneration .....	517.4	76.5%	729.2	82.3%	720.8	77.5%	740.4	77.1%
Homes .....	158.7	23.5%	157.3	17.7%	209.8	22.5%	219.9	22.9%
<b>Total .....</b>	<b>676.1</b>	<b>100.0%</b>	<b>886.5</b>	<b>100.0%</b>	<b>930.6</b>	<b>100.0%</b>	<b>960.3</b>	<b>100.0%</b>

	Financial year ended		Last twelve months ended	
(in £ million, except percentages)	31 March 2014		30 June 2014	
<b>Gross profit</b>				
Regeneration .....	78.5	71.4%	80.0	70.5%
Homes .....	31.4	28.6%	33.4	29.5%
<b>Total .....</b>	<b>109.9</b>	<b>100.0%</b>	<b>113.4</b>	<b>100.0%</b>

### Regeneration

Our Regeneration division is a national leader delivering refurbishment and maintenance of social housing stock, bespoke Regeneration schemes, PPP projects and construction for Local Authorities, Housing Associations and other Registered Providers. We believe our long-term client relationships are central to our business model, and we estimate that the average length of our relationships with each of our top ten clients (by turnover for the year ended 31 March 2014) was approximately 11 years as at 31 March 2014. See “—Business operations—Homes division—Partner relationships and land bank”.

Our prominence as a national supplier to our clients gives us good visibility of upcoming projects, which we believe is reflected by our Total Identified Opportunities. As of 31 March 2014, our estimated Total Secured Business, Total Underpinnings and Total Identified Opportunities represented £1.3 billion, £2.0 billion and £6.9 billion in potential turnover, respectively. When valuing Total Secured Business, Total Underpinnings and Total Identified Opportunities, we make a number of judgments, estimates and assumptions based on many factors which are inherently uncertain and



subject to significant uncertainties and contingencies, all of which are difficult to predict and many of which are beyond our control. There can be no assurance that the estimates and assumptions we make with respect to our probability of success or otherwise will prove to be correct or that we will fully realise the potential value of the contracts and opportunities within our Total Secured Business, Total Underpinnings or Total Identified Opportunities. For a discussion of how we calculate our Total Secured Business, Total Underpinnings and Total Identified Opportunities and its constituent parts and the various limitations associated with such measures, see “*Presentation of financial and other information—Operational measures—Total Secured Business, Total Underpinnings and Total Identified Opportunities*”. We believe the scale and breadth of our combined capabilities allow us to bid competitively on large, complex projects, which are only available to the industry’s largest players, and provide us with significant procurement advantages over our smaller peers in a highly fragmented market.

Our Regeneration division comprises six key services offerings:

**Refurbishment and Planned Maintenance** of occupied buildings, social housing and private housing, libraries, community centres and health and emergency services facilities on a regular or cyclical basis. These services, for example, include the replacement of boilers, roofs, windows, bathrooms and kitchens. We estimate that turnover from these services accounted for approximately 67% of our Regeneration division’s turnover in the financial year ended 31 March 2014.

**New Build Housing** construction of social housing for rent under contracts with Local Authorities, Housing Associations and other Registered Providers, which is distinct from our Homes division. We estimate that turnover from these services accounted for approximately 10% of our Regeneration division’s turnover in the financial year ended 31 March 2014.

**Responsive Maintenance** through multi-year contracts with Local Authorities, Housing Associations and other Registered Providers that provide 24-hour call out for plumbing, heating, joinery, electrical services and general repairs to social housing residents, delivered mainly by the KPS division. We estimate that turnover from these services accounted for approximately 6% of our Regeneration division’s turnover in the financial year ended 31 March 2014.

**Extra Care** through construction or refurbishment of housing specifically designed for elderly or disabled residents, under contract. We estimate that turnover from these services accounted for approximately 6% of our Regeneration division’s turnover in the financial year ended 31 March 2014.

**Education** through construction and refurbishment of schools and educational facilities. We estimate that turnover from these services accounted for approximately 6% of our Regeneration division’s turnover in the financial year ended 31 March 2014.

**Sustainability** through the provision of energy efficient measures, such as boilers, roof and wall insulation and the installation of energy-efficient windows, often as part of wider refurbishment schemes. We estimate that turnover from these services accounted for approximately 6% of our Regeneration division’s turnover in the financial year ended 31 March 2014.

#### FY14 turnover split by value stream £720.8 million

[GRAPHIC]

We believe our Regeneration division is geographically well-balanced across the UK. The following table sets forth our turnover by geography for the years indicated:

(£ million, except percentages)	Financial year ended 31 March			
	2013		2014	
<b>Regeneration turnover by geography</b>				
Northern England.....	199.0	27.3%	194.3	27.0%
London.....	155.3	21.3%	168.6	23.4%
Southern England.....	179.4	24.6%	149.8	20.7%
Central England.....	163.9	22.5%	160.5	22.3%
KPS.....	31.6	4.3%	43.1	6.0%
Divisional Head Office.....	—	—	4.5	0.6%
<b>Regeneration Total</b> .....	<b>729.2</b>	<b>100.0%</b>	<b>720.8</b>	<b>100.0%</b>

## Homes

Our Homes division primarily builds high-quality lower price quartile homes targeted to first-time and lower-income buyers. Our homes are typically standard in design, with two or three bedrooms. In the financial year ended 31 March 2014, sales grew by 23% to 1,853 Completions for an Average Selling Price of £113,000, of which 75.9%, or 1,406 Completions, were to private individuals and 24.1%, or 447 sales, were to Registered Providers. We occupy a position in the UK market between traditional, more speculative, developers and those who build under contracts and therefore do not sell homes in the open market. We believe that this position, combined with our focus on the lower price quartile of the market and our capital-light model, differentiates us from the competition.

Our Homes division has historically served four main geographies in the UK: Yorkshire, the Midlands, North East England and North West England. We have begun to expand into Southern England to capitalise on the significant undersupply of homes and to source land through the strength of legacy Apollo relationships with Local Authorities in that region. Since May 2014, we have begun to take reservations for homes and have exchanged contracts with clients in Southern England. We are also currently in the development stages for a sixth region, Scotland, where we have resources in place with a view to commencing operations when appropriate sites are ready for development.

The geographical distribution of our Homes turnover is set forth in the following table for the years indicated:

(£ million, except percentages)	Financial year ended 31 March					
	2012		2013		2014	
<b>Homes turnover by geography</b>						
Yorkshire .....	50.4	31.8%	36.3	23.1%	60.5	28.8%
Midlands .....	41.4	26.1%	47.6	30.2%	63.5	30.3%
North East England .....	38.6	24.3%	42.3	26.9%	46.4	22.1%
North West England .....	28.3	17.8%	31.1	19.8%	39.4	18.8%
<b>Total .....</b>	<b>158.7</b>	<b>100.0%</b>	<b>157.3</b>	<b>100.0%</b>	<b>209.8</b>	<b>100.0%</b>

## Our competitive strengths

We believe that our key strengths include the following:

### *Leading positions in Regeneration and Homes markets, which are supported by strong underlying core drivers*

We are a leading national provider of community regeneration services in the UK. We are the national leader in Regeneration, with the largest share, approximately 16%, of framework contracts as of February 2014 according to BE Built Environment Marketing's Public Sector Framework Database. Similarly, according to the OC&C Report, our Homes business is the nation's fifth largest house builder by volume of active developments in the lower quartile pricing bracket of the house building market as of February 2014. We have a much tighter focus than large scale listed house builders on our target market of lower price quartile homes, the buyers of which predominantly consist of first-time and lower-income buyers. The strength of our market position is illustrated by our turnover growing by 5.0%, from £886.5 million to £930.6 million, and Adjusted EBITDA growing by 15.0%, from £51.9 million to £59.7 million, between the financial years ended 31 March 2013 and 2014, respectively.

We occupy a leading position in our addressable Regeneration market, which had an estimated expenditure of approximately £14.5 billion (including one-off funding streams) in the calendar year ended 31 December 2013, and have since continued to grow. Overall, core Regeneration funding (excluding exceptional one-off funding streams such as the Decent Homes and Building Schools for the Future programmes) has remained stable. We believe there is a positive outlook for growth within the Homes market. Both divisions are supported by strong underlying core drivers within their respective markets. In Regeneration, for example, Registered Providers are subject to statutory requirements regarding the quality of homes they provide and therefore must in practice allocate a certain portion of rental and other income to repair and maintenance expenditure, notwithstanding the expected reduction or termination of Decent Homes funding. See "*Industry—Regeneration UK funding schemes—Refurbishment and maintenance*" and "*Regulation—Regeneration UK funding schemes—Refurbishment and maintenance*". This means that although demand from one-off refurbishment projects may vary or be seasonal, there is an underlying requirement for our clients to continue to invest in refurbishing and replenishing their social housing stock in order to maintain the quality of housing they provide, which in turn provides repeat RMI turnover that is independent of central government funding policies. A variety of government schemes also benefit other segments within our Regeneration business, such as sustainability (Green Deal and ECO), social housing (Affordable Homes Programme) and education (Basic Need and Targeted Basic Need) See "*Industry—Regeneration UK funding schemes—Sustainability*". In Homes, there has historically been an undersupply of housing in the UK, including significant declines in the supply of new lower price quartile housing, our target market, from 2006 to 2009, and only modest growth in volumes of such housing since, according to the OC&C Report. Therefore, we believe

we are well-positioned to continue to benefit from leading positions in markets that enjoy a stable long-term cost base and benefit from underlying long term demand.

We believe our integrated business model allows us to leverage the customer and operational synergies of Regeneration and Homes. Homes leverages our Regeneration's strong, long-term relationships with Local Authorities to source land, and this will be especially valuable as we look to expand the Homes business in areas where it has less historical prominence, such as in Southern England. Operationally, our integrated model allows us to identify and secure a greater number of development sites and provide an innovative combination of solutions for our clients under one agreement. For example, we are able to provide bespoke, mixed developments with multi-service offerings by combining homes for open market sale with new build social housing and/or extra care facilities. This benefits our land-rich clients by allowing them to develop these sites with limited capital investment and offers solutions for complex brownfield sites and locations less favoured by typical house builders.

***We are a leader in UK social housing regeneration driven by national scale and wide-ranging capabilities, with leading and well established market shares in our core regions.***

Our national footprint and diverse service offerings across five core regions in the UK are key competitive strengths of our Regeneration business. The scale of our operations following the 2012 Merger, along with the centralisation of key functions, such as procurement, has enabled us to derive significant cost savings. For example, we had realised £12.0 million of synergy savings (calculated on an annualised basis) since the 2012 Merger, which have been reinvested in other areas of the business for future growth. We believe these cost advantages, combined with our scale and breadth of capabilities (including expertise in creating innovative projects and funding solutions) enable us to bid competitively for large, complex projects that are not logistically feasible for smaller competitors. Recent contract successes with large projects such as the Leeds PFI, which we, as part of our Total Secured Business calculation as at 31 March 2014, estimate represents approximately £200 million in total turnover (of which £17.8 million was generated in the financial year ended 31 March 2014), and the Pendleton regeneration scheme, which we, as part of our calculation of Total Secured Business, estimate represents approximately £79 million in total turnover (of which £5.8 million was generated in the financial year ended 31 March 2014), illustrate our scale and provide increased visibility on our medium-term turnover forecasts. See "*Presentation of financial and other information—Operational measures—Total Identified Opportunities.*"

We have built a strong reputation and an established track record across the UK through our core Refurbishment and Planned Maintenance services. Consequently, we believe that we have created a strong level of trust with our clients, and this provides us with a base to expand our higher-margin offerings such as Responsive Maintenance, Sustainability, Extra Care and New Build Housing. For example, we believe Responsive Maintenance is a natural strategic fit with Refurbishment, as clients look to maintain the standard of their newly refurbished housing. Therefore, we believe having successfully refurbished our clients' housing stock in the past will give us a platform to provide such additional maintenance services to our customers. The Leeds PFI Regeneration project, for example, focuses on refurbishment and New Build Housing but also includes a twenty-year Responsive Maintenance contract.

We believe our leading national positions reflect several of our key competitive differentiators. Our long-standing relationships with Local Authorities and Housing Associations are difficult to replicate because they are built upon a proven track record of successful project delivery over a number of years, both with our clients and with the end-user residents we serve. Likewise, our smaller competitors cannot easily replicate our holistic service offering, national scale and ability to develop complex, alternative funding structures for our clients. Further, both our Regeneration and Homes divisions work with local communities and have a positive impact on the areas within which we operate, which we believe is a key differentiator for our business.

***Capital-light and lower-risk Homes business model complemented by strong operational controls.***

Our proven track record of delivering high quality, lower price point homes on brownfield sites as well as our strong relationships with Local Authorities and Housing Associations has enabled us to operate a capital-light, lower risk business model relative to other housebuilders that is difficult to replicate. We believe this partnership model differentiates us from traditional and contracted developers and creates advantages both for our partners and for us. Our partners benefit from our planning and technical expertise, which helps secure planning permission to develop brownfield sites, and our financial experience can provide them with access to innovative funding solutions. We benefit from the ability to access attractive development sites with lower land and development risk than traditional house building model.

Where possible, we seek to purchase land on deferred payment terms, sometimes providing completed housing in lieu of land payments. This reduces the amount of our capital locked up in sites compared to a traditional house building model. Through this capital-light model, we have developed a strong land bank by working with partners to identify potential development opportunities early in, or even before, a planning process and secure sites with limited investment. Our

current land bank represents an approximate nine-year supply of land, based upon the number of completions in the financial year ended 31 March 2014. As at 31 March 2014, we had secured or been appointed preferred developer for 100% of our expected project completions by 31 March 2015 and approximately 89% of expected completions by 31 March 2016. Approximately 47% of our budgeted plot sales for the current financial year were reserved with a deposit at 31 March 2014, which we expect will significantly underpin turnover in our Homes division in the current financial year. See “*Industry—Competition—Homes market*”.

Our Homes division’s business model benefits from other features which result in a lower-risk profile in comparison to traditional house builders. Many of our agreements with Local Authorities are specifically designed so that developments are built in phases, allowing us to assess the performance of a previous phase before we agree land costs and draw down plots from our land bank for the next phase of development. This limits our exposure to any fluctuation of land values within phases, rather than entire developments, and also provides us with an opportunity to assess sales performance before committing to building more homes. The low cost of our land plots in absolute terms, on average £10,077 each, is underlined by the fact that land plots represent 8.9% of our Average Selling Price in the financial year ended 31 March 2014. This, in turn, further minimises our exposure to land price volatility.

Operational controls in our Homes division are part of a rigorous and detailed quality management system (“QMS”) which spans across the entire four phases of development: land acquisition; prestart; development; and completion. Detailed environmental planning and land investigations are conducted at the first stage of Homes’ QMS process, which includes land identification and technical planning through a three stage approval process. The technical planning process is detailed and is aimed at minimising risk when teams get on site in order to be able to forecast accurately and develop profitable schemes. Once on site our cost control processes involve monthly appraisals of scheme build costs to identify cost pressures and potential opportunities to ensure they are working towards delivering a scheme within a cost plan.

***Strong, long-term customer relationships across a diverse client base and reinforced by a track record of successful delivery and community engagement.***

Our partnership-focused business model and track record of providing complete customer solutions has enabled us to develop strong, long-term customer relationships with our core clients. In Regeneration, we estimate that the average length of our relationships with our top ten clients (based upon turnover for the financial year ended 31 March 2014) was approximately 11 years as at 31 March 2014. These top ten clients represented £240.7 million, or 33.4%, of divisional turnover for the financial year ended 31 March 2014. These long-term relationships allow us to stay close to our clients and target our services according to their objectives. As a result of these relationships and track record, we are able to compete for contracts based on the overall quality and value of our services rather than just price alone. This enables us to bid successfully, with win rates within the Regeneration division of approximately 33% by value between 1 January 2013 and 31 March 2014, while maintaining strong margins.

Additionally, our diverse client base helps insulate against exposure to any one client or region. Our top ten clients are spread across a range of Regeneration service offerings. Further, across each of our Regeneration and Homes divisions, we are not dependent on any one single region.

Our core Refurbishment offering requires us to complete services in residents’ homes while they are still in occupancy, which requires planning and engagement with customers and residents. We invest in teams of resident liaison officers who work closely with the residents affected by such work, the vast majority of which remain in residence while the work is undertaken. The wellbeing and satisfaction of their tenants is a key measure of their, and our, success. Part of our strategy, including our Homes division, is to create community investment and employment programmes which boost local employment by using local subcontractors and regionally based project teams. Community engagement is at the heart of our Group’s business, and we believe this is a differentiator that cements our reputation for community commitment and is represented by our proven track record of industry awards and positive client testimonies. Both our Regeneration and Homes divisions work with local communities and have a positive impact on the areas within which we operate, which we believe is a key differentiator for our business.

***Strong pipeline of Total Identified Opportunities supported by bidding excellence, careful monitoring and partnership solutions.***

We believe that our Total Identified Opportunities under our Regeneration division provides high visibility of turnover across our key geographies and services. As of 31 March 2014, our estimated Total Secured Business, Total Underpinnings and Total Identified Opportunities represented £1.3 billion, £2.0 billion and £6.9 billion in potential turnover, respectively. Our Total Secured Business (comprising our Order Book and Operations Pipeline) as at 31 March 2014, for the next financial year only, grew by 8.7% compared to 31 March 2013, from £638 million as of 31 March 2013 to £694 million as of 31 March 2014, providing us a high level of visibility of turnover. See “*—Business operations—Regeneration division—Total Identified Opportunities*”.

Regeneration has a strong pipeline of Total Identified Opportunities that are consolidated and reported through eVision. See *“Our business—Group operations—IT and Controls—Regeneration”*. All opportunities must be approved by Divisional and Regional Directors and the process is overseen by the New Business and Commercial Directors who determine whether to pursue an opportunity. Our controls mean that each opportunity is assessed using an Opportunity Risk Assessment that considers tender type, competition level, sector, client and procurement route.

The conversion of our Total Identified Opportunities to orders is supported by our Partnership Solutions team, which comprises a number of specialist sub-teams, including “Bid Excellence”, “Extra Care”, “Retirement Solutions” and “Funding Solutions”, each with highly specialised skills, experience and knowledge that we believe provide compelling services and/or funding solutions for our clients. We expect that Local Authorities and Housing Associations will continue to experience high demand for housing and will accordingly increase their financial leverage to fund further projects. Partnership Solutions is positioned to capitalise on this trend by providing innovative funding solutions to those Local Authorities and Housing Associations. We believe the combination of a partnership-led approach and bidding excellence has facilitated schemes that could not otherwise be funded, and is evident in large contract wins such as the Leeds PFI scheme where we secured a multi-service, multi-year contract (which we, as part of our Total Secured Business calculation as at 31 March 2014, estimate represents approximately £200 million in total turnover, including £17.8 million of turnover received in the financial year ended 31 March 2014), which was partly financed by a £101.8 million public bond issue, as well as by private and Local Authority funding. See *“Risk Factors—Risks relating to our business—We are impacted by changes within our customer base and our Total Identified Opportunities are not necessarily indicative of our future performance”*.

***Optimised and scalable operational platform established by the 2012 Merger, driving increased efficiencies while enabling growth and market consolidation.***

Following the 2012 Merger we created a strengthened operational platform, increased in scale and depth of expertise. Our senior management team was refreshed and our divisional organisation was realigned to allow better central control across our Group. In addition, the introduction of centralised teams to assist regional management has provided key benefits in terms of improved systems and reporting. Some of these benefits include strengthened finance and treasury, marketing and communications, legal and tax functions and the introduction of our SHEQ team. We believe we have a strong structure to deliver central control with an appropriate level of regional autonomy.

Additionally, we believe we have a scalable infrastructure in place that enables us to pursue both organic and acquisitive growth with limited additional central costs. In a fragmented market, we believe this will enable us to scale up operations according to market conditions and to take advantage of opportunities as they arise.

***Planning and design capabilities to deliver a consistently high quality product in our Homes division.***

A key strength of our Homes business model lies in working with Local Authorities at the master planning stage for the entirety of development. We consult with and advise our development partners from inception through to the completion of a development and across the spectrum of a project’s viability assessment, scheme layout and design, community engagement and infrastructure planning through to our exiting the site. By partnering with Local Authorities from the early stages, we embed ourselves in the development process, which enables us to develop long-term relationships that generate future opportunities as well as facilitating the successful and expeditious navigation of the planning process.

Our Homes division designs and builds high-quality lower price quartile homes for open market sales, targeted to first-time and lower-income buyers, as well as Registered Providers. For our partners, our core product offering includes a range of designs that offer spacious and attractive layouts that provide flexibility to meet local requirements and create sustainable and diversified communities. By building from a core range of replicable house designs we are able to modify and upgrade our homes easily to provide bespoke solutions while maintaining tight control of costs and strong margins.

Working in partnership with Local Authorities means that we consider housing design specification when negotiating for land. For example, if customers require greater space and a higher specification of product, we are able to negotiate and build this into the price of the land, thereby allowing economically viable delivery of the site while satisfying the client’s requirement. Our supply chain management team has central oversight across each region in which we operate, setting benchmarks and achieving rebates due to scale. Our procurement team is involved early in the development process and our specialised technical team oversees delivery to maintain tight control of costs.

We believe our focus on a design-led approach captures the attention of home buyers who may be considering other housing options at a similar price point, including houses for sale, for rent or on the secondary market. This positions us to benefit from favourable UK housing market trends in which demand has consistently exceeded supply, and the existing housing stock is ageing, as approximately 77% of available homes are more than 30 years old. We believe we

are able to offer our customers a high-value product at a low cost by achieving efficiencies through our scale, procurement chain and specialised oversight teams that operate at a local and group level.

***Attractive cash flow generation and growth prospects.***

Our strategy has underpinned our strong performance in recent periods, with our turnover growing by 5.0%, from £886.5 million to £930.6 million, and Adjusted EBITDA growing by 15.0%, from £51.9 million to £59.7 million, between the financial years ended 31 March 2013 and 2014. In addition, our Total Identified Opportunities represented £6.9 billion in potential turnover as of 31 March 2014.

Our cash flow conversion has been high in recent years, and our ongoing capital expenditure needs in the financial years ended 31 March 2013 and 2014 have been respectively, £1.6 million and £2.4 million. Our Regeneration division has a negative working capital requirement because under our contracts clients predominantly pay us before we pay our subcontractors and suppliers. This working capital model generates cash that, in turn, we are able invest to support Homes' investment in land and build WIP. In Homes, our working capital has historically been lower than that of traditional house builders due to our partnership-led model that we use to control our land bank, and our ability under several of our Homes contracts to defer payment until plot completion. These divisions together generate strong operating cash flow for the Group, and our operating cash flow grew by 134.3%, from £23.3 million (44.9% of Adjusted EBITDA) to £54.6 million (91.5% of Adjusted EBITDA), during the financial years ended 31 March 2013 and 2014, respectively.

***Experienced and highly committed management team with substantial market knowledge.***

Our senior management team has extensive experience in Regeneration and Homes, with a track record of successfully navigating cyclicity in the home construction and renovation markets. Our CEO has 30 years of experience within the housing industry, and our CFO has 25 years of finance experience, including 7 years of experience in various roles in the UK real estate industry. Our senior management has successfully integrated Keepmoat and Apollo to create a national platform from which to reinforce current business and grow future operations.

Our regional management teams have an in-depth knowledge of their local markets. Each division is divided by regions and sub-regional divisions are also being developed where appropriate. This regional division enables the respective management teams to focus on local relationships with their clients while reporting to a central management team.

***Our strategies***

We seek to distinguish ourselves from our competitors and to increase our turnover and operating income through the following core business strategies:

***Leverage our differentiated, combined platform with our complementary Regeneration and Homes divisions***

We benefit, financially and operationally, from the complementary business models of our Regeneration and Homes divisions. We believe that a number of our partners would like to pursue integrated schemes that require the services of both Homes and Regeneration and can benefit from the synergies from our combined divisions. We aim to further capitalise on our ability to provide these integrated services by targeting opportunities that require innovative financing solutions in order to source capital to fund community regeneration schemes and provide long term solutions to housing demand. For example, when bidding for Regeneration contracts we may also be able to unlock unused land for our clients. By combining new build developments from our Homes and Regeneration divisions we can build homes for sale in the open market alongside homes to be used as social housing from which they can generate increased rental revenues. We believe this to be a strong and differentiated proposition for our clients.

***Focus on conversion of our Total Identified Opportunities in our Regeneration division.***

Our Regeneration strategy is focused on leveraging our strong relationships and local market expertise to target specific opportunities across the UK. Following the integration of Keepmoat and Apollo, our management team has increased its focus on the strength and conversion of our Total Identified Opportunities. With significant Total Identified Opportunities in the pipeline, we believe a small increase in our bid success can materially increase our turnover and profit. We enjoyed a bid success rate of approximately 33% by value between 1 January 2013 and 31 March 2014 across our Regeneration division, and increasing this rate could significantly increase growth in our contract volumes. Our bid excellence team ("**Bid Excellence Team**") has been formed to support our regional teams in converting Total Identified Opportunities by centralising best practice and creating a central platform of knowledge which can then be harnessed by bidding teams to ensure we fully exploit our strengths across the Group.

***Maximise benefits from our improved, streamlined platform and strengthened operational controls.***

We are one of the largest Regeneration businesses in the UK and the fifth largest house builder by volume of active developments in the lower price quartile bracket by volume as of February 2014. We have a scalable platform in place that we believe will enable us to consolidate the market by making selective and opportunistic acquisitions that accelerate the realisation of our business plan. See “—*Leading positions in Regeneration and Homes with markets, which are supported by strong underlying core drivers*”. We benefit from our recently upgraded operational systems and controls and a new, top-tier management team. See “—*Group operations—IT and Controls—Regeneration—Controls*”, “—*Group operations—SHEQ*” and “—*Management—Senior Management*”. We believe that through these improved controls we have strengthened our contract and risk management processes so that we are better able to monitor performance and thereby minimise risks to the business. We will also continue to streamline and standardise our procedures to increase reporting efficiency and quality.

***Use our national Regeneration platform and long-term relationships to expand our service offering within existing and new regions.***

A key part of our strategy is to use our existing national platform and core Regeneration offerings in traditional refurbishment to expand our other Regeneration offerings in Responsive Maintenance, Extra Care, Education, New Build Housing and Sustainability, where there is demand to support growth. We believe that our strategy is focused on delivering these additional services to areas where we already operate and have existing relationships built on a track record with our clients. We are currently expanding our new build housing services in Southern England and Scotland, where we believe there is a significant opportunity to capitalise on undersupply and fast growing demand for social housing, while leveraging the strength of the legacy refurbishment-led Apollo business in the Southern England region. Our position in Extra Care has been largely delivered from Yorkshire and North East England, and we believe there are multiple opportunities to expand where there is demand such as in North West England, Southern England, London and Scotland, which are all locations where we benefit from existing relationships. In Education, we intend to selectively target areas where there are framework agreements in place that enable us to generate attractive margins, rather than pursuing individual one-off tenders. In this division, we are also planning to leverage our expertise from North West England and Southern England by expanding into North East England and Scotland on a selective basis.

***Secure additional large-scale opportunities through innovative project and funding solutions.***

Our integrated platform and expertise in partnership solutions provides opportunities for us to capitalise on the current environment where Local Authorities require innovative solutions to carry out large scale, multi-offering, multi-year contracts. We believe that our PFI successes in Leeds and Pendleton demonstrate how our scale and ability to develop complex funding structures allow us to source funding for clients that would not have been logistically feasible for our smaller competitors. See “—*Group operations—Innovative funding: PFI and PPP*”. We developed our Major Bids team to capitalise on the demand for these types of contracts by supporting our regional teams to secure these multi-year, multi-service contracts that generate large turnover for the Group. We intend to build on the existing success of this team, and leverage our proven abilities evident from our Leeds and Pendleton contracts, to pursue similar arrangements in different regions, which will enhance our market share and grow our long-term Total Identified Opportunities.

***Deliver current land bank by taking advantage of favourable demand in markets and creating sub-regions to increase our presence in our strongest markets.***

As of 31 March 2014, our Homes division had a significant land bank of 16,235 secured plots which, based upon the number of completions in the financial year ended 31 March 2014, represented an almost nine year supply of land. Across our five regions (including Southern England) in Homes, we plan to deliver on this land bank and capitalise upon increased demand and insufficient supply within the UK housing market.

Our Homes market presence is strongest in Yorkshire and the Midlands, and to capitalise on our strength in these regions, we plan to divide them into sub-regions to allow our local teams to leverage their market knowledge. We believe our regional presence and reputation will enable us to grow our business in these sub-regions. In both Yorkshire and the Midlands, we plan to increase our overhead investment to broaden the scale of our offerings and realise greater growth and turnover.

***Leverage existing Regeneration relationships to support Homes expansion in Southern England and pursue entry into the Scottish market.***

Securing land is critical to our Homes business model and therefore our strategy is to expand our Homes division into territories where we have existing operations in our Regeneration business in order to build on the strength of our relationships with Local Authorities and other land owners. We plan to continue expansion in Southern England and to enter the Scottish market. Unlike traditional house builders, we focus on brownfield development in underserved areas in need of regeneration with lower land prices and therefore we are less exposed to competition for land than on expensive, greenfield sites. In Southern England, we believe we can leverage our strong customer relationships by capitalising on Apollo's existing client base. We believe that the size of the lower price quartile housing market in Southern England represents a significant opportunity, and we intend to target specific sites in Southern England where we believe our scale and experience will afford us a competitive advantage. The success of our strategy, for example, is evident in Cambridge where we acquired eight initial sites through partnership agreements, and completions are expected from September 2014.

We are working towards entering the Scottish market when we have secured appropriate sites for development, and we currently have Land and Partnership and Commercial resources in place in Scotland. As in Southern England, we will continue our high quality Homes business model targeting first-time and lower-income buyers with controlled expansion in areas where we have strong relationships with Local Authorities and that provide significant opportunities for growth. We are currently actively bidding on a small number of sites which we believe provide attractive investment potential.

**Business operations**

We have two key product divisions, Regeneration and Homes, which operate across our core geographies in the UK, as shown in the following organisational chart:

[GRAPHIC]

***Regeneration division***

Our Regeneration division is diversified across six service offerings that focus on four principal regions: Northern England, London, Southern England and Central England, as well as KPS's national offerings. Total turnover for Regeneration was £720.8 million for the financial year ended 31 March 2014.

The following table sets forth the regional presence of each of our service offerings within Regeneration as of the financial year ended 31 March 2014:

Region	Refurbishment and Planned Maintenance	New Build Housing	Extra Care	Responsive Maintenance	Education	Sustainability
Northern England.....	X	X	X	X	X	X
Central England .....	X	X	X	X		X
Southern England.....	X			X	X	X
London.....	X			X	X	X

***Regeneration partnership model***

In Regeneration, our partnership model is the foundation of our strong client relationships that drive repeat business. We believe our strong track record with Local Authorities, Housing Associations and other Registered Providers, as well as our track record of delivering services while residents are still in occupancy, creates a sizeable competitive advantage when bidding for contracts. In 2013, for example, we formed our Partnership Solutions team, to provide compelling additional services to our clients, to harness best practice from across the Group and to centralise knowledge and experience for future client proposals. Our Partnership Solutions team has specialised skills, experience and knowledge, and has helped create joint ventures and special purpose vehicles to combine Local Authorities' significant land assets with public or private finance. This, in turn, facilitates the delivery of new residential units, refurbishment of existing stock and on-going maintenance. Existing key client relationships have been built over a number of years of successful trading. The continuity of personnel within our operating units is vital in ensuring that a consistent level of delivery is achieved with our clients and is key to our ability to develop and secure future opportunities with the same clients. Our senior management team and particularly the Regional Managing Directors are responsible for ensuring that these relationships are maintained and built upon. Whilst each operational unit will have a Business Development Team which is tasked to generate new business, the Regional Managing Directors and other senior operations personnel are key in maintaining relationships over the long term. The current length of service amongst the Regional Managing Directors averages over 20 years.



Our track record and history of successful project completion is especially important when bidding for new work. Bids are evaluated on a range of financial and non-financial scores such as community impact and historical performance. We believe this enables us to bid successfully for contracts on the quality of our offering rather than price alone, therefore protecting our margins. Our focus on customer results and quality has fostered a diverse, long-term client base, as illustrated by the following table for the financial year ended 31 March 2014:

<b>Top 10 Customers<sup>(1)</sup></b>	<b>Estimated approximate length of relationship (years)</b>	<b>Turnover generated from relationship (£ million)</b>	<b>Proportion of regeneration turnover (%)</b>
Customer 1 .....	12	43.1	6.0
Customer 2 .....	15	37.7	5.2
Customer 3 .....	15	33.0	4.6
Customer 4 .....	10	21.5	3.0
Customer 5 .....	22	20.8	2.9
Customer 6 .....	8	19.6	2.7
Customer 7 .....	5	17.2	2.4
Customer 8 .....	6	16.3	2.3
Customer 9 .....	5	16.1	2.2
Customer 10 .....	11	15.4	2.1
<b>Total .....</b>	<b>11<sup>(2)</sup></b>	<b>240.7</b>	<b>33.4</b>

(1) Based upon turnover for the financial year ended 31 March 2014.

(2) Average based on length of relationship.

## *Total Secured Business, Total Underpinnings and Total Identified Opportunities*

As of 31 March 2014, our estimated Total Secured Business, Total Underpinnings and Total Identified Opportunities represented £1.3 billion, £2.0 billion and £6.9 billion in potential turnover, respectively. Please see “*Risk Factors—Risks relating to our business—We are impacted by changes within our customer base and our pipeline is not necessarily indicative of our future performance*”.

The following table sets forth our Total Secured Business, Total Underpinnings and Total Identified Opportunities in our Regeneration business as of 31 March 2014.

(in £ million)	As of 31 March 2014
Order Book <sup>(i)(viii)</sup>	797.1
Operations Pipeline <sup>(ii)(viii)</sup>	483.8
<b>Total Secured Business<sup>(iii)(viii)</sup></b>	<b>1,280.9</b>
Factored Identified Opportunities <sup>(iv)(viii)</sup>	698.6
<b>Total Underpinnings<sup>(v)(viii)</sup></b>	<b>1,979.6</b>
Unfactored Identified Opportunities <sup>(vi)(viii)</sup>	4,898.7
<b>Total Identified Opportunities<sup>(vii)(viii)</sup></b>	<b>6,878.2</b>

- (i) Order Book consists of confirmed expenditure within the Group by virtue of a client order or via a client letter of intent or letter of award, including instances where work has commenced, is nearing completion or has had a final account agreed and billed. To value our Order Book, we count the full value of each contract associated with the relevant work. See “*Presentation of financial and other information—Operational measures—Total Secured Business, Total Underpinnings and Total Identified Opportunities*”.
- (ii) Operations Pipeline consists of contracts that have been verbally awarded or which are awaiting an official order, including long-term partnership schemes with committed spend that have not yet been formally awarded, but which have been identified and which we expect will result in work being awarded to us. To value our Operations Pipeline, we count the full value of each contract associated with the relevant opportunity multiplied (or “factored”) by the estimated probability of success (measured in increments of 10%) we have assigned to such potential opportunity (based on the likelihood of work we believe will actually materialise from such opportunity and generate turnover). See “*Presentation of financial and other information—Operational measures—Total Secured Business, Total Underpinnings and Total Identified Opportunities*”.
- (iii) Total Secured Business represents the sum of our Order Book and Operations Pipeline. See “*Presentation of financial and other information—Operational measures—Total Secured Business, Total Underpinnings and Total Identified Opportunities*”.
- (iv) Factored Identified Opportunities consist of identified potential turnover opportunities that are leads, PQQs or tenders that we have assessed as having a 50% or higher probability of success. To value our Factored Identified Opportunities, we count (i) for any potential opportunity with a success probability in our estimate of 50% or more but less than 60%, 50% of the value of such potential opportunity and (ii) for any potential opportunity with a success probability in our estimate of 60% or more, the full value of such potential opportunity. See “*Presentation of financial and other information—Operational measures—Total Secured Business, Total Underpinnings and Total Identified Opportunities*”.
- (v) Total Underpinnings represents the sum of our Total Secured Business and Factored Identified Opportunities. See “*Presentation of financial and other information—Operational measures—Total Secured Business, Total Underpinnings and Total Identified Opportunities*”.
- (vi) Unfactored Identified Opportunities consist of identified potential turnover opportunities that are leads, PQQs or tenders that we have assessed as having a less than 50% probability of success. To value our Unfactored Identified Opportunities, we count the full value of the contracts associated with these opportunities. See “*Presentation of financial and other information—Operational measures—Total Secured Business, Total Underpinnings and Total Identified Opportunities*”.
- (vii) Total Identified Opportunities represent the sum of our Total Underpinnings and Unfactored Identified Opportunities. See “*Presentation of financial and other information—Operational measures—Total Secured Business, Total Underpinnings and Total Identified Opportunities*”.

- (viii) When valuing Total Secured Business, Total Underpinnings and Total Identified Opportunities, including assessing the likelihood of work actually materialising from each potential opportunity within our Total Identified Opportunities, we make a number of judgments, estimates and assumptions. Such judgments, estimates, assumptions and other factors are inherently uncertain and subject to significant business, economic, competitive, regulatory, weather-related and other uncertainties and contingencies, all of which are difficult to predict and many of which are beyond our control. There can be no assurance that the estimates and assumptions we make with respect to our probability of success or otherwise will prove to be correct or that we will fully realise the potential value of the contracts and opportunities within our Total Identified Opportunities. See “*Presentation of financial and other information—Operational measures—Total Secured Business, Total Underpinnings and Total Identified Opportunities*”.

#### *Regeneration service offerings*

Our Regeneration division is diversified across six service offerings: Refurbishment and Planned Maintenance, Responsive Maintenance, New Build Housing, Extra Care, Education and Sustainability.

##### *Refurbishment and Planned Maintenance*

Refurbishment and Planned Maintenance has been our core service offering. This service offering refurbishes and maintains occupied buildings, social housing and private housing, libraries, community centres and health and emergency services facilities. The typical work involved includes installation of kitchens, bathrooms, central heating, window replacement and installation of double glazing, external and cavity wall insulation, re-wiring, re-plumbing and general refurbishment.

Our primary clients are Registered Providers, including Local Authorities and Housing Associations, and our services are provided to communities with works often carried out in residents’ homes, while they are still occupied. This requires careful planning and engagement with residents as well as our clients and our investment in these processes is a key differentiator of our service offering.

Many of our contracts are for multi-year periods involving multiple sites. Our ability to secure these large-scale, complex contracts stems from our strong track record of successful delivery for our clients, national reputation and long-term customer base of Local Authorities, Housing Associations and other Registered Providers. Despite cuts in public spending generally, Local Authority spending on regeneration services is broadly consistent with historical levels as there is a shortage of housing stock and properties must be repaired, refurbished and replenished. Through the HRA reform in 2012, Local Authorities now have increased autonomy over their spending which is leading to greater focus on how they invest in housing stock. See “*Regulation—Regeneration UK funding schemes—Refurbishment and maintenance—Housing Revenue Account*”.

Our ability to secure contracts on attractive terms benefits from our strong customer relationships and track record of delivery with both Registered Providers and their tenants, which is a key measure of our success. For Registered Providers, our delivery teams drive efficiency by working directly with the supply chain. For tenants, our ethos of customer service has established our strong reputation for proactive tenant communication and appropriately phased work that accommodates residents’ concerns.

##### *Responsive Maintenance*

Responsive Maintenance provides 24-hour call out services for residents provided by mostly KPS, including emergency plumbing, joinery, electrical services, heating, painting and decorating, roofing, external work and other emergency repairs for homes and buildings. Our key customers are typically Local Authorities, Housing Associations and other Registered Providers on behalf of their residents. Responsive Maintenance requires scale and additional technology-driven infrastructure, such as PDAs and call centres, which we believe gives us a competitive advantage over smaller players.

Our clients often require Responsive Maintenance services alongside Refurbishment and Planned Maintenance in order to maintain their housing stock once it has been refurbished. As a large-scale provider of Refurbishment and Planned Maintenance services, integrating Responsive Maintenance services into our service offering is a natural strategic fit from which we believe we can increase turnover from our existing client base.

##### *New Build Housing*

We provide New Build Housing that is typically two or three bedroom homes and constructed under contract to Registered Providers looking to increase their stock levels to cope with high demand for social housing. As we do not sell

these houses on the open market, our development risks are limited because prices are agreed in advance and turnover is tied to contract delivery as per our other Regeneration work streams. Our New Build Housing is able to leverage expertise and the subcontractor base from our Homes division because it utilises its core home designs and construction processes, producing cost efficiency and predictability.

Our New Build Housing contracts with Local Authorities and Housing Associations can be part of larger, full-service schemes to restore housing for social tenants and upgrade housing stock within local communities. Such schemes may also include building homes that we can sell in the open market through our Homes division or on behalf of our clients as well as to rent to their social housing tenants. Consequently, securing contracts for New Build Housing may be undertaken as part of a larger negotiation for an integrated scheme and we believe our full-service offering is a key differentiator for our business.

Our New Build Housing division represents an integral part of our ability to compete for full service schemes that leverages the synergies between our Regeneration and Homes divisions.

#### *Extra Care*

We provide elderly care facilities with specialised layouts, on-site healthcare, food service and retail facilities. Extra Care is one of Regeneration's fastest growing segments, largely due to the needs of an ageing population and the benefits achieved for our clients. We believe that we are a major builder of elderly care facilities in Yorkshire and Northern England and to date have delivered a significant number of units. This division provides construction or refurbishment of elderly or disabled residential housing, including remodelling of existing accommodations.

Creating elderly care communities generates cost efficiencies gained through the provision of supported living in a single location rather than individual housing and, in turn, reduces social housing waiting lists by freeing up social housing that has been occupied by the elderly.

Our contracts for Extra Care services typically involve direct negotiation or a two-stage bidding ("**Two-Stage Bid**") process, with contracts either individually tendered or offered as part of a broader housing framework. We believe we have a competitive edge in the bidding process due to our disciplined internal controls and specialist knowledge that allows us to deliver high quality services at profitable margins. We typically bid for these Extra Care contracts in partnership with on-going care providers, sometimes as part of larger proposals, including the provision of new homes for sale to cross-subsidise the Extra Care works and ensure financial viability to the scheme as a whole.

#### *Education*

Our Education services builds new schools and refurbishes existing schools in areas where we can secure contracts through framework agreements at attractive margins. Refurbishment of schools leverages our core building and refurbishment skills and therefore can be undertaken from our refurbishment subcontractor base. We have a strong track record and reputation in Education, which benefits from expertise drawn from synergies across our Regeneration division, especially with New Build Housing.

#### *Sustainability*

Our Sustainability segment provides energy efficient measures for both private and social housing. We undertake our Sustainability offering alongside our core activities in order to support the sustainability requirements of our clients. We believe that we are a major sustainability service provider.

Our expertise in large-scale community retrofit projects includes the following:

- installing solar photovoltaic panels with FIT funding support;
- external and cavity wall insulation, loft insulation and boiler replacements with ECO and Green Deal funding support; and
- installing heat pumps, biomass boilers and district heating.

When bidding for sustainability contracts, we are an attractive partner for large energy companies because of our ability to capitalise upon relationships with Local Authorities and existing framework agreements. For example, we currently have relationships with EDF and SSE, for whom we:

- secured more than £40 million in funding from EDF in connection with the Community Energy Saving Programme (“CESP”) and ECO targets, including up to £10 million in funding from EDF to be an ECO green deal provider for Greater Manchester City Council; and
- secured up to £5.1 million from SSE to deliver ECO works throughout the UK

We have secured significant levels of funding to help clients tackle fuel poverty and have installed energy saving solutions in approximately 250,000 homes.

Sustainability is a priority for our clients and the central government and our ability to deliver energy efficient homes with lower carbon emissions enables us to capitalise upon this increasing demand and enter into large-scale frameworks.

### *Homes division*

We are a leading provider of high quality, best value homes for open market sale. We primarily focus on building standard design homes with two or three bedrooms (four bedroom homes are also available). Our Homes division serves four main geographies in the UK: Yorkshire, Midlands, North East England and North West England. We have recently created a fifth division in Southern England and are currently putting the infrastructure in place for a sixth in Scotland that will leverage the skills and experience of our North East England team. The following table sets forth our turnover for the years indicated:

(£ million, except percentages)	Financial year ended 31 March					
	2012		2013		2014	
<b>Homes turnover by geography</b>						
Yorkshire .....	50.4	31.8%	36.3	23.1%	60.5	28.8%
Midlands .....	41.4	26.1%	47.6	30.2%	63.5	30.3%
North East England .....	38.6	24.3%	42.3	26.9%	46.4	22.1%
North West England .....	28.3	17.8%	31.1	19.8%	39.4	18.8%
<b>Total .....</b>	<b>158.7</b>	<b>100.0%</b>	<b>157.3</b>	<b>100.0%</b>	<b>209.8</b>	<b>100.0%</b>

The following map illustrates the national footprint of the Homes regional offices across the UK as of 31 March 2014:

[GRAPHIC]

We completed the sale of 1,853 new build homes in the financial year ended 31 March 2014 for an Average Selling Price of £113,000.

The following table sets forth our Completions since the financial year ended 31 March 2008:

	Financial year ended 31 March						
	2008	2009	2010	2011	2012	2013	2014
<b>Total .....</b>	<b>1,129</b>	<b>751</b>	<b>654</b>	<b>1,220</b>	<b>1,567</b>	<b>1,506</b>	<b>1,853</b>

Of our Completions in the financial year ended 31 March 2014, 75.9%, or 1,406 Completions, were Open Market Sales to private individuals and 24.1%, or 447 Completions, were to Housing Associations and Registered Providers. The following table sets forth our Open Market Sales (OMS) of Homes and sales to Registered Providers (RP):

Completions by geography	Financial year ended 31 March					
	2012		2013		2014	
	OMS	RP sales	OMS	RP sales	OMS	RP sales
Yorkshire .....	349	163	272	102	452	91
Midlands .....	241	158	281	169	421	128
North East England .....	336	59	309	81	285	121
North West England .....	172	89	188	104	248	107
<b>Total .....</b>	<b>1,098</b>	<b>469</b>	<b>1,050</b>	<b>456</b>	<b>1,406</b>	<b>447</b>

### *Capital-light business model: partner relationships*

Partnership with Local Authorities and Registered Providers is central to our capital-light Homes business model. Unlike traditional business models for house building, we work primarily through partnerships with Local Authorities, which offers us favourable land bank opportunities, less investment in working capital and subsequently an attractive ROCE.

This model differentiates us from our competitors in several ways. With land purchases, typical house builders pay to acquire land at the time of purchase, whereas we often use deferred payment terms and sometime are able to release completed homes as payment. This reduces our capital outlay and limits our exposure to market and planning risk prior to undertaking the work. Additionally, we collaborate with our customers and planning authorities to build relationships with residents, Local Authorities and Registered Providers.

Our exposure to land price risk is mitigated in two ways. First, our framework agreements often include set land costs derived from an agreed margin requirement per plot. Second, our agreements with Local Authorities often permit deferred payment terms when paying for land. Our agreements with Local Authorities also occasionally contain both ‘underage’ and ‘overage’ provisions applying during the phase when land development commences that prioritises stability. These provisions can shield us from reductions in our agreed margins such that, although we do not capture the entirety of additional potential upside (as we are required to share such upside with our Local Authority partners under the overage provisions), we reduce our land risk and exposure to unexpected land cost depreciation, the impact of challenging customer specifications and cost inflation related to construction and materials due to the loss-sharing imposed under the underage provisions. For sales, we limit building WIP through phased-building programs that match the building rate to sales rates achieved at the site. Sales incentives are also often included as assumed costs within framework agreements. Additionally, in light of the HTB scheme, we no longer need to provide a shared equity offering and have therefore ceased to do so.

We believe our partnership model benefits the surrounding community because it delivers appropriate solutions such new homes for our partners, adds socioeconomic value to the area through improved streetscape, job opportunities, training and skills, and offers us attractive opportunities that are effectively ring fenced from outside competitors.

#### *Capital-Light business model: process*

The process of our capital-light partnership model typically progresses through a series of six stages:

**Partner Selection:** We typically work with Local Authorities. In the financial year ended 31 March 2014, approximately 96% of our land bank was secured through partnership agreements with Local Authorities and Housing Associations. We leverage our strong relationships and reputation to source sites early in their development lifecycle. Additionally, our understanding of the public procurement process offers us a significant competitive advantage.

**Development Framework:** We agree security and a framework with each of our partners. Typically, the framework establishes the principal terms to be used as land is drawn down on a phased basis and outlines funding sources, timeframe development, permissible types of development, land sale prices, payment timing and profit sharing.

**Refine Objectives:** We agree objectives with our partners, and with Local Authorities this usually includes neighbourhood transformation through mixed-tenure housing construction. We are able to offer our partners a wide range of housing designs to suit the different needs of our customers and can include such specialisms as sustainability-led projects.

**Drawdown:** Many of our framework agreements with Local Authorities allow multiple phased drawdowns of the overall site. Because land prices are finalised at the time of any given drawdown, we have strong visibility of the end market and associated cost implications and reduce the market risk associated with pre-bought land.

**Building:** Our efficiencies of scale and procurement capabilities allow us to deliver homes reliably and with minimal cost overruns.

**Sales:** Our phased building practice uses a “sell as you build” approach which delays our land payments, often until the individual housing plot is completed. We also have a centralised marketing team supported by regional sales teams that collaborate with Local Authorities and the community from the inception of a project, from viability assessment, planning applications, infrastructure planning through to development of the sites. Part of the planning process is engaging with communities and the local area to foster support for the project’s housing planning and construction. We employ community teams who directly engage with local residents and are physically present in the relevant community to understand concerns and ensure the development is designed approximately for Local Authorities and residents.

#### *Partner relationships and land bank*

We benefit from strong, long-standing relationships with Local Authorities and Registered Providers, built upon years of reliable and successful project completions. These relationships are central to our business model and competitive advantage. As of 31 March 2014, the details of our relationships with our top ten land partners ranged from eight to 20 years, were as set forth in the following table:

Top 10 land partners	Region	Estimated approximate relationship length (years)	Number of plots (plots)	Land bank (% of total)
Partner 1.....	Yorkshire	20	2,295	14.1
Partner 2.....	Yorkshire	15	1,248	7.7
Partner 3.....	Yorkshire and Midlands	20	1,160	7.1
Partner 4.....	North West England	20	958	5.9
Partner 5.....	North East England	8	897	5.5
Partner 6.....	North West England	8	830	5.1
Partner 7.....	Yorkshire	20	771	4.7
Partner 8.....	Yorkshire	8	766	4.7
Partner 9.....	North East England	10	512	3.2
Partner 10.....	Midlands	10	450	2.8
<b>Total</b> .....	—	<b>14<sup>(1)</sup></b>	<b>9,887</b>	<b>60.8</b>

(1) Average based on length of relationship.

We leverage these long-term relationships to access target sites and proactively identify opportunities ahead of our competitors. The quality of our land bank also benefits from our relationship with local markets, enabling us to work successfully with local planning authorities. For this reason, 65% of our land bank had detailed or outlined planning permission as of 31 March 2014, as set forth in the following table:

Planning Status	(plots)	Land bank (% of total)
Detailed Planning.....	6,101	38.0
Outlined Planning.....	4,425	27.0
No Planning.....	5,709	35.0
<b>Land bank Total</b> .....	<b>16,235</b>	<b>100.0</b>

The following table sets forth our sales completions by geography for the financial years ended 31 March 2012, 2013 and 2014:

(by plot, except percentages) <sup>(1)</sup>	Financial year ended 31 March					
	2012		2013		2014	
<b>Completions by geography</b>						
Yorkshire.....	512	32.7%	374	24.8%	543	29.3%
Midlands.....	399	25.5%	446	29.6%	549	29.6%
North East England.....	395	21.4%	394	26.2%	406	21.9%
North West England.....	261	25.2%	292	19.4%	355	19.2%
<b>Total</b> .....	<b>1,567</b>	<b>100.0%</b>	<b>1,506</b>	<b>100.0%</b>	<b>1,853</b>	<b>100.0%</b>
<b>Land bank by geography</b>						
Yorkshire.....	7,469	44.6%	7,413	43.7%	7,549	46.5%
Midlands.....	2,251	13.4%	2,378	14.8%	1,672	10.3%
North East England.....	2,739	16.3%	2,954	16.2%	3,227	19.9%
North West England.....	4,294	25.6%	4,279	25.2%	3,531	21.7%
Southern England.....	—	—	—	—	256	1.6%
<b>Total</b> .....	<b>16,753</b>	<b>100.0%</b>	<b>17,024</b>	<b>100.0%</b>	<b>16,235</b>	<b>100.0%</b>

(1) Percentages are given for each geography relative to total Homes' completions and total land bank, respectively, for the financial years ended 31 March 2012, 2013 and 2014.

To capitalise upon the significant demand for housing, our Homes division has continued to grow in Southern England and has also begun to expand into Scotland, leveraging upon Regeneration's established relations with Local Authorities.

#### Customer relationships

Our key customer base consists of lower income customers who are first-time buyers, with an Average Selling Price of £113,000. Our typical buyers are between the ages of 25 and 30, purchase a three-bedroom house and move less than two miles from their prior house, as set forth in the following table:

#### Customer Base

(% of Homes sales) <sup>(1)</sup>	Financial year ended 31 March 2014
<b>Buyer status</b>	
First time buyer.....	73.0
Second time buyer .....	19.0
Investor .....	8.0
	100%
<b>Age</b>	
Up to 25 .....	12
25 - 30 .....	38
31 - 35 .....	18
36 - 40 .....	9
41 - 45 .....	7
45 - 50 .....	6
51 - 65 .....	9
65+ .....	1
	100%

(1) Each percentage is given relative to total Homes sales for the financial year ended 31 March 2014 and reflect our estimate based on surveys completed by a sample of our customers.

Our main competitors are similarly priced housing providers. However, there are few who can match the range of services we provide, with our ability to act as contractor or developer. We have 26 OMS designs that offer a variety of specifications and housing regulations. We also offer bespoke, flexible designs to accommodate technical elements of the HCA and other government bids, including sustainability and energy efficiency. Many of our designs meet Lifetime Homes and the HCA's Design & Quality standards, as well as the Code for Sustainable Homes by reducing energy bills.

Working in partnership with Local Authorities means that housing design specification is taken into consideration when negotiating on the price of the land for which we will enter into a deferred payment agreement. If customers require a higher specification of product, we are able to negotiate and build this into the price of the land and thereby manage any development risk that may be associated with higher specification properties under a traditional speculative house building model.

## Group operations

### *Risk management*

We are exposed to risks particular to all our business activities and the environment in which we operate. Therefore, risk management is fundamental to our business and plays a central role in all of our activities, from identification and assessment of contract or development opportunities to bidding and delivery of contracts or developments. Following the 2012 Merger, the business undertook an extensive review of its risk management processes which has led to a significant improvement of our operational controls.

Our Board of Directors is primarily responsible for approving the risk parameters, credit policies and our overall risk capacity. The Board of Directors, through its Risk and Operations Director, oversees our risk management activities and periodically reviews our risk management policies and procedures relating to credit, market and operational risks.

### *Safety, Health, Environmental and Quality Control*

As of 30 June 2014, our SHEQ team consists of 16 core members, supported by regional managers and their advisors for each of the Regeneration and Homes divisions. We have a 'Six C' SHEQ strategy, which we implemented beginning in October 2012:

- **Control** to have a unified safety management system in place for all new projects and to maintain the existing systems on on-going projects during the transitional integration period;
- **Competency** to ensure that everyone responsible for the delivery of projects meets the minimum training requirements and everyone working with our projects holds the relevant level of competency;
- **Communication** to have an effective communication strategy that ensures messages reach the correct audience in an appropriate manner with controlled and consistent content;



- **Culture** to influence behaviours so that everyone considers the consequences of their actions and the risks that may be present;
- **Coaching** to coach delivery teams on site to identify and understand potential risk, to manage these risks and to ask for assistance; and
- **Compliance** to ensure auditing is understood as a meaningful measure of compliance to aid improvement and identify poor performance and uncontrolled risk.

The primary SHEQ system is the ‘SHEQ Roadmap’, an intranet database in which managers must log all incidents that are potentially not in compliance with statutory requirements or our standards. The system advises managers on appropriate courses of action in the event of a violation. The SHEQ system receives approximately 160,000 views each quarter from our employees. We also maintain the industry’s only internally developed monitoring system, which aggregates all incident reports and enables the SHEQ team to produce reports and dashboards to identify areas of poor practice or significant risk.

Historically, we have a strong safety record, with an average annual injury incident rate of 663 for the financial year ended 31 March 2014, as compared to the national health, safety and environment annual rate of 589 in 2011. In February 2014, ACT Associates released a third-party report that concluded we had progressed “significantly” in implementing SHEQ and commended the leadership of our management team, specifically naming David Sheridan, Nick Ash and Peter Hindley. We, and Apollo as our legacy business, have won a number of awards in recent years, including recognition from the Royal Society for the Prevention of Accidents, the British Safety Council and NHBC.

### ***IT and controls—Regeneration***

#### *Management of our Total Identified Opportunities*

Our management systems relating to our Total Identified Opportunities provides budget visibility and reliable business forecasts. All Local Authorities, Housing Associations and other Registered Providers are tracked through our centralised system and each is assigned a specific relationship manager. This system is updated monthly to capture potential opportunities and enables business development managers to take a broad view of our Total Identified Opportunities in order to prioritise projects. Individual projects are then weighted based upon their relative risk and probability of success to enable business planning at a region, divisional and group level. For a discussion regarding our Total Identified Opportunities, see “*Presentation of financial and other information—Operational measures—Total Identified Opportunities*”.

### *Centralised bidding*

All potential bids go through eVision, our fully integrated, single IT platform for recording and reporting our contract opportunities and financial results, to centralise the bidding process and manage our Total Identified Opportunities. All business units can submit an opportunity, which must then be approved by Divisional and Regional Directors. This process is overseen by the New Business and Commercial Directors who determine whether to pursue an opportunity. Each opportunity is assessed using an Opportunity Risk Assessment that considers tender type, competition level, sector, client and procurement route. When the opportunity is approved, it is uploaded to eVision. Billing is also prepared each month by eVision to enhance our forecast accuracy. As part of upgrading our central control functions, we created a centralised Bid Excellence Research and Information Library and the Bid Excellence Team to centralise knowledge and best practice and coordinate bid submissions across regions and divisions.

### *Controls*

Regeneration operates a management system for our Total Identified Opportunities facilitated by eVision and the Prospect Gateway, and tracks our Total Identified Opportunities. It provides consistent data and increases control across our divisions while avoiding duplication of opportunities. eVision tracks all prospective and existing contracts through a standardised process with supporting user guides that promote uniformity. eVision allows us to monitor and report revenues, costs and contract performance on a contract by contract basis, integrating the lifetime contract forecast and generating regional profit and loss statements, balance sheets, cashflow reporting and KPI's to manage and monitor the business. eVision is now used across the whole Regeneration division and therefore once projects are live on site, we are able to use it to monitor and control contracts from which management can address potential issues. This has enabled improved reporting of management information at all levels.

### ***IT and controls—Homes***

We are in the process of implementing COINS ('construction industry solutions') and are expanding the system across our Homes systems functions. COINS is an integrated information system that covers the entire lifecycle of a development site. The system features an integrated cost management and reporting system, which reduces the time spent producing monthly reports, improves consistency and communication and enables proactive management of development and construction issues. It also improves sales efficiency by centrally managing all leads.

COINS produces a number of reports and outputs, which are used regularly by divisional and regional management, including a weekly performance report reviewed by our Regional Managing Directors, a monthly 'Cost to Complete' report reviewed by regional management to reassess projects and a report on campaigns used by the marketing team to measure sales process efficiency.

### *The Homes planning process and quality management*

Urban planning regulations govern our Homes division activities. These regulations aim, among other things, to reconcile the need to maintain high- quality construction standards, protect our natural and cultural heritage and promote our economic and demographic development. We are also subject to a variety of laws and regulations relating to land use, the protection of the environment and health and safety matters and could incur significant additional costs, including fines, penalties and other sanctions, clean-up costs and third-party claims, as a result of violations of or liabilities under such laws and regulations.

As part of our Group's wider control framework, the Homes division employs a rigorous and detailed quality management system ("QMS") which spans across the four phases of land acquisition; prestart; development; and completion. The QMS system is designed to ensure that our Homes development process not only accurately costs and manages developments to a profitable conclusion but that our we leave a lasting positive impact on the local communities within which we operate.

A community-focused approach is key to our business and is crucial to both the Homes and Regeneration divisions and we believe it is a differentiator from our competitors. In Homes, we aim to make a longstanding impact on our communities and we therefore create a community engagement and investment strategy for each of the regions in which we operate. By formalising our approach across the wide scope of our QMS, we are able to put in place project specific strategies to match the needs of the local community. A typical example would be setting up local apprentice schemes and using local labour in areas of low employment or supporting young people in under-privileged areas.

Our detailed environmental planning and land investigations are conducted at the first stage of Homes' QMS process, which includes land identification and technical planning through a staged bidding and approval process. Once the land and partnerships team has passed the identified opportunity to the technical planning team, they will conduct an appraisal

appropriate for the opportunity. If it is a competitive tender with greater risk, our investment in the technical planning process will be tailored to ensure costs are matched with opportunity and potential reward. The technical planning team can conduct full assessment of the opportunity or limit the investigation to certain areas of concern. Examples of the work conducted at this stage are as follows:

- a full service trace which includes gas, water and electrical investigations;
- topographical surveys;
- ground investigations such as into sewers, foundations and the level of required remediation in order to validate the opportunity;
- sketched layouts of the scheme;
- engineering appraisal such as current drains and site requirements;
- materials surveys;
- technical fees schedule; and
- Local Authority discussions in understand intentions and planning requirements early in the process

The technical planning process is detailed and is aimed at minimising risk when teams are on site in order to be able to forecast accurately and develop profitable schemes. Following technical planning the scheme will be packaged and price for submission followed by three internal approval processes. Timescales from identification to beginning development can vary widely from 12 months to over two years and then developments can run for a number of years depending on size and complexity of the project.

### ***Innovative funding: PFI and PPP***

The PFI scheme was introduced in the UK during the early 1990s to enable Local Authorities to contract with firms in the private sector. Long-term concession agreements apportion risk to the private sector in exchange for performance related fees over the lifetime of the scheme, typically between 25 and 30 years. Usually a consortium of parties form a special purpose vehicle to submit a bid to the Local Authority, leveraging their combined resources to deliver financially viable schemes.

Public-private partnership (“PPP”) opportunities, like PFI schemes, involve Local Authorities and private financiers. Unlike PFI schemes, the procurement process is less structured and less onerous, which allows us to leverage our broad services offering and relationships with financiers to offer bespoke solutions to Local Authorities.

The following table sets forth our pipeline of major bids for our Regeneration division as of 31 March 2014:

Scheme	Type	Work type	Status	Estimated contract size <sup>(1)</sup> (£ million)
Leeds PFI .....	PFI	New Build/Refurb/RM	Secured	200
Milton Keynes .....	PPP	New Build/Refurb	Lead	200
Birmingham Council .....	Trad	Refurb/RM	Lead	163
Livin Housing Association .....	Trad	Refurb/RM	Tender/PQQ	133
Pendleton .....	PFI	Refurb	Secured	79
North Yorkshire .....	PPP	New Build Extra Care	Lead	70
Derbyshire .....	PPP	New Build Extra Care	Secured/Tender	62
Hull .....	PFI	New Build Extra Care	Tender	44
Staffordshire .....	PPP	New Build Extra Care	Lead/Tender	43

(1) Estimates reflect the valuations included in our Total Identified Opportunities as of 31 March 2014. See “Presentation of financial and other information—Operational measures—Total Identified Opportunities.”

Our innovative approach facilitates schemes that would otherwise remain unfunded and creates a new funding stream of long-term, multi-phase projects with strong turnover visibility. Our broad services offering and expertise with innovative funding schemes differentiates us from other competitors, as illustrated by the following large-scale, complex contracts we were awarded in 2013:

- **Leeds PFI**, a regeneration contract with Leeds City Council, which we, as part of our calculation of Total Secured Business as at 31 March 2014, estimate represents approximately £200 million in total turnover (of which £17.8 million was generated in the financial year ended 31 March 2014), for the refurbishment of 1,296 properties, construction of 388 new homes and environmental improvements to three areas of Leeds, as well as on-going maintenance with KPS; and
- **Pendleton**, a three-year, regeneration contract to transform a 200 hectare area by refurbishing 1,270 homes, improving open spaces and upgrading infrastructure and community facilities, which we, as part of our calculation of Total Secured Business as at 31 March 2014, estimate represents approximately £79 million in total turnover (of which £5.8 million was generated in the financial year ended 31 March 2014).

### ***Partnership solutions***

Following the 2012 Merger we developed our Partnership Solutions team to provide compelling additional services to our clients, to harness best practice from across the Group, to centralise this information so that we can share it in future bids and deliver compelling client proposals. Our Partnership Solutions team has helped create joint ventures and special purpose vehicles within land deal structures to combine Local Authorities' significant land assets with public and private finance. This, in turn, facilitates the delivery of new residential units, refurbishment of existing stock and on-going maintenance. We expect Local Authorities and Housing Associations to continue to increase their financial leverage to fund further projects, and our Partnership Solutions team is positioned to capitalise on this by providing innovative funding solutions for capital constrained Registered Providers with the expertise to structure and facilitate deals with the public sector. We believe Partnership Solutions supports our regional teams in creating solutions for our clients that lead towards a process of negotiation and cohesive planning rather than competitive tendering for projects. We believe the Partnership Solutions team is a key differentiator for our business and provides real competitive advantage evident in our recent contract wins.

### ***Procurement***

We have a substantial supply chain directly involved in the delivery of our products and services. The following table presents our material supply chain as of 31 March 2014:

<b>Product</b>	<b>Total spend (£ million)</b>
Trade Subcontractors (labour, plant and materials) .....	584.4
Material Suppliers and Product Manufacturers .....	78.2
Plant and Equipment Suppliers .....	7.7
Waste Disposal Suppliers .....	4.6

Trade subcontractors are appointed by regional commercial teams. Because of the fragmented nature of the market in which subcontracting firms operate, we typically work with local small and medium sized enterprises instead of national corporate companies, and this approach increases the benefit of our presence in local communities. We maintain a database of approved trade subcontractors that is regularly monitored. A dedicated Approved List Coordinator responsible to the Group SHEQ Director is employed to manage the approval status of all subcontractors and to evidence the adequate insurances, certification and training in place prior to placing any order. See “—Group operations—SHEQ”. The central procurement department executes material and plant purchases for all our operations through a team lead by the Supply Chain Director. Integrating our material procurement processes has achieved savings of by £5.0 million synergy savings between the time of the 2012 Merger in March 2012 and 31 March 2014.

The following models present our supply chains for our Regeneration and Homes divisions:

[GRAPHIC]

[GRAPHIC]

### ***Subcontractors and suppliers***

We widely employ subcontractors and spent £584.4 million, or 62.8% of our turnover for the financial year ended 31 March 2014, on their services in the financial year ended 31 March 2014. The concentration of our subcontractors is relatively low, with the top 50 of our subcontractors accounting for less than 30.0% of our total spend. This diversification reduces our exposure to individual subcontractor risk and provides more downside protection than a direct labour force. Our material and plant supplier base is, however, naturally more concentrated because of the national supply chain we use in order to benefit from economies of scale.

The following table presents our top ten subcontractors based upon spend for the financial year ended 31 March 2014:

Top subcontractor	Expenditure (£ million)	Share of total expenditure (%)
Subcontractor 1 .....	8.0	1.4
Subcontractor 2 .....	7.5	1.3
Subcontractor 3 .....	7.3	1.3
Subcontractor 4 .....	7.1	1.2
Subcontractor 5 .....	6.8	1.2
Subcontractor 6 .....	6.4	1.1
Subcontractor 7 .....	6.3	1.1
Subcontractor 8 .....	5.2	0.9
Subcontractor 9 .....	4.3	0.7
Subcontractor 10 .....	3.9	0.7
<b>Total top 10 subcontractors .....</b>	<b>62.9</b>	<b>10.8</b>

The following table presents our top ten suppliers based upon spend for the financial year ended 31 March 2014:

Top suppliers	Expenditure (£ million)	Share of total expenditure (%)
Supplier 1 .....	12.0	15.3
Supplier 2 .....	9.9	12.7
Supplier 3 .....	4.6	5.9
Supplier 4 .....	4.4	5.7
Supplier 5 .....	2.1	2.7
Supplier 6 .....	1.9	2.4
Supplier 7 .....	1.8	2.3
Supplier 8 .....	1.6	2.1
Supplier 9 .....	1.5	1.9
Supplier 10 .....	1.4	1.8
<b>Total top 10 suppliers .....</b>	<b>41.3</b>	<b>52.8</b>

We employ a wide base of local subcontractors as part of our commitment to local communities. To be employed by us, subcontractors must be registered on our approved list database. To qualify, organisations must demonstrate their relevant insurance, operational capacity, show commitment to safety, health and welfare and be accredited with a recognised Safety Scheme. Additionally, subcontractors operate under our Keepmoat brand and are subject to our SHEQ standards and strategy. Our internal SHEQ monitoring system identifies subcontractors who do not meet SHEQ standards. For Regeneration, eVision enables management to identify underperforming subcontractors and disqualify them from future employment with us. See “—Group operations—IT and Controls—Regeneration—Controls” and “—Group operations—SHEQ”.

## Employees

We employ approximately 3,100 people across the UK. Almost two-thirds of our employees are management and support staff and one-third are operatives. As a reflection of our focus on value-added project development, our employees focus on project development, coordination and delivery, with actual construction outsourced to third parties. We recruit employees through recommendations, personal contacts, graduate recruitment programs and recruitment agencies. We have a high retention rate, with an average tenure of approximately six years as of 31 March 2014, a benefit of which is felt through our long-standing regional relationships. Our employees are key to our strong reputation and community engagement, which form a key differentiator for our business. We are accredited by “Investors in People” as of 2013.

We have delivered an average of approximately 2,100 hours of training per month between 1 April 2012 and 28 February 2014. We also have approximately 200 apprentices across our divisions and services. All of our apprenticeships are aligned to the National Apprenticeship Council’s scheme. Strongly committed to health and safety training, we run leadership programmes for our management and are closely aligned with the Construction Industry Training Board.

## Our history

Over eighty years ago, our path to become the nation's leading provider of Regeneration and Homes services began with the foundation of Bramall & Ogden in 1931. From these roots, we have evolved considerably, as chronicled in the following table:

Year	Corporate milestone
1931 .....	Bramall & Ogden is founded with construction contracts with the Wath Urban District Council.
1976 .....	Apollo Property Services ("Apollo") is founded as a roof specialist in London and South East England.
2007 .....	BoSIF acquires Apollo and Keepmoat.
2009 .....	Apollo and Keepmoat become part of Caird Capital's portfolio.
2010 .....	Keepmoat acquires Milnerbuild, which operates in Responsive Maintenance. Apollo acquires FWA and launches its Responsive Maintenance division.
2012 .....	Merger of Keepmoat (Bramall, FHM and Milnerbuild) and Apollo. Refinancing of our Group's debt reduces term debt to £300.0 million with a debt for equity swap that leaves Lloyds Banking Group as a 50% stakeholder, alongside management.
2014 .....	Keepmoat builds its first home in Southern England and pursues expansion into Scotland.

### *The 2012 Merger of Keepmoat Group Companies and Apollo*

In March 2012 we completed the 2012 Merger establishing us as a national leader with over 100 combined years of experience across our two operational divisions.

#### *Restructuring of debt facilities*

Following the 2012 Merger, we refinanced our term debt, reducing it from £581.0 million to £300.0 million through a debt for equity swap that made Lloyds Banking Group a 50% stakeholder of Lakeside Holdco. See "*Management's discussion and analysis of financial condition and results of operations—Key factors affecting our results of operations—Effects of the merger with Apollo and subsequent refinancing*".

## Property, plant and equipment

Our headquarters are located in Doncaster, England where we own the property. We own and/or lease a variety of other properties across England:

Region	Number of properties	Use
Central England .....	44	Office space, storage, industrial use and retail space.
Northern England.....	23	Office space, car parks, storage and industrial purposes.
London.....	18	Office, storage, industrial facilities and land.
Southern England.....	14	Office, storage, industrial, warehouse and land
Registered Providers .....	3	Office, storage, workshop and land.

## Insurance

We believe that we maintain insurance policies that are consistent with the best industry practices in terms of limits of indemnity and in scope of coverage. Our management considers our coverage to be sufficient in amount and scope. All buildings and real property are covered by "all risks" property damage insurance, which includes physical loss, destruction or damage to the property unless otherwise excluded, as well as subsidence and theft. As of 4 April 2014, our buildings are insured up to £27.9 million, while our machinery, plant and other contents are insured up to approximately £6.0 million. As of 4 April 2014, our business interruption insurance covers claims for additional increased cost of working up to £1.35 million, including physical loss, destruction or damage to the property unless otherwise excluded, subsidence and theft.

We also maintain insurance policies for our employees with respect to work related injuries, directors' and officers' liability insurance and professional indemnity insurance. As of 4 April 2014, our contractors are covered under an "all risk" insurance policy covering contract works for contracts valued up to £20.0 million as well as other damage to property and equipment.

### Intellectual property

We have obtained the patents, licenses and trademarks that are essential to our business.

### Tax

We are a contractor and a subcontractor under the Construction Industry Scheme, and holds gross payment status. As the group has no overseas operations, it is only subject to tax under the UK regime.

### Litigation

We currently are, and from time to time we may become involved in various claims and lawsuits arising in the ordinary course of our business, such as employee claims and disputes with our clients. We have insurance cover for any professional indemnity claims that may be brought against us. See "*Insurance*".

- In 2008 we were notified of the presence of legionella at a site where we had been appointed as contractor, and had in turn appointed subcontractors. The customer may seek to recover its losses from us. See "*Risk Factors—Risks relating to Our Business—We are currently, and may in the future become, involved with legal disputes*".
- In 2013, narrative verdicts were delivered in an inquest in relation to a fire at Lakanal House. These verdicts stated amongst other things that there was a serious failure on behalf of the contractor (Apollo), its subcontractors and Southwark Council in relation to the panels installed under the bedroom windows at Lakanal House, Camberwell. The 2013 inquest was carried out in relation to a fire that occurred at the housing complex on 3 July 2009 and resulted in the deaths of six people. We have settled a number of personal injury claims filed against Apollo (amongst others) in relation to this incident and there are no other claims outstanding in this regard. The terms of these settlements are confidential and were covered by insurance. We are also one of a number of parties currently under investigation by the London Fire and Emergency Planning Authority for potential offences under the Regulatory Reform (Fire Safety) Order 2005 in connection with this incident. If we were to be prosecuted for such alleged offences, we may be subject to substantial fines and be required to pay prosecution costs, each of which would not be covered by our insurers. Although the potential level of such fines is difficult to predict, we currently estimate that if we were to be found guilty with a causative verdict, we may face fines of up to £2 million (as opposed to fines of £250,000 to £450,000, in the case of a non-causative verdict). See "*Risk Factors—Risks relating to Our Business—We are currently, and may in the future become, involved with legal disputes*".
- In October 2013, during high winds, a number of cladding panels detached from a residential tower block we had refurbished. Whilst we have commissioned reports and appointed consultants to advise on the cause of, and liability for the incident, the apportionment of liability and extent of damages are not agreed and uncertain at this stage. See "*Risk Factors—Risks relating to Our Business—We are currently, and may in the future become, involved with legal disputes*".
- In 2013 we received a Police and Criminal Evidence Act ("**PACE**") interview notice from the Health and Safety Executive ("**HSE**") in connection to a safety incident involving the collapse of temporary bracketing holding roof trusses, in which a worker was seriously injured. We have attended an interview under caution in connection with this incident, and are currently awaiting a decision as to whether the HSE will prosecute us. It is currently difficult to assess what our potential liability if we are prosecuted is likely to be and there are no statutory caps on the quantum of any fines that may be imposed. See "*Risk Factors—Risks relating to Our Business—A major health and safety incident could be costly in terms of potential liabilities and reputational damage*".

See also "*Risk Factors—Risks relating to Our Business—We may be subject to disputes or other liabilities associated with employees, trade unions or other employee bodies with which our employees or subcontractors are affiliated*", "*Risk Factors—Risks relating to Our Business—Our risk management and internal controls may not prevent or detect violations of law*" and "*Risk Factors—Risks relating to Our Business—Ownership, leasing or occupation of land as well as regeneration and house-building carries potential environmental risks and liabilities, including liability under claims for damages as a result of use of hazardous materials, including asbestos*".

We do not believe that any such legal proceedings, either individually or in the aggregate, will have a material adverse effect on our financial position or results of operations. We note, however, that the outcome of legal proceedings can be extremely difficult to predict, and we offer no assurances in this regard.



## Regulation

### Overview

As a provider of Regeneration and Homes services, we draw upon public sector initiatives that are supported by multiple public and private funding streams. Changes in the availability of local, UK central and European government funds can affect these funding streams and demand for our services. We operate through partnerships with local authorities (“**Local Authorities**”) and other providers such as Registered Providers and Arm’s Length Management Organisations (**ALMOs**) whose ability to develop housing and refurbish existing housing stock is directly affected by governmental policies. UK local and central government regulations and policies provide funding for Regeneration and Homes through a variety of national programmes, and they also direct European government-provided structural funds to Local Authorities.

The Homes and Communities Agency (“**HCA**”) was established by the Housing and Regeneration Act 2008 and acts as the national housing and regeneration delivery agency for England. On behalf of central government, the HCA oversees government funding of national regeneration and social housing initiatives through building, maintenance, repair and improvement schemes, such as the Affordable Homes Programme, the HTB scheme, Build to Rent, the Care and Support Specialised Housing Fund and Affordable Rent to Buy. The Greater London Authority (“**GLA**”) now carries out a similar role to the HCA for the Greater London Area. The Scottish Government carries out an equivalent role (where applicable) in Scotland.

### Regeneration UK funding schemes

#### *Refurbishment and maintenance*

Registered Providers are subject to statutory requirements regarding the quality of homes they provide and therefore Local Authorities and other providers must in practice allocate a certain portion of rental and other income to repair and maintenance expenditure.

#### *Housing Revenue Account*

In April 2012, the UK central government reformed the Housing Revenue Account (“**HRA**”) to enable Local Authorities to be self-financing. Previously, Local Authorities passed on any surplus revenues to the HRA, which then redistributed these revenues to subsidise Local Authorities facing deficits. The new scheme allows Local Authorities to retain any surplus they generate, giving them greater flexibility to finance construction and maintenance through their surplus revenues and debt. There are equivalent provisions in place in Scotland for HRAs.

#### *Decent Homes programme*

The Decent Homes programme, established in 2000, is a UK government initiative that aims to ensure that all social housing meets a minimum standard of decency. These minimum standards establish that social housing should be free of health and safety hazards, be in a reasonable state of repair, have reasonably modern kitchens, bathrooms and boilers, and be reasonably insulated. This initiative generated demand for regeneration, maintenance and improvement (“**RMI**”) of social housing stock. Under the Decent Homes programme, the UK government committed a further £1.6 billion for the refurbishment of social housing between the years 2011 and 2015. In the 2014 budget, an additional £160 million was allocated for the years 2015 and 2016. Additionally, the UK government’s 2014 budget included £150 million in fully recoverable loans to private sector partners for the regeneration of large social housing estates in England, such funding being available from 2015 to 2019.

There is a Scottish equivalent of the Decent Homes programme known as the Scottish Housing Quality Standard (“**SHQS**”), which was established in February 2004. Social landlords have until April 2015 to bring their houses up to the SHQS. The SHQS is a set of five broad housing criteria, subdivided into 55 elements and nine sub-elements, which a property must pass to meet the SHQS. The Scottish Housing Regulator (“**SHR**”) monitors progress with meeting SHQS both nationally and for individual Registered Social Landlords. We are not aware of any current funding initiatives in place to assist with meeting the SHQS, the onus instead being placed on the landlords.

### *Sustainability*

#### *ECO and Green Deal*

The Energy Company Obligation (“**ECO**”) (approximately £1.3 billion per year until March 2015) and Green Deal (approximately £450 million) funding schemes are complementary policy mechanisms that provide funding to households and landlords to improve the energy efficiency of their homes. ECO imposes regulations on energy providers

to improve the energy efficiency of buildings in three areas: Carbon Emissions Reduction Obligation, Carbon Saving Community Obligation and Home Heating Cost Reduction Obligation focusing on hard-to-treat homes and low income and vulnerable households. ECO has recently been extended to run through to March 2017. Green Deal finance was introduced by the UK government to run alongside ECO funding. Green Deal finance provides upfront loan funding for energy efficiency improvements repaid in instalments through electricity bills for the property. Only Green Deal providers, such as us, approved by the Secretary of State for Energy & Climate Change, can provide this financial product to households. Following changes to ECO announced in October 2013, the UK government replaced its Green Deal Cashback mechanism with a new £120 million per year Green Deal Home Improvement Fund. The ECO and Green Deal schemes provide funding and finance support for a variety of energy-saving improvements, such as insulation, efficient heating, draught-proofing, and double-glazing.

The Green Deal and ECO have equivalent funding schemes in Scotland. There are also energy efficiency schemes applied in Scotland through the Home Energy Efficiency Programmes such as the Affordable Warmth Scheme where energy efficiency measures are installed and paid for by the energy companies and the Energy Assistance Scheme where grants of up to £6,500 are available to qualifying persons to carry out work to make homes more energy efficient.

#### *Feed in Tariff and Renewable Heat Incentive*

The RHI scheme, representing £860 million for the period 2011 to 2015 and up to £430 million for the period 2015 to 2016, and Feed in Tariffs scheme for micro generation (“FIT”), representing estimated expenditures with a present value as at 2010 of approximately £8.6 billion from 2010 to 2030 (according to the Department of Energy and Climate Change’s 2010 impact assessment), provide additional funding to upgrade and increase energy efficiency. Both schemes aim to encourage the installation of renewable energy technology. FIT and RHI, launched in April 2010 and April 2014, respectively, provide funding for homeowners, private landlords and social landlords to install renewable electricity generation and heating systems. Successful applicants receive payments for a fixed period, and these sustainability funds have incentivised Housing Associations to upgrade their housing stock.

The Scottish equivalent to RHI is Home Energy Scotland which is funded by the Scottish Government and operated and managed by the Energy Savings Trust, along with the FIT. Schemes in Scotland have included the Warm Homes Fund, launched in 2012/2013 which was a £50 million initiative from the Scottish Government, managed by the Energy Savings Trust, providing grants and loan funding for projects to support householders in fuel poverty as well as providing funding to Registered Social Landlords and Local Authorities for projects that help to heat homes.

#### *New Build Housing and Affordable Housing schemes*

##### *Affordable Homes Programme, Affordable Homes Programme 2 and Affordable Housing Supply Programme*

The Affordable Homes Programme was established in 2008, known initially as the National Affordable Housing Programme, to increase the supply of new affordable homes in England. In its first round of funding between 2008 and 2011, the Affordable Homes Programme funded 155,000 new homes including a proportion for low cost home ownership and social rent. In its second round, between 2011 and 2015, the programme will provide £4.5 billion in Affordable Housing, with the majority of houses to be made available for affordable rent. In its third round, as the Affordable Homes Programme 2, will provide £2.95 billion, (£1.7 billion of which is available for the delivery of 165,000 new affordable homes outside London and £1.25 billion of which is available to build 45,000 affordable homes in Greater London between 2015 and 2018).

The Scottish equivalent is the Scottish Government’s Affordable Housing Supply Programme which has made a commitment to deliver at least 30,000 affordable homes, of which at least two thirds will be for social rent (including 5000 for council housing) over the three year period to March 2015. The Affordable Housing Supply Programme aims to invest £970 million in new affordable homes during that period with a planned further investment of £391 million in 2015/2016.

#### *Extra care and retirement housing*

##### *Better Care Fund*

The Better Care Fund (formerly the Integration Transformation Fund) was established by the Department of Health in 2013 with the aim of helping health and social care services to deliver better services to older and disabled people. In its 2013 spending review, the UK government allocated £3.8 billion to the fund. While the fund targets a broad range of health and social care services, the initiative provides opportunities for housing providers to work together with Local Authorities and Local Health and Wellbeing Boards to adapt and refurbish facilities for the use of the elderly and disabled population. Additionally, over five years from 2013/14, the Department of Health is providing capital funding of

£160 million for specialist housing providers to put forward proposals for developing specialist housing outside of London to address the needs of older people and adults with disabilities. In the first two years of the programme this funding may be increased by up to a further £80 million capital funding. The Homes and Community Agency will deliver and manage this programme.

## ***Education***

### ***Basic Need and Targeted Basic Need***

The UK government provides funding to meet the basic needs for school places, namely achieving sufficient school capacities to meet the needs of growing communities. Basic need funding of £1.6 billion was allocated to Local Authorities from 2013 until 2015 in order to create additional school places. In 2014, this was supplemented by the Targeted Basic Need programme, which provides an additional £820 million for the construction of 45 new schools and the expansion of 333 schools. Additionally, the Devolved Formula Capital has allocated £200 million for the years 2014 and 2015 to schools' priority work on buildings, information communications technology and other capital needs.

### ***Priority School Building Programme***

The Priority School Building Programme, with £2.4 billion in funding, aims to address the needs of the 261 schools most in need of urgent repair. The programme aims to deliver all schools by 2017. On 1 May 2014, the UK government announced the second round of the programme, which is proposed to provide approximately £2 billion between the years 2015 and 2021.

The Scottish equivalent of the Priority School Building Programme is being co-ordinated, managed and facilitated by the Scottish Futures Trust, and all local authorities are benefitting from the programme. A £1.25 billion programme was put in place for the rebuilding or refurbishment of approximately 55 new primary and secondary schools through to 2017/18. An extra 12 schools will now be built under the programme due to current market conditions and efficiencies delivered by Scottish Futures Trust, and the total programme intends to deliver 67 new or refurbished schools by March 2018.

## **Homes UK funding schemes**

### ***Help to Buy Programme***

The UK government's HTB scheme is a government-supported scheme to encourage home ownership in the UK. In Phase I, the scheme committed funds as part of a shared equity scheme under which buyers put down a 5% deposit on a home, with the UK government providing up to 20% of the purchase price. Phase II introduced a mortgage guarantee to commercial lenders for up to 15% of a property's value, requiring only a 5% deposit from potential buyers under the scheme. In 2013, the UK government committed £3.5 billion for the HTB scheme through 2016. The 2014 budget increased funding by £6 billion and extended the programme until 2020.

Help To Buy (Scotland) is administered as a shared equity scheme, with the Scottish Government providing up to 20% of the purchase price in return for an equity stake of up to 20% in the property. The Scottish Government's equity stake does not attract interest and can be repaid at any time. The scheme in Scotland is now fully subscribed for the 2014/2015 period (a total of £140 million). A further £100 million has been made available for the 2015/2016 period.

### ***Affordable Rent to Buy***

Affordable Rent to Buy was announced in 2013. The program is intended to help people who need support for a limited period of time through the provision of sub-market rent in order to allow them to save for a deposit to buy a home. The programme will receive £400 million in funding for new build homes that will be rented for affordable rent for a limited time before being sold, with the tenant getting the first chance to buy. A working paper was released by the UK government in May 2014 in readiness for the issue of a prospectus for potential bidders expected to be published in Summer 2014. The HCA has indicated that it will begin to deliver new homes under this scheme from 2015.

### ***Right to Buy***

Right to Buy was first launched in 1980, giving council housing residents a discount on the purchase of their council residence. The current maximum discount for tenants is £102,700 in London and £77,000 elsewhere (these figures rising each year in line with CPI. At the same time, the UK government committed to building a new home for affordable rent to replace each council residence sold to a tenant.

The Right to Buy scheme in Scotland has been significantly curtailed through the Housing (Scotland) Act 2014, which effectively ends the Right to Buy scheme for all council and housing association tenants in Scotland. Tenants with an existing right to buy will have a period of two years to exercise the right buy before it will expire. The start date for this two year period has not yet been set. The current Right to Buy scheme rights which can be exercised are the “old right to buy”, which permits a discount of up to 70% of market value for flats and 60% for houses and the ‘new right to buy’, which is capped at the lower of 35% of market value and £15,000.

#### *Builders’ Finance Fund*

The Builders’ Finance Fund provides £525 million for the years from 2015 to 2017, and it is designed to aid in the development of housing schemes of between 15 and 250 units that have slowed down or stalled. It seeks to address difficulties that small developers are facing in accessing development funds.

#### *Strategic Land and Property*

The UK government announced in the 2014 budget that its Strategic Land and Property review identified scope to release £5 billion from government land and property to support housing growth and economic development.

#### *Get Britain Building*

The Get Britain Building scheme is £500 million investment fund set up by the UK government to help start construction on up to 12,000 locally-backed stalled sites with planning permission.

### **European funds**

#### *EU structural and investment funds*

For the period from 2014 to 2020, the UK is to receive €10.8 billion from the European Regional Development Fund (“**ERDF**”) and the European Social Fund (“**ESF**”). Funding from the ERDF is focused on reducing economic, environmental and social problems in urban areas, and in particular supporting sustainable urban development. Funding from the ESF targets improving employment and education opportunities.

#### *European Investment Bank*

In 2014, the European Investment Bank (“**EIB**”) announced it would aim to lend £1 billion a year to support the construction of Affordable Housing in the UK. The EIB has already provided a £350 million loan to the Sanctuary Group, a national housing provider with whom we have contracts, which we, as part of our calculation of Total Identified Opportunities as at 31 March 2014, estimate represents approximately £41 million in total turnover, to build new social housing and support Sanctuary’s retrofit programme, regeneration schemes and the construction of new community facilities. See “*Presentation of financial and other information—Operational measures—Total Identified Opportunities.*”

## Management

### Board of Directors

#### Issuer—Board of Directors

As of the Completion Date, the Board of Directors of the Issuer will consist of three members. The following table sets out the name, age and position for each of the directors. The address for each of the directors of the Issuer is 1 Park Row, Leeds LS1 5AB, United Kingdom.

Name	Age
Edward Jonathan Cameron Hawkes .....	37
Mark Andrew Budd .....	39
Stephen James Robertson .....	54

#### Company—Board of Directors

As of the Completion Date, the Board of Directors of the Company will consist of three members. The following table sets out the name, age and position for each of the directors. The address for each of the directors of the Company is 1 Park Row, Leeds LS1 5AB, United Kingdom.

Name	Age
Edward Jonathan Cameron Hawkes .....	37
Mark Andrew Budd .....	39
Stephen James Robertson .....	54

#### Lakeside Holdco—Board of Directors

As of the Completion Date, the Board of Directors of the Group will consist of the Group's Chief Executive Officer and Chief Financial Officer. Additional members may be appointed to the Group's Board of Directors. The Board of Directors of the Group meets approximately once a month to discuss the performance of the Group against its strategic objectives, current and future projects and innovations and to discuss any other issues that may impact the day-to-day running of the Group's business in the short to medium-term.

The Board of Directors of the Group is the main policy making and oversight body of the Group and, together with the Group's Senior Management, conducts the day-to-day operations of the activities of the Group.

The following table sets forth the name, age and position of each of the directors. The address for each director is The Waterfront, Lakeside Boulevard, Doncaster, South Yorkshire, DN4 5PL, United Kingdom.

Name <sup>(1)</sup>	Age	Position
David Sheridan .....	51	Group Chief Executive Officer
James Michael Douglas Thomson .....	48	Group Chief Financial Officer

- (1) Peter Warry, Aidan Birkett and Mike Paciti who at the date of this Offering Memorandum are members of the Board of Directors of the Group intend to resign from the Board of Directors on the Completion Date.

#### *David Sheridan*

Mr. Sheridan joined the Apollo Group in 2008 and became its Chief Executive Officer in 2009. Following the 2012 Merger, he became Keepmoat's Chief Operating Officer for the Northern businesses. He was subsequently appointed Group Chief Executive Officer in September 2012.

#### *James Michael Douglas Thomson*

Mr. Thomson was appointed Group Chief Financial Officer in May 2012. He was formerly Group Finance Director and Chief Operating Officer of DTZ Holdings plc. Prior to that, Mr. Thomson was at Smiths Group plc, Deutsche Bank and HSBC Investment Bank. He is a Chartered Accountant and trained with PricewaterhouseCoopers LLP

## Senior management

The following table sets forth the name, age and position of each senior management member of the Group as at the Completion Date. The address for each senior management member is The Waterfront, Lakeside Boulevard, Doncaster, South Yorkshire, DN4 5PL, United Kingdom.

Name	Age	Position
David Sheridan .....	51	Group Chief Executive Officer
James Michael Douglas Thomson .....	48	Group Chief Financial Officer
Nicholas Peter Ash .....	54	Managing Director Regeneration
Peter Hindley .....	52	Managing Director Homes

### *Nicholas Peter Ash*

Mr. Ash moved into the housing and regeneration sector at Makers UK, where he became Managing Director of Housing. He joined Apollo in 2004 working as Divisional Director and Managing Director of Housing. Following the 2012 Merger, Mr. Ash was appointed Managing Director of the Regeneration division.

### *Peter Hindley*

Mr. Hindley trained with Alfred McAlpine before joining Keepmoat in 1986. Progressing from Construction Manager to Regional Managing Director in 1996, he joined the Keepmoat Board in 2007. He now heads Keepmoat's Homes division.

## Remuneration and other benefits

The aggregate compensation (including any bonuses and other benefits) paid and accrued in the financial year ended March 31, 2014 to the senior management members of Lakeside Holdco listed in this Offering Memorandum and the directors of Lakeside Holdco (including any directors that intend to resign from the Board of Directors on the Completion Date) amounted to £2.3 million.

An investment agreement relating to Keystone Topco Limited and its subsidiaries was entered into by Keystone Topco Limited, the Company, Bidco, Keystone JVCo Limited and certain members of the management of Lakeside Holdco on 9 September 2014 (the "**Investment Agreement**"), Certain of the key provisions of this agreement include:

- Customary tag along and drag along rights, participation and cooperation obligations of the managers;
- "Good" and "bad" leaver scheme provisions;
- Capital increases: subscription entitlements, anti-dilution rights; and
- Transfers of shares restricted except to under certain circumstances to affiliates and family members.

## Remuneration Committee

It is intended that the Remuneration Committee will meet at least once a year to agree the salaries and bonus related objectives of the Executive Directors.

## Audit Committee

It is intended that the Audit Committee will meet twice a year to discuss auditors' fees and to review the annual financial statements.

### **Principal shareholders**

Following the Acquisition, TDR Capital and Sun Capital are expected to indirectly own 85% of our issued and outstanding share capital, while the remaining 15% of our issued and outstanding share capital will be held indirectly by certain members of the management of Lakeside Holdco. TDR Capital will be our principal shareholder.

TDR Capital was founded in 2002 by Manjit Dale and Stephen Robertson. Across its three European buyout funds it has over €4.8 billion of committed capital. TDR Capital has a proven value-based and operationally-focused investment strategy, which is delivered by a dedicated team of 22 investing and operating professionals from its single office in London. TDR Capital focuses on mid-market buyout investments headquartered in or with significant operations in Europe, generally with an enterprise value of €300 million to €1.5 billion.

TDR Capital has a strong track record in the social housing industry due to its recent investment in VPS Holdings, a UK-headquartered provider of property services and security services to owners of commercial property and social housing.

Sun Capital is a UK private investment vehicle owned by its directors. The Sun Capital team has a proven track record of leading, managing and investing in transactions which have delivered consistently high investment returns to shareholders over the last 20 years. The Sun Capital team has successfully built market leading businesses through growth years and recessions in a wide variety of sectors, a large number of which have been customer facing, and transaction types.

Sun Capital and TDR Capital have a long history of working together and past joint investments include Phoenix Group and Punch Taverns.

## **Certain relationships and related party transactions**

In addition to the management arrangements described in “*Management*”, we are a party to the following transactions with related parties.

### **The Acquisition**

Certain members of management and certain of their affiliates will receive a portion of the proceeds to be paid under the Acquisition Agreement, and will indirectly invest a portion of such proceeds in the capital of Lakeside Holdco.

### **Investment Agreement and Consortium Arrangements**

The Investment Agreement and the Consortium Arrangements govern various rights of TDR Capital, Sun Capital and certain members of our management with regard to Keystone Topco Limited and its subsidiaries, including the Company and the Issuer. Pursuant to the Investment Agreement, TDR Capital and Sun Capital, acting through Keystone JVCo Limited, are entitled to appoint the majority of the directors of Keystone Topco Limited and its subsidiaries, including the Company and the Issuer. The Investment Agreement requires that certain specified actions in relation to the Group do not take place without the consent of Keystone JVCo Limited. These include, among others, variation or transfer of the share capital of any member of the Group, the acquisition and disposal of major assets, certain capital commitments and distributions of Group profits.

Under the Consortium Arrangements between TDR Capital and Sun Capital, an affiliate of TDR Capital controls Keystone JVCo Limited and is entitled to appoint the majority of its directors.

### **Sponsor fee agreements**

It is currently expected that, on or after the closing of the Acquisition, the Group will enter into customary monitoring fee arrangements and / or other fee arrangements with Keystone JVCo Limited pursuant to which affiliates of TDR Capital and Sun Capital will receive fees in connection with the Acquisition and the ongoing monitoring of the business. See “*Use of proceeds*”.

### **Partnerships and joint ventures**

We have an interest in several joint ventures and special purpose vehicles. See “*Our Business*”. See also note 29 “*Related party disclosures*” to the consolidated audited financial statements of Lakeside 1 Limited as of and for the financial year ended 31 March 2014.

### **Initial Purchasers**

Certain of the Initial Purchasers or their affiliates are lenders under the Existing Senior Facilities Agreement. Furthermore, Lloyds Bank plc or certain of its affiliates are shareholders of Lakeside Holdco. Pursuant to the Transactions, the proceeds of the Offering will be used to, among other things, fund the Acquisition consideration for the Acquisition by Bidco of all the issued and outstanding shares of Lakeside Holdco and repay in full all outstanding amounts and cancel all outstanding commitments under the Existing Senior Facilities Agreement. We have engaged an affiliate of J.P. Morgan Securities plc to advise us in connection with the Acquisition, for which they will receive customary fees and commissions. See also “*Use of proceeds*” and “*Summary—The Transactions—The Acquisition Agreement*”.



## Description of other indebtedness

*The following contains a summary of the terms of the Revolving Credit Facility and the Intercreditor Agreement. Terms not otherwise defined in this section shall, unless the context otherwise requires, have the same meanings set out in the Revolving Credit Facility Agreement, the Indenture or the Intercreditor Agreement.*

### Revolving Credit Facility

We are party to the Revolving Credit Facility Agreement which provides for a committed £75 million senior revolving credit facility. The Revolving Credit Facility is available on or around the Completion Date for utilization by way of revolving loans and letters of credit, subject to satisfaction of certain conditions under the Revolving Credit Facility Agreement. Borrowings under the Revolving Credit Facility are used to finance or refinance the general corporate and working capital purposes of the “Restricted Group” (as defined in the Revolving Credit Facility Agreement) subject to certain prohibitions, such as repayment of any of our other indebtedness and payments of dividends.

The original borrower under the Revolving Credit Facility is Bidco. Castle 1 Limited, Keepmoat Regeneration (Bramall) Limited, Keepmoat Regeneration (FHM) Limited and Keepmoat Homes Limited will accede as additional borrowers. The Revolving Credit Facility is guaranteed by the Company, Bidco and the Issuer. Lakeside Holdco and the Subsidiary Guarantors will accede as additional guarantors. The facility agent (the “**Agent**”) under the Revolving Credit Facility is Lloyds Bank plc.

### Ancillary facilities

Subject to an aggregate limit of 66<sup>2</sup>/<sub>3</sub>% of the total commitments (as defined in the Revolving Credit Facility Agreement) for the use of ancillary facilities under the Revolving Credit Facility, a lender may make available to a borrower under the Revolving Credit Facility all or part of that lender’s undrawn commitment in the Revolving Credit Facility by way of ancillary facilities such as overdrafts, guarantees, short term loan facilities, derivatives and foreign exchange facilities, subject to the satisfaction of certain conditions precedent.

### Repayments and prepayments

The Revolving Credit Facility will terminate on the four and a half year anniversary of the Completion Date. Any amount still outstanding at that time will be immediately due and payable.

Subject to certain conditions, we may voluntarily prepay our utilizations and/or permanently cancel all or part of the available commitments under the Revolving Credit Facility by giving five business days’ prior notice to the Agent. Amounts repaid may (subject to the terms of the Revolving Credit Facility Agreement) be reborrowed.

In addition to voluntary prepayments, the Revolving Credit Facility Agreement requires mandatory cancellation and, if applicable, prepayment in full or in part in certain circumstances, including:

- (1) with respect to any lender or any issuer of a letter of credit, if it becomes unlawful for such lender or issuer to perform any of its obligations under the Revolving Credit Facility Agreement;
- (2) upon the occurrence of a change of control. Change of control means:

“**Change of Control**” means:

- (a) prior to an initial public offering, either:
  - (i) the Investors together cease to control or own, legally and beneficially, directly or indirectly, more than 50% of the issued share capital and voting rights of the Company and/or the ability to determine the composition of the majority of the board of directors or equivalent body of the Company; or
  - (ii) TDR Capital LLP and its Affiliates or any trust, fund, company or partnership owned, managed or advised by TDR Capital LLP or any of its Affiliates ceases to be, legally and beneficially, directly or indirectly, the largest holder of issued share capital in the Company;
- (b) following an initial public offering, either:

- (i) the Investors cease to control or own, legally and beneficially, directly or indirectly, more than 30% of the issued share capital and/or voting rights of the Parent; or
- (ii) a person or group of persons acting in concert acquires, directly or indirectly, more issued shares and/or voting rights in the Company than are held (directly or indirectly) by the Investors; or
- (c) other than pursuant to a “permitted reorganisation”, Bidco ceases to be a direct wholly-owned subsidiary of the Company.

For the purposes of this definition “acting in concert” means, a group of persons who, pursuant to an agreement or understanding (whether formal or informal), actively co-operate, through the acquisition directly or indirectly of shares in the Company by any of them, either directly or indirectly, to obtain or consolidate control of the Company.

“**Investors**” mean TDR Capital LLP and its Affiliates and/or Sun Capital and its Affiliates or any trust, fund, company or partnership owned, managed or advised by TDR Capital LLP, Sun Capital or any of their respective Affiliates.

- (3) upon the sale of all or substantially all of the assets of the “Restricted Group”; and
- (4) subject to certain criteria, from the proceeds of Asset Dispositions (as defined under the section entitled “Description of the Notes”) and from any net insurance proceeds.

### ***Interest and fees***

The Revolving Credit Facility bears interest at a rate per annum equal to LIBOR plus a margin of 3.75% per annum, subject to a margin ratchet based on the “Consolidated Net Leverage Ratio” at each quarter end. We are also required to pay a commitment fee, in arrears on the last day of each financial quarter during the availability period, on available but unused commitments under the Revolving Credit Facility at a rate of 40% of the applicable margin applicable to borrowings in Sterling under the Revolving Credit Facility Agreement.

We are also required to pay fees related to the issuance of ancillary facilities, letters of credit, and certain fees to the Agent and the Security Agent in connection with the Revolving Credit Facility.

### ***Security and guarantees***

The Revolving Credit Facility is guaranteed and is required to be guaranteed on an ongoing basis, subject to certain customary limitations and agreed security principles, on a joint and several basis, by each of our subsidiaries that is a guarantor of the Notes and by the Issuer.

The Revolving Credit Facility Agreement also provides that that as soon as practicable and in any event within 45 days of the date of delivery of a compliance certificate relating to the annual financial statements, the earnings before interest, tax, depreciation and amortization of the guarantors is required to represent not less than 80% of the Restricted Group’s Consolidated EBITDA and the consolidated gross assets is required to represent not less than 80% of the Restricted Group’s consolidated gross assets.

The Revolving Credit Facility is secured by the same security as the Notes (see “—*Collateral*”).

### ***Covenants***

The Revolving Credit Facility Agreement contains customary information and negative covenants (including restrictive covenants that largely replicate those contained in the Indenture), subject to certain agreed exceptions. The Revolving Credit Facility Agreement also requires the Issuer, each Borrower and each guarantor under the Revolving Credit Facility Agreement to observe certain customary affirmative covenants.

The Revolving Credit Facility Agreement contains a “Consolidated Net Leverage Ratio” maintenance covenant. Noncompliance with the financial covenant when the facility is not drawn is a drawstop only and it is not an Event of Default.

The Revolving Credit Facility Agreement allows members of the “Restricted Group” (as defined in the Revolving Credit Facility Agreement) to repurchase any of the Notes, refinancing debt permitted under the Revolving Credit Facility

Agreement and debt with a maturity of more than 1 year subject to (i) the aggregate value of that purchase not exceeding 35% of the total of the Notes, refinancing debt permitted under the Revolving Credit Facility Agreement and debt with a maturity of more than 1 year issued by the Restricted Group; and (ii) there being no event of default or non-compliance with financial covenants continuing. In the event that the 35% threshold is exceeded (and only to the extent that that threshold is exceeded), the Restricted Group is obliged to match the repurchase by a simultaneous cancellation and, if necessary, repayment of an equal amount under the Revolving Credit Facility Agreement. A repurchase of the Notes, refinancing debt permitted under the Revolving Credit Facility Agreement or debt with a maturity of more than 1 year made solely with the proceeds of “additional indebtedness” (as defined in the Intercreditor Agreement) and permitted under the Intercreditor Agreement will not be treated as a repurchase under this provision.

### ***Events of default***

The Revolving Credit Facility Agreement contains customary events of default (subject in certain cases to agreed grace periods, thresholds and other qualifications), including a cross default with respect to an event of default under, and as defined in, the Notes Indenture, the occurrence of which would allow the lenders to accelerate all or part of the outstanding utilizations and/or terminate their commitments and/or declare all or part of their utilizations payable on demand and/or declare that cash cover in respect of letters of credit and ancillary facilities is immediately due and payable.

### ***Governing law***

The Revolving Credit Facility Agreement and any non-contractual obligation arising out of or in connection with it will be governed by and construed and enforced in accordance with English law although the restrictive covenants, which are included in the Revolving Credit Facility Agreement and largely replicate those contained in the Indenture, will be interpreted in accordance with New York law (without prejudice to the fact that the Revolving Credit Facility Agreement is governed by English law).

### ***Intercreditor Agreement***

The following summary of the Intercreditor Agreement refers to the Notes and the Indenture as they are defined in this offering memorandum.

In connection with entering into the Revolving Credit Facility Agreement, and the Indenture, Bidco, the Company, and the Issuer entered into an Intercreditor Agreement on 9 September 2014.

The Intercreditor Agreement governs the relationships and relative priorities among (i) the creditors of the Revolving Credit Facility (the “**Lenders**”); (ii) upon execution of an Intercreditor Accession Deed, the Trustee on behalf of itself and the holders of the Notes; (iii) future hedge counterparties under certain hedging agreements (the “**Hedge Counterparties**”); (iv) certain future creditors of the Restricted Group; (v) certain intra group creditors and debtors; (vi) various creditor representatives; and (vii) U.S. Bank Trustees Limited as the original Security Agent.

The Company and each of its subsidiaries that incurs any liability or provides any guarantee under the Senior Facility, the Indenture or the *Pari Passu* Debt documentation is referred to in this description as “Debtors.”

The Intercreditor Agreement sets out:

1. the relative ranking of certain indebtedness of the Debtors;
2. the relative ranking of certain security granted by the Debtors;
3. when payments can be made in respect of certain indebtedness of the Debtors;
4. when enforcement actions can be taken in respect of certain indebtedness;
5. when enforcement action can be taken in respect of Collateral;
6. the terms pursuant to which certain indebtedness will be subordinated upon the occurrence of certain insolvency events;
7. turnover provisions; and
8. when security and guarantees will be released to permit a sale of the Collateral.

The Intercreditor Agreement contains provisions relating to future indebtedness that may be incurred by the Debtors, provided that it is permitted by the terms of the Revolving Credit Facility Agreement and the Indenture, which may rank *pari passu* to the Notes and be secured by the Collateral (the “**Pari Passu Debt**”), subject to the terms of the Intercreditor Agreement. The Creditors of the *Pari Passu* Debt (the “**Pari Passu Creditors**”) have rights under the Intercreditor Agreement, which are summarized below.

The Intercreditor Agreement also allows (after all Credit Facility Liabilities (as defined below) have been fully and finally discharged) for the Debtors to enter into a new super senior credit facility, provided that the total amount outstanding under such facility is permitted under the Indenture. For the purposes of this description, any references to the Revolving Credit Facility or Lenders or Credit Facility Liabilities should be read as including any such other super senior credit facility.

By accepting a Note, the relevant holder thereof shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement.

The following description is a summary of certain provisions contained in the Intercreditor Agreement. It does not restate the Intercreditor Agreement in its entirety nor does it describe provisions relating to the rights and obligations of holders of other classes of our debt. As such, we urge you to read the Intercreditor Agreement because it, and not the discussion that follows, defines the rights of the holders of the Notes. Copies of the Intercreditor Agreement are available to holders of the Notes upon request. See “*Listing and general information*”.

### ***Ranking and priority***

The Intercreditor Agreement provides, subject to the provisions regarding permitted payments and application of proceeds below, that the right and priority of payment of all present and future liabilities and obligations under the Revolving Credit Facility (the “**Credit Facility Liability**”), the hedging agreements entered into by the Hedge Counterparties (the “**Hedging Liabilities**”), the Notes (the “**Notes Liabilities**”) and the *Pari Passu* Debt rank *pari passu* in right and priority of payment without any preference or payment between them.

These liabilities rank ahead of any liabilities of the Debtors to the Issuer and its subsidiaries (the “**Intra Group Liabilities**”) or any debt to a holding company (the “**Structural Liabilities**”) and together with the Intra Group Liabilities, the “**Subordinated Liabilities**”). The Intercreditor Agreement does not rank the Subordinated Liabilities as between themselves.

### ***Collateral***

The Lenders, the Hedge Counterparties, the holders of the Notes and the *Pari Passu* Creditors will benefit from a common guarantee and security package and no such secured creditor may take the benefit of any guarantee or security from the Restricted Group or the Company unless such guarantee or security is also offered (to the extent legally possible and consistent with the Agreed Security Principles) for the benefit of the other secured creditors. The Collateral shall rank and secure the liabilities owed to the Lenders, the Hedge Counterparties, the holders of the Notes and the *Pari Passu* Creditors *pari passu* and without any preference between them.

In addition, the Intercreditor Agreement provides that the guarantees and Collateral will be released in certain circumstances described further below in “—*Release of security and guarantees—non distressed disposals*” and “—*Release of security and guarantees—distressed disposals*.”

### ***Permitted payments***

Prior to an acceleration event or enforcement of the Collateral, the Intercreditor Agreement will permit payments to be made by the Debtors under the Revolving Credit Facility Agreement, the Indenture and any *Pari Passu* Debt documentation (provided that such payments are permitted under such documents) and does not limit or restrict any payment by any Debtor in the ordinary course of business. The Intercreditor Agreement also permits payments to lenders of Intra Group Liabilities, provided that there has been no acceleration or enforcement of the Collateral. Payments may be made in respect of Structural Liabilities to the extent not expressly prohibited by the Revolving Credit Facility Agreement, the Indenture and the *Pari Passu* Debt documentation, provided that there has been no acceleration or enforcement of the collateral. There are also restrictions on payments to Hedge Counterparties except for certain specified permitted payments.

The Debtors may not make payments in respect of the Credit Facility Liabilities, the Hedging Liabilities, the Notes Liabilities or the *Pari Passu* Debt after an acceleration event or enforcement of the Collateral unless in accordance with the enforcement proceeds waterfall described below under “—*Application of proceeds*.”

An acceleration event includes the relevant creditor representative exercising any or all of its rights under the acceleration provisions of the Revolving Credit Facility Agreement (which includes placing on demand of liabilities thereunder), the Indenture or the *Pari Passu* Debt documentation.

### ***Limitations on enforcement***

For the purposes of enforcement of the Collateral, the Lenders, the Hedge Counterparties (to the extent they are owed Hedging Liabilities (a) not exceeding an aggregate maximum amount of £10 million (the “**Super Senior Hedging Amount**”) and (b) in respect of each such Hedge Counterparty, not exceeding the portion of the Super Senior Hedging Amount as has been allocated to such Hedge Counterparty by the Company, each calculated by reference to the mark-to-market valuation of the Hedging Liabilities as at the date the calculation is required to be made under the Intercreditor Agreement (the “**Super Senior Hedging Liabilities**”)) (the “**Super Senior Hedge Counterparties**”) and their creditor representatives are referred to as the “**Super Senior Creditors**.”

If any of the Super Senior Creditors, the holders of the Notes, the Hedge Counterparties to the extent they are owed Hedging Liabilities which are not Super Senior Hedging Liabilities (the “**Non-Super Senior Hedge Counterparties**”) or the *Pari Passu* Creditors wish to enforce the Collateral, either (a) 66<sup>2</sup>/<sub>3</sub>% by commitment value of the Super Senior Creditors; or (b) the Senior Secured Required Holders must give five business days’ notice of the proposed enforcement instructions to the creditor representatives for the other creditor classes and the Security Agent. The giving of this notice triggers a 30 day consultation period during which time the creditor representatives for each of the creditor classes must discuss the proposals in good faith with a view to coordinating the proposed instructions.

The “**Senior Secured Required Holders**” are determined as follows:

- (a) if there are no *Pari Passu* Creditors, it will be a simple majority of a combined class of holders of the Notes and the Non-Super Senior Hedge Counterparties; or
- (b) if, in addition to the holders of the Notes and the Non-Super Senior Hedge Counterparties there are any *pari passu* creditors with undrawn commitments under a single loan, credit or guarantee facility in an amount at least equal to £150 million (and provided further that at least £100 million of such liabilities are outstanding in the form of loans, credit or guarantees under such agreement) (the “***Pari Passu* Loan Creditors**”), the Senior Secured Required Holders will be the first in time to submit instructions of (i) the majority (or such higher specified proportion required under the relevant debt document) of *Pari Passu* Loan Creditors and (ii) a simple majority of a combined class of the holders of the Notes, the Non-Super Senior Hedge Counterparties and any *Pari Passu* Creditors (excluding any *Pari Passu* Loan Creditors) provided that any such *Pari Passu* Creditors in respect of any tranche of *pari passu* indebtedness with aggregate *pari passu* liabilities owed to them and/or undrawn commitments under that tranche of less than £25 million shall not be entitled to vote in such class; or
- (c) in any other case, it will be a simple majority of a combined class of holders of the Notes, the Non-Super Senior Hedge Counterparties and *Pari Passu* Creditors (provided that any *Pari Passu* Creditors in respect of any tranche of *pari passu* indebtedness with aggregate *pari passu* liabilities owed to them and/or undrawn commitments under that tranche of less than £25 million shall not be entitled to vote in such class).

A creditor representative is not obliged to consult as described above (or shall only be obliged to consult for a shorter period) if:

- 1. an insolvency event has occurred and is continuing in relation to a Debtor;
- 2. there is an event of default continuing in respect of the liabilities owed to the relevant creditor group and that creditor group determines, acting reasonably and in good faith, that to do so and thereby delay enforcement could reasonably be expected to have a material adverse effect on (A) the Security Agent’s ability to enforce any of the Collateral or (B) the realization proceeds available to that creditor group of any enforcement of the Collateral in any material respect; or
- 3. the required creditor representatives so agree on the proposed enforcement action.

### ***Conflicting enforcement instructions***

At the end of the consultation period, the Security Agent must act on the instructions of the Instructing Group. The Instructing Group consists of (i) 66<sup>2</sup>/<sub>3</sub>% by commitment value of the Super Senior Creditors and (ii) the Senior Secured Required Holders.

If there are conflicting enforcement instructions given to the Security Agent by the different classes of creditors who can constitute the Instructing Group, then provided that the Senior Secured Required Holders have complied with the consultation obligations set out above and, those instructions are consistent with the security enforcement principles (see further below), the enforcement instructions from the Senior Secured Required Holders will prevail over those of the Super Senior Creditors and the Senior Secured Required Holders will constitute the Instructing Group. Failure by a class of creditors to give instructions will not be deemed to be an instruction that conflicts with any other enforcement instructions. After the Security Agent has commenced enforcement over the Collateral, it will not accept any subsequent instructions from anyone other than the Instructing Group that instructed it to take such action, except as described in the paragraph below.

If the relevant creditor group is the Senior Secured Required Holders and (a) the Security Agent has not taken any enforcement action within 3 months of the date of the first enforcement instructions; or (b) the Super Senior Creditors have not been repaid in full within six months of the date of the first enforcement instructions, any enforcement instructions given by 66<sup>2</sup>/<sub>3</sub>% by commitment value of the Super Senior Creditors will then prevail, provided that they are consistent with the security enforcement principles.

Any enforcement instructions given must comply with certain security enforcement principles including the following:

1. the primary and overriding aim of any enforcement is to achieve the security enforcement objective, namely to maximize, so far as consistent with prompt and expeditious realization of value from enforcement of the Collateral, the recovery of all of the secured parties (provided that the security enforcement objective shall cease to be operative six months after the date of the first enforcement instructions unless 66<sup>2</sup>/<sub>3</sub>% by commitment value of the Super Senior Creditors agree);
2. all enforcement proceeds will be received in cash by the Security Agent or sufficient enforcement proceeds will be received in cash by the Security Agent to ensure that after distribution in accordance with the Intercreditor Agreement, the Credit Facility Liabilities will be repaid in full (unless 66<sup>2</sup>/<sub>3</sub>%, by commitment value of the Super Senior Creditors agree otherwise));
3. to the extent that the enforcement is over Collateral with an aggregate book value exceeding £2.5 million or over shares in any member of the “Restricted Group,” the Security Agent shall obtain an opinion from a recognized independent investment bank or other reputable independent third party professional firm that is regularly engaged in providing valuations of the relevant type and size of assets, that the consideration from such enforcement is fair from a financial point of view taking into account all relevant circumstances (the “**Financial Advisor Opinion**”);
4. the Financial Advisor’s Opinion will be conclusive evidence that the Security Enforcement Principles have been met; and
5. if any enforcement action is conducted by way of public auction in any jurisdiction, no Financial Advisor needs to be appointed in respect of such enforcement action.

### ***Turnover***

Subject to certain exclusions, if any holders of the Notes, Lender, *Pari Passu* Creditor, Hedge Counterparty (or any of their respective creditor representatives) receives or recovers the proceeds of any enforcement of any Collateral except in accordance with “—*Application of proceeds*” below, that person must:

1. in relation to amounts not received or recovered by way of set off, hold that amount on trust for the Security Agent and promptly pay an amount equal to that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and
2. in relation to receipts and recoveries received or recovered by way of set off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

The Trustee shall only have an obligation to turn over or repay amounts received or recovered by it as described above (a) (i) if it had actual knowledge that the receipt or recovery is an amount received in breach of a provision of the Intercreditor Agreement; and (ii) to the extent that, prior to receiving that knowledge, it has not distributed the amount of that receipt to the holders of the Notes in accordance with the Indenture or (b) prior to distribution of the relevant amount, it has received at least two Business Days' prior notice that an acceleration event or insolvency event has occurred in relation to any Debtor or that the receipt or recovery is subject to the turnover obligations in the Intercreditor Agreement. A similar protection exists for any trustees of *Pari Passu* Debt.

There is also a general turnover obligation on the subordinated creditors to turnover all amounts not received in accordance with the Intercreditor Agreement.

### ***Application of proceeds***

All amounts from time to time recovered by the Security Agent in connection with the realization or enforcement of all or any part of the Collateral or Distressed Disposal shall be held by the Security Agent on trust and applied in the following order:

1. *first*, pro rata and *pari passu*, in payment of all unpaid costs, expenses and liabilities owing to the Trustee, the creditor representative for the *Pari Passu* Creditors, the Security Agent, each other creditor representative and any receiver or delegate
2. *second*, pro rata and *pari passu*, in payment of all costs and expenses incurred by the Super Senior Creditors in connection with the enforcement of the Collateral or any action taken at the request of the Security Agent;
3. *third*, pro rata and *pari passu*, in payment to the agent of the Lenders for its own behalf and on behalf of the arrangers of the Revolving Credit Facility and the Lenders for application towards the discharge of the Credit Facility Liabilities and to each Super Senior Hedge Counterparty for application toward the discharge of the Super Senior Hedging Liabilities up to an aggregate maximum amount equal to the Super Senior Hedging Amount;
4. *fourth*, pro rata and *pari passu*, in payment of all costs and expenses incurred by the holders of the Notes each Non-Super Senior Hedge Counterparty and the *Pari Passu* Creditors in connection with the enforcement of the Collateral or any action taken at the request of the Security Agent;
5. *fifth*, pro rata and *pari passu*, in payment to (i) the Trustee on behalf of the holders of the Notes for application towards the discharge of the Notes Liabilities in accordance with the Indenture ; (ii) each Super Senior Hedge Counterparty for application towards the discharge of any Hedging Liabilities in excess of the Super Senior Hedging Liabilities; (iii) each Non-Super Senior Hedge Counterparty for application of the discharge of the Hedge Liabilities which are not Super Senior Hedging Liabilities; and (iv) the creditor representatives of the *Pari Passu* Creditors for application towards the discharge of the *Pari Passu* Debt; and
6. *sixth*, after all the secured creditors have been repaid in full, in payment of the surplus (if any) to the relevant Debtor or other person entitled to it.

### ***Option to purchase***

The holders of the Notes and *Pari Passu* Creditors, which are holders of certain issued debt securities, may, after the commencement of a consultation period referred to in “—*Limitations on enforcement*” above by any Lenders, and subject to various conditions set out in the Intercreditor Agreement (including the grant of an acceptable indemnity against clawback to the Lenders and *Pari Passu* Loan Creditors), exercise an option to purchase the Credit Facility Liabilities in full and at par.

### ***Release of security and guarantees non distressed disposals***

In circumstances where a disposal is not a distressed disposal (and is otherwise permitted by the terms of the Revolving Credit Facility Agreement, the Indenture and any *Pari Passu* Debt documentation), the Intercreditor Agreement will provide that the Security Agent is authorized:

- (a) to release the Collateral or any other claim over the relevant asset; and

- (b) if the relevant asset consists of shares in the capital of a Debtor or a holding company of a Debtor, to release the Collateral or any other claim over that holding company's or Debtor's assets and the assets of any of their subsidiaries,

provided that in the case of a disposal to another member of the Restricted Group, any required replacement security is granted by the transferee before or at the same time as the release.

If required by the terms of the Revolving Credit Facility Agreement, the Indenture or *Pari Passu* Documents, any proceeds from a disposal that does not constitute a distressed disposal shall be applied in mandatory prepayment of the relevant debt.

#### ***Release of security and guarantees distressed disposals***

In circumstances where a distressed disposal is being effected, the Intercreditor Agreement provides that the Security Agent is authorized:

- (a) to release the Collateral or any other claim over the relevant asset;
- (b) if the asset which is disposed of consists of shares in the capital of a Debtor, to release (a) that Debtor and any subsidiary of that Debtor from all or any part of its borrowing liabilities, guaranteeing liabilities (including in relation to the Notes) and certain other liabilities; (b) any Collateral granted over that Debtor's assets and the assets of any of its subsidiaries; and (c) any other claim of a Debtor or intra group lender over that Debtor's assets or over the assets of any subsidiary of that Debtor;
- (c) if the asset which is disposed of consists of shares in the capital of any holding company of a Debtor, to release (a) that holding company and any subsidiary of that holding company from all or any part of its borrowing liabilities, guaranteeing liabilities (including in relation to the Notes) and certain other liabilities; (b) any Collateral granted over the assets of any subsidiary of that holding company; and (c) any other claim of a Debtor or intra group lender over the assets of any subsidiary of that holding company;
- (d) if the asset which is disposed of consists of shares in the capital of a Debtor or any holding company of a Debtor, to dispose of all or any part of that Debtor's or the holding company that Debtor's borrowing liabilities, guaranteeing liabilities (including in relation to the Notes) and certain other liabilities; and
- (e) if the asset which is disposed of consists of shares in the capital of a Debtor or any holding company of a Debtor, to transfer Intra Group Liabilities and debtor liabilities owed by that Debtor or holding company of a Debtor to another Debtor.

Any net proceeds of the disposal must be applied in accordance with the enforcement proceeds waterfall described above under "*—Application of proceeds.*"

#### ***Amendment***

The Intercreditor Agreement may be amended with the consent of only the required percentages of Super Senior Creditors (as set out in the Intercreditor Agreement), the required percentage of the combined class of the holders of the Notes and the Non-Super Senior Hedge Counterparties (as set out in the Intercreditor Agreement), the required percentage of *Pari Passu* Creditors (as set out in the relevant *Pari Passu* Debt documentation), the Company and the Security Agent unless it relates to certain specified matters such as ranking, priority, subordination, turnover, enforcement, disposal proceeds, amendments or the payment waterfall. Such amendments require consent from all Super Senior Creditors, the required percentage of holders of the Notes (as set out in the Indenture), the required percentage of *Pari Passu* Creditors (as set out in the relevant *Pari Passu* Debt documentation), and each Hedge Counterparty (to the extent such amendments adversely affect it or relate to the nature or scope of Transaction Security), the Company and the Security Agent.

No amendment or waiver of the Intercreditor Agreement may impose new or additional obligations on or withdraw or reduce the rights of any party (other than in a way which affects creditors of that party's class generally) to the Intercreditor Agreement without the prior consent of that party.

The Intercreditor Agreement may be amended without the consent of the holders of the Notes in certain circumstances set out further in "*Description of the Notes—Amendments to the Intercreditor Agreement and Additional Intercreditor Agreements*" below.



To the extent the Debtors wish to enter into *Pari Passu* Debt or other additional or replacement indebtedness (“**Additional Indebtedness**”) which is permitted to share in the Collateral pursuant to the Revolving Credit Facility Agreement, the Indenture and other *Pari Passu* Debt documentation, then the parties to the Intercreditor Agreement may be required to enter into a replacement intercreditor agreement as set out further in “*Description of the Notes—Amendments to the Intercreditor Agreement and Additional Intercreditor Agreements*” below on substantially the same terms as the Intercreditor Agreement.

The Intercreditor Agreement also permits the Security Agent (subject to the terms of the Revolving Credit Facility Agreement) to enter into new or supplemental security and/or release and retake Transaction Security if certain conditions are met, set out further in “*Description of the Notes—Certain Covenants—Impairment of security interest*” below.

### **Bridge Facility Agreement**

A bridge facility agreement in the committed amount of up to £260,000,000 was entered into on 9 September 2014 between the Company and Bidco as original guarantors, the Issuer as borrower and original guarantor, J.P. Morgan Limited and Lloyds Bank plc as arrangers, J.P. Morgan Europe Limited as agent and U.S. Bank Trustees Limited as security agent. The bridge facility agreement contains covenants that are similar to the Revolving Credit Facility. It is not currently anticipated that any amount will be drawn under the bridge facility agreement.

## Description of the Notes

The Issuer will issue and the Guarantors will guarantee £263 million aggregate principal amount of 9.500% senior secured notes due 2019 (the **“Notes”**) in this offering. The Notes were issued by Keystone Financing PLC (the **“Issuer”**), a public limited company which has been organized as a special purpose finance subsidiary to facilitate the offering of debt securities, and which has no operations and no assets other than its rights under the on-loans of proceeds to K&A Merger Limited pursuant to the Proceeds Loan Agreement (as defined herein). The Issuer will be dependent on payments by K&A Merger Limited on the Proceeds Loan (as defined herein) in order to service the Notes.

In this Description of the Notes, the **“Company”** refers only to Keystone Midco Limited and any successor obligor to Keystone Midco Limited on the Parent Guarantee (as defined below), **“Bidco”** refers only to Keystone Bidco Limited and any successor obligor to Keystone Bidco Limited on the Bidco Guarantee (as defined herein), and, in each case, not to any of their respective subsidiaries, including the Issuer, **“Lakeside Holdco”** refers only to Lakeside 1 Limited and any successor obligor to Lakeside 1 Limited on its Note Guarantee (as defined below) and the **“Issuer”** refers only to Keystone Financing PLC, and any successor obligor to Keystone Financing PLC on the Notes. Bidco is a wholly owned subsidiary of the Company, and the Issuer is a wholly owned subsidiary of Bidco.

The proceeds of the Offering sold on the Issue Date will be used by the Issuer, together with the Equity Contribution to fund, directly or indirectly, the purchase price for the Acquisition, to repay existing indebtedness owed by the Keepmoat Group and to pay fees, costs and expenses incurred in connection with the Transactions, as set forth in this Offering Memorandum under the caption *“Use of Proceeds”*.

Pending consummation of the Acquisition and the satisfaction of certain other conditions as described below, the initial purchasers will, concurrently with the closing of the offering of the Notes on the Issue Date, deposit the gross proceeds of this offering of the Notes less certain deductions with respect to fees and expenses into an escrow account (the **“Senior Secured Notes Escrow Account”**) pursuant to the terms of an escrow deed (the **“Senior Secured Notes Escrow Agreement”**) dated as of the Issue Date among, *inter alios*, the Issuer, U.S. Bank Trustees Limited, as trustee (the **“Trustee”**), and Elavon Financial Services Limited, UK Branch, as Senior Secured Notes Escrow Agent (the **“Escrow Agent”**). If the Acquisition is not consummated on or prior to December 1, 2014 (the **“Escrow Longstop Date”**), or upon the occurrence of certain other events, then the Notes will be redeemed at a price equal to 100% of the initial issue price of such Notes plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date to the Special Mandatory Redemption Date (as defined below). See *“—Escrow of proceeds; Special Mandatory Redemption”*.

Upon the initial issuance of the Notes, the Notes will be obligations of the Issuer and will be guaranteed by the Company (the **“Parent Guarantee”**) and Bidco (the **“Bidco Guarantee”**). Assuming the Completion Date occurs on or prior to the Escrow Longstop Date and the funds are released from the Senior Secured Notes Escrow Account, Lakeside Holdco and the Subsidiary Guarantors specified below will each become a party to the Indenture (as defined herein) and will guarantee the Notes on a senior secured basis as soon as reasonably practicable after the Completion Date but in any case no later than 15 Business Days from the Completion Date. Prior to the Completion Date, the Issuer and the Company will not control the Keepmoat Group, and the Keepmoat Group will not be subject to the covenants described in this *“Description of the Notes”*. As such, we cannot assure you that prior to the Completion Date, the Keepmoat Group will not engage in activities that would otherwise have been prohibited by the Indenture had those covenants been applicable to such entities after the Issue Date and prior to the Completion Date.

The Issuer will issue the Notes under an indenture to be dated as of the Issue Date (the **“Indenture”**) among, *inter alios*, the Issuer, the Guarantors (as defined herein) and the Trustee. The Notes were issued in private transactions that are not subject to the registration requirements of the Securities Act. See *“Transfer restrictions”*. The terms of the Notes include those stated in the Indenture. The Indenture will not be qualified under, incorporate provisions by reference to or otherwise be subject to the Trust Indenture Act of 1939, as amended.

The Indenture, the Notes and the Note Guarantees will be subject to the terms of the Intercreditor Agreement (as defined herein) and any Additional Intercreditor Agreement (as defined herein) entered into in the future pursuant to *“—Amendments to the Intercreditor Agreement and Additional Intercreditor Agreements”*. The terms of the Intercreditor Agreement are important to understand the terms and ranking of the Liens on the Collateral securing the Notes and the Note Guarantees. Please see *“Description of other indebtedness—Intercreditor Agreement”* for a description of the material terms of the Intercreditor Agreement.

This *“Description of the Notes”* is intended to be an overview of the material provisions of the Indenture, the Notes, the Note Guarantees, the Senior Secured Notes Escrow Agreement and the Proceeds Loan Agreement. Since this description of the terms of the Notes is only a summary, you should refer to the Indenture for complete descriptions of the obligations of the Issuer and the Guarantors and your rights.

Copies of the Indenture, the form of Notes, the Note Guarantees and the Intercreditor Agreement are available as set forth under “*Available information*”.

The Indenture is unlimited in aggregate principal amount, but this issuance of Notes is limited to £263 million aggregate principal amount of Notes. We may issue an unlimited principal amount of Additional Notes (as defined under “—*Additional Notes*”) under the Indenture subject to the procedures described therein; *provided* that we will only be permitted to issue Additional Notes in compliance with the covenants contained in the Indenture, including the covenant restricting the Incurrence of Indebtedness (as described below under “—*Certain Covenants—Limitation on Indebtedness*”). See “—*Additional Notes*”. Unless the context otherwise requires, in this “*Description of the Notes*”, references to the “Notes” include the Notes and the Additional Notes that are actually issued.

## **Summary description of the Notes**

### ***The Notes***

- will be senior obligations of the Issuer and rank equal in right of payment with any existing or future Indebtedness of the Issuer that is not expressly subordinated to the Notes;
- will be secured by the Collateral described below along with obligations under the Revolving Credit Facilities Agreement (although any liabilities in respect of obligations under certain Credit Facilities and certain Hedging Obligations that are secured by the Collateral will receive priority over the Holders with respect to any proceeds received upon any enforcement action over the Collateral);
- will be senior in right of payment to any future Subordinated Indebtedness (as defined herein) of the Issuer;
- will be effectively senior in right of payment to any existing or future unsecured obligations of the Issuer to the extent of the value of the Collateral that is available to satisfy the obligations under the Notes; and
- will be unconditionally guaranteed on a senior secured basis by the Guarantors, which guarantees may be subject to the guarantee limitations described in this Offering Memorandum.

### ***Principal and maturity***

On the Issue Date, the Issuer issued £263 million in aggregate principal amount of Notes. The Notes will mature on October 15, 2019. The Notes were issued in minimum denominations of £100,000 and in integral multiples of £1,000 in excess thereof. The rights of holders of beneficial interests in the Notes to receive the payments on such Notes are subject to applicable procedures of Euroclear and/or Clearstream. If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

### ***Interest***

Interest on the Notes will accrue at the rate of 9.500% per annum. Interest on the Notes will be payable, in cash, semi-annually in arrears on April 15 and October 15 of each year, commencing on April 15, 2015 to holders of record on the immediately preceding April 1 and October 1, respectively. Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of original issuance. Interest on the Notes will be computed on the basis of a 360-day year comprised of twelve 30-day months. Each interest period shall end on (but not include) the relevant interest payment date.

### ***Additional Notes***

From time to time, subject to the Company’s compliance with the covenants contained in the Indenture, including the covenants restricting the incurrence of Indebtedness (as described below under the heading “—*Certain Covenants—Limitation on Indebtedness*”), the Issuer is permitted to issue additional Notes, which shall have terms substantially identical to the Notes except in respect of any of the following terms which shall be set forth in an Officer’s Certificate supplied to the Trustee (the “**Additional Notes**”):

- (1) the title of such Additional Notes;
- (2) the aggregate principal amount of such Additional Notes;

- (3) the date or dates on which such Additional Notes will be issued;
- (4) the rate or rates (which may be fixed or floating) at which such Additional Notes shall bear interest and, if applicable, the interest rate basis, formula or other method of determining such interest rate or rates, the date or dates from which such interest shall accrue, the interest payment dates on which such interest shall be payable or the method by which such dates will be determined, the record dates for the determination of holders thereof to whom such interest is payable and the basis upon which such interest will be calculated;
- (5) the currency or currencies in which such Additional Notes shall be denominated and the currency in which cash or government obligations in connection with such series of Additional Notes may be payable;
- (6) the date or dates and price or prices at which, the period or periods within which, and the terms and conditions upon which, such Additional Notes may be redeemed, in whole or in part;
- (7) if other than denominations of £100,000 and in integral multiples of £1,000 in excess thereof, the denominations in which such Additional Notes shall be issued and redeemed; and
- (8) the ISIN, Common Code, CUSIP or other securities identification numbers with respect to such Additional Notes.

Unless the context otherwise requires, for all purposes of the Indenture and this “*Description of the Notes*”, references to “Notes” shall be deemed to include references to the Notes and shall be deemed to include the Notes initially issued on the Issue Date as well as any Additional Notes. Additional Notes shall be treated, along with all other Notes, as a single class for the purposes of the Indenture with respect to waivers, amendments and all other matters which are not specifically distinguished for such series. For all purposes other than U.S. federal income tax purposes, Additional Notes shall be deemed to form one series with any Notes previously issued if they have terms substantially identical in all material respects to such other Notes. In the event that any Additional Notes are not fungible with any Notes previously issued for U.S. federal income tax purposes, such non-fungible Additional Notes shall be issued with a separate ISIN, Common Code, CUSIP or other securities identification number, as applicable, so that they are distinguishable from such previously issued Notes.

#### ***Methods of receiving payments on the Notes***

Principal, premium, if any, interest and Additional Amounts (as defined under “—*Additional Amounts*”), if any, on the Global Notes (as defined under “—*Transfer and exchange*”) will be payable at the specified office or agency of one or more Paying Agents (as defined under “—*Paying Agent, Registrar and Transfer Agent for the Notes*”); *provided that* all such payments with respect to Notes represented by one or more Global Notes registered in the name of or held by the common depositary for Euroclear or Clearstream or its nominee will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof.

Principal, premium, if any, interest and Additional Amounts, if any, on any certificated securities (“**Definitive Registered Notes**”) will be payable at the specified office or agency of one or more Paying Agents in the city of London maintained for such purposes. In addition, interest on the Definitive Registered Notes may be paid by check mailed to the Person entitled thereto as shown on the register for the Definitive Registered Notes. See “—*Paying Agent, Registrar and Transfer Agent for the Notes*”.

#### ***Paying Agent, Registrar and Transfer Agent for the Notes***

The Issuer will maintain one or more paying agents (each, a “**Paying Agent**”) for the Notes, including a Paying Agent in London, United Kingdom. The Issuer will also undertake to maintain a paying agent in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to the European Council Directive 2003/48/EC regarding the taxation of savings income or any other directive implementing the conclusions of the ECOFIN Council meetings of 26 and 27 November 2000 on the taxation of savings income (the “**Taxation Directive**”), or any law implementing, or complying with or introduced in order to conform to the Taxation Directive. The initial Paying Agent for the Notes will be Elavon Financial Services Limited, UK Branch.

The Issuer will also maintain (i) one or more registrars (each, a “**Registrar**”) with offices in Luxembourg, Grand Duchy of Luxembourg and (ii) a transfer agent in London, United Kingdom (the “**Transfer Agent**”). The initial Registrar will be Elavon Financial Services Limited. The initial Transfer Agent will be Elavon Financial Services Limited, UK Branch. The Registrar, the Paying Agent and the Transfer Agent, as applicable, will maintain a register reflecting ownership of

Definitive Registered Notes outstanding from time to time, if any, and will make payments on and facilitate transfers of Definitive Registered Notes on behalf of the Issuer. The Transfer Agent shall perform the functions of a transfer agent.

The Issuer may change any Paying Agent, Registrar or Transfer Agent for the Notes without prior notice to the Holders. However, for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange (the “**LxSE**”) and admitted for trading on the Euro MTF of the LxSE and the rules of such exchange so require, the Issuer will publish a notice of any change of Paying Agent, Registrar or Transfer Agent in accordance with the requirements of such rules. The Issuer or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Notes.

### ***Transfer and exchange***

The Notes were issued in the form of one or more registered notes in global form without interest coupons, as follows:

- Each series of Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the “**144A Global Notes**”).
- The 144A Global Notes will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.
- Each series of Notes sold outside the United States to non- U.S. persons pursuant to Regulation S under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the “**Regulation S Global Notes**” and, together with the 144A Global Notes, the “**Global Notes**”).
- The Regulation S Global Notes will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Global Notes (“**Book-Entry Interests**”) will be limited to Persons that have accounts with Euroclear or Clearstream or Persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under “*Transfer restrictions*”. In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear or Clearstream, as applicable, pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream, as applicable, and their respective participants.

Book-Entry Interests in the 144A Global Notes may be transferred to a Person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Prior to 40 days after the date of initial issuance of the Notes, ownership of Book-Entry Interests in Regulation S Global Notes will be limited to Persons that have accounts with Euroclear or Clearstream or Persons who hold interests through Euroclear or Clearstream, and any sale or transfer of such interest to U.S. persons shall not be permitted during such period unless such resale or transfer is made pursuant to Rule 144A under the Securities Act. Subject to the foregoing, Regulation S Book-Entry Interests may be transferred to a Person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a Person who the transferor reasonably believes is a “qualified institutional buyer” within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under “*Transfer restrictions*” and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book- Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of £100,000 principal amount and integral multiples of £1,000 in excess thereof, upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant that owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in

the Indenture or as otherwise determined by the Board of Directors or an Officer of the Company or the Issuer to be in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under “*Transfer restrictions*”.

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged in whole or in part, in minimum denominations of £100,000 in principal amount and integral multiples of £1,000 in excess thereof. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream, as applicable, to furnish certain certificates and opinions, and to pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any Taxes payable in connection with such transfer.

Notwithstanding the foregoing, the Issuer is not required to register the transfer or exchange of any Notes:

- (1) for a period of 15 days prior to any date fixed for the redemption of such Notes;
- (2) for a period of 15 days immediately prior to the date fixed for selection of such Notes to be redeemed in part;
- (3) for a period of 15 days prior to the record date with respect to any interest payment date applicable to such Notes; or
- (4) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer (as defined under “—*Change of Control*”) or an Asset Disposition Offer (as defined under “—*Certain Covenants—Limitation on sales of assets and subsidiary stock*”).

The Issuer, the Trustee, any Paying Agent, the Registrar and the Transfer Agent will be entitled to treat the Holder as the owner of it for all purposes.

#### ***Restricted Subsidiaries and Unrestricted Subsidiaries***

Immediately after the issuance of the Notes and upon the Completion Date, all the Company’s Subsidiaries will be Restricted Subsidiaries. In the circumstances described below under the definition of “Unrestricted Subsidiary”, the Company will be permitted to designate Restricted Subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants contained in the Indenture.

#### **Escrow of proceeds; Special Mandatory Redemption**

Concurrently with the closing of the offering of the Notes on the Issue Date, the Issuer will enter into the Senior Secured Notes Escrow Agreement with, *inter alios*, the Trustee and the Escrow Agent, pursuant to which the Initial Purchasers will deposit with the Escrow Agent an amount equal to the gross proceeds of this offering of the Notes sold on the Issue Date less certain deductions with respect to fees and expenses into the Senior Secured Notes Escrow Account. The Senior Secured Escrow Account, together with the Senior Secured Notes Escrowed Property (as defined below), will be charged on a first- ranking basis in favor of the Trustee for the benefit of the holders of the Notes, pursuant to an escrow charge dated the Issue Date between the Issuer, the Escrow Agent and the Trustee (the “**Senior Secured Notes Escrow Charge**”). The initial funds deposited in the Senior Secured Notes Escrow Account, and all other funds, securities, interest, dividends, distributions and other property and payments credited to the Senior Secured Notes Escrow Account (less any property and/or funds paid in accordance with the Senior Secured Notes Escrow Agreement) are referred to, collectively, as the “**Senior Secured Notes Escrowed Property**”.

In order to cause the Escrow Agent to release the Senior Secured Notes Escrowed Property to the Issuer or to such account as may be designated by the Issuer (the “**Release**”), the Escrow Agent and the Trustee shall have received from the Issuer, on or before the Escrow Longstop Date, an Officer’s Certificate, upon which both the Escrow Agent and the Trustee shall rely, without further investigation, to the effect that:

- (1) (i) the Equity Contribution has been made, (ii) the Acquisition will be consummated on the terms set forth in the Acquisition Agreement, promptly following the release of the Senior Secured Notes Escrowed Property and (iii) no material term or condition of the Acquisition Agreement has been amended or waived in a manner or to an extent that would be materially adverse to the interests of Holders of the Notes, other than any amendment or waiver made with the consent of Holders of a majority of the outstanding Notes;

(2) immediately after consummation of the Acquisition, the Company will own, directly or indirectly, the entire share capital of Lakeside Holdco; and

(3) as of the Completion Date, there are no events of bankruptcy, insolvency or court protection with respect to the Company, Bidco or the Issuer.





The Release will occur promptly upon the satisfaction of the conditions set forth above (the date of such satisfaction, the **“Completion Date”**). Upon the Release, the Senior Secured Notes Escrowed Property will be paid out in accordance with the Senior Secured Notes Escrow Agreement and the Senior Secured Notes Escrow Account will be reduced to zero.

In the event that (a) the Completion Date does not take place on or prior to the Escrow Longstop Date, (b) in the reasonable judgment of the Issuer, the Acquisition will not be consummated on or prior to the Escrow Longstop Date, (c) the Acquisition Agreement terminates at any time on or prior to the Escrow Longstop Date, or (d) there is an event of bankruptcy, insolvency or court protection with respect to the Company, Bidco or the Issuer on or prior to the Escrow Longstop Date (the date of any such event being the **“Special Termination Date”**), the Issuer will redeem all of the Notes (the **“Special Mandatory Redemption”**) at a price (the **“Special Mandatory Redemption Price”**) equal to 100% of the aggregate issue price of the Notes, plus accrued but unpaid interest and Additional Amounts, if any, from the Issue Date to the Special Mandatory Redemption Date (as defined below) (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Notice of the Special Mandatory Redemption will be delivered by the Issuer, no later than one Business Day following the Special Termination Date, to the Trustee and the Escrow Agent, and will provide that the Notes shall be redeemed on a date that is no later than the fifth Business Day after such notice is given by the Issuer in accordance with the terms of the Senior Secured Notes Escrow Agreement (the **“Special Mandatory Redemption Date”**). On the Special Mandatory Redemption Date, the Escrow Agent shall pay to the Paying Agent for payment to each Holder the Special Mandatory Redemption Price for such Holder’s Notes and, concurrently with the payment to such Holders, deliver any excess Senior Secured Notes Escrowed Property (if any) to the Issuer.

In the event that the Special Mandatory Redemption Price payable upon such Special Mandatory Redemption exceeds the amount of the Senior Secured Notes Escrowed Property available to pay the Special Mandatory Redemption Price, one or more of the Equity Investors will be required to fund any such excess, including the accrued and unpaid interest, and Additional Amounts, if any, owing to the holders of the Notes, pursuant to a commitment provided by such Equity Investors.

To secure the payment of the Special Mandatory Redemption Price, the Issuer will grant to the Trustee for the benefit of the Holders of the Notes a security interest over the Senior Secured Notes Escrow Account and the Senior Secured Notes Escrowed Property. Receipt by the Trustee from the Issuer of either an Officer’s Certificate for the release or a notice of Special Mandatory Redemption (provided funds sufficient to pay the Special Mandatory Redemption Price are in the Senior Secured Notes Escrow Account) shall constitute deemed consent by the Trustee for the release of the Senior Secured Notes Escrowed Property from the Senior Secured Notes Escrow Charge.

If at the time of such Special Mandatory Redemption, the Notes are listed on the LxSE and the rules of the LxSE so require, the Issuer will notify the LxSE that the Special Mandatory Redemption has occurred and any relevant details relating to such Special Mandatory Redemption.

## **Note Guarantees**

The obligations of the Issuer pursuant to the Notes will be unconditionally guaranteed, jointly and severally, by the Company, by Bidco, by Lakeside Holdco and by certain material Wholly Owned Restricted Subsidiaries of Lakeside Holdco, as described below. Each Restricted Subsidiary (other than Bidco and Lakeside Holdco) that provides a guarantee of the Notes (a **“Subsidiary Note Guarantee”**) is referred to herein as a **“Subsidiary Guarantor”**, and together with the Company, Bidco and Lakeside Holdco as the **“Guarantors”**. The initial Subsidiary Guarantors will consist of Apollo Holdco Limited, Apollo Support Services Group Limited, Castle 1 Limited, Conquest Bidco Limited, K&A Merger Limited, Keepmoat Homes Limited, Keepmoat in Partnership Limited, Keepmoat Limited, Keepmoat Property Limited, Keepmoat Property Services Limited, Keepmoat Regeneration (Apollo) Limited, Keepmoat Regeneration (Bramall) Limited, Keepmoat Regeneration (FHM) Limited, Keepmoat Regeneration Holdings Limited, Keepmoat Regeneration Limited and Toucan Holdings Limited, and will include each entity that has guaranteed, or is a borrower under, the Revolving Credit Facilities Agreement as of the Completion Date.

For the twelve months ended June 30, 2014, the Guarantors generated £960.4 million or 100% of our turnover and £57.3 million or 100.6% of our EBITDA. As of June 30, 2014, the Guarantors represented £2,196.0 million or 99.5% of our total unconsolidated assets.

As of the Issue Date, the Company and Bidco will each grant the Parent Guarantee and the Bidco Guarantee, respectively. Lakeside Holdco and the initial Subsidiary Guarantors set forth above will deliver the relevant Note Guarantee as soon as practicable after the Completion Date but in any case within 15 Business Days of the date of the Completion Date.

In addition, subject to the Agreed Security Principles, if the Company or any of its Restricted Subsidiaries acquires or creates a Restricted Subsidiary (other than an Immaterial Subsidiary) after the Issue Date or any Restricted Subsidiary guarantees or becomes liable for certain Indebtedness, the Company will cause such new Subsidiary to provide a Subsidiary Note Guarantee. The new Guarantor will also, subject to the Agreed Security Principles, be required to pledge assets in favor of the Subsidiary Note Guarantee as described under “—Security”.

The Agreed Security Principles apply to the granting of guarantees and security in favor of obligations under the Revolving Credit Facilities Agreement and the Notes. The Agreed Security Principles include restrictions on the granting of guarantees where, among other things, such grant would be restricted by general statutory limitations, financial assistance, corporate benefit, fraudulent preference, “thin capitalization” rules, retention of title claims and similar matters.

Each Note Guarantee will be limited to the maximum amount that would not render the Guarantor’s obligations subject to avoidance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of foreign or state law, or as otherwise required under the Agreed Security Principles to comply with corporate benefit, financial assistance and other laws. By virtue of this limitation, a Guarantor’s obligation under its Note Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Note Guarantee. See “*Risk Factors—Risks related to our structure—Each Note Guarantee is subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability*”.

The Parent Guarantee, the Bidco Guarantee, the Note Guarantee provided by Lakeside Holdco (the “**Lakeside Holdco Guarantee**” and, together with the Parent Guarantee, the Bidco Guarantee and the Subsidiary Note Guarantees, the “**Note Guarantees**”) and the Subsidiary Note Guarantee of a Subsidiary Guarantor will terminate upon:

- (1) except in respect of the Parent Guarantee and the Bidco Guarantee, a sale or other disposition (including by way of consolidation or merger) of Capital Stock of the relevant Guarantor or of a Parent thereof, such that such Guarantor ceases to be a Restricted Subsidiary, or the sale or disposition of all or substantially all the assets of the relevant Guarantor (other than to the Company or a Restricted Subsidiary), in each case in a transaction otherwise permitted by the Indenture;
- (2) except in respect of the Parent Guarantee and the Bidco Guarantee, the designation in accordance with the Indenture of the relevant Guarantor as an Unrestricted Subsidiary;
- (3) defeasance or discharge of the Notes, as provided in “—Defeasance” and “—Satisfaction and discharge”;
- (4) in the case of a Subsidiary Note Guarantee only (other than the initial Subsidiary Note Guarantees), to the extent that the relevant Guarantor is not an Immaterial Subsidiary solely due to the operation of clause (i) of the definition of “Immaterial Subsidiary”, upon the relevant release of the guarantee or discharge of Indebtedness referred to in such clause;
- (5) upon full payment of all obligations of the Issuer and the Guarantors under the Indenture and the Notes; or
- (6) in connection with certain enforcement actions taken by the creditors under certain of our secured Indebtedness as provided under the Intercreditor Agreement.

Substantially all the operations of the Company are conducted through its Subsidiaries. Claims of creditors of non-guarantor Subsidiaries, including trade creditors, secured creditors and creditors holding debt and guarantees issued by those Subsidiaries, and claims of preferred and minority stockholders (if any) of those Subsidiaries will have priority with respect to the assets and earnings of those Subsidiaries over the claims of creditors of the Company, including Holders or the claims made under the Proceeds Loan. The Notes, each Note Guarantee and the Proceeds Loan therefore will be effectively subordinated to creditors (including trade creditors) and preferred and minority stockholders (if any) of any future Subsidiaries of the Company that do not become Guarantors.

Although the Indenture limits the incurrence of Indebtedness, Disqualified Stock and Preferred Stock of Restricted Subsidiaries, the limitation is subject to a number of significant exceptions. Moreover, the Indenture does not impose any limitation on the incurrence by the Company or Restricted Subsidiaries of liabilities that are not considered Indebtedness, Disqualified Stock or Preferred Stock under the Indenture. See “—Certain Covenants—Limitation on Indebtedness”.

## Security

### *The Collateral*

On the Issue Date, the Notes will be effectively secured on a first-priority basis by the Senior Secured Notes Escrow Charge. Additionally, on the Issue Date (except as otherwise noted) and subject to the operation of the Agreed Security Principles described below, fixed and floating charges on a first-priority basis over substantially all of the assets of the Company, Bidco and the Issuer (together with the Senior Secured Notes Escrow Charge, the **“Initial Collateral”**), will be granted to the Security Agent for the benefit of the secured parties (which includes the Trustee on behalf of the Holders), pursuant to an English law governed debenture (including shares of capital stock of Bidco held by the Company, shares of capital stock of the Issuer held by Bidco and, upon the Completion Date, shares of capital stock of Lakeside Holdco held by Bidco; certain bank accounts held by the Company, Bidco and the Issuer; upon the Completion Date, an assignment of (or to the extent not validly assigned, a fixed charge over) the rights of the Issuer under the Proceeds Loan; and an assignment of (or to the extent not validly executed, a charge over) the rights of Bidco under the documents governing the acquisition of Lakeside Holdco).

As soon as practicable after the Completion Date, but in any case no later than 15 Business Days after the Completion Date, subject to the operation of the Agreed Security Principles described below, Apollo Holdco Limited, Apollo Support Services Group Limited, Castle 1 Limited, Conquest Bidco Limited, K&A Merger Limited, Keepmoat Homes Limited, Keepmoat in Partnership Limited, Keepmoat Limited, Keepmoat Property Limited, Keepmoat Property Services Limited, Keepmoat Regeneration (Apollo) Limited, Keepmoat Regeneration (Bramall) Limited, Keepmoat Regeneration (FHM) Limited, Keepmoat Regeneration Holdings Limited, Keepmoat Regeneration Limited, Lakeside Holdco and Toucan Holdings Limited will grant to the Security Agent for the benefit of the secured parties (which includes the Trustee on behalf of the Holders) fixed and floating charges on a first-priority basis over substantially all of their respective assets, including shares of capital stock of each of the Subsidiary Guarantors, certain bank accounts, certain real property, certain intellectual property and an assignment of their rights under certain contracts (including their rights to proceeds under certain insurance policies, rights under certain intercompany loan agreements and rights under the Acquisition Agreement), pursuant to an English law governed debenture and, for certain obligors, by way of a legal mortgage over certain real property (collectively, the **“Post-Closing Collateral”** and, together with the Initial Collateral, the **“Collateral”**).

Notwithstanding the foregoing, certain assets may not be secured or such security may not be perfected in accordance with the Agreed Security Principles, including:

- if the cost of providing security is not proportionate to the benefit accruing to the Holders and the other secured parties;
- if providing such security requires consent of a third party and, if the asset is material, such consent cannot be obtained after the use of reasonable efforts;
- if providing such security would be prohibited by general statutory limitations, financial assistance, corporate benefit, fraudulent preference, “thin capitalization” rules or similar matters or entering into the Security Documents would conflict with fiduciary duties of directors, contravene any legal or regulatory prohibition or result in a risk of personal or criminal liability on the part of directors or officers;
- if perfecting such security would have an unreasonable adverse effect on the ability of such Subsidiary to conduct its operations and business in the ordinary course as otherwise permitted by the Indenture;
- if in certain jurisdictions it may not be possible to create security over certain assets, security will not be taken over such assets; and
- in the case of bank accounts, notices to the banks with whom the accounts are maintained will only be served after a “Relevant Acceleration Event” (as defined in the Agreed Security Principles).

### *Administration and enforcement of security*

The Security Documents and the Collateral will be administered by a Security Agent (or in certain circumstances a receiver or delegate) pursuant to the Intercreditor Agreement for the benefit of all the secured parties. For a description of the Intercreditor Agreement, see *“Description of other indebtedness—Intercreditor Agreement”*.

The ability of Holders to realize the Collateral will be subject to various insolvency law limitations in the event of the Company’s insolvency and various contractual limitations set out in the Intercreditor Agreement. See *“Risk factors—*

*Risks related to our structure—English and other local insolvency laws and other jurisdictions may provide you with less protection than U.S. bankruptcy law” and “Risk factors—Risks related to our structure—Each Note Guarantee is subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability”.*

The Security Documents will provide that the rights of the Holders with respect to the Collateral must be exercised by the Security Agent. Since the Holders are not a party to the Security Documents, Holders may not, individually or collectively, take any direct action to enforce any rights in their favor under the Security Documents. The Holders may only act through the Trustee or the Security Agent, as applicable. The Security Agent will agree to release a security interest created by the Security Documents that is in accordance with the Indenture and the Intercreditor Agreement without requiring any consent of the Holders. Subject to the terms of the Intercreditor Agreement and the Indenture, the Holders will, in certain circumstances, be entitled to direct the Trustee to direct the Security Agent to commence enforcement action under the Security Documents. Please see “*Description of other indebtedness—Intercreditor Agreement*”.

Subject to the terms of the Security Documents, the Issuer and the Guarantors will have the right to remain in possession and retain control of the Collateral securing the Notes (other than as set forth in the Security Documents), to freely operate the Collateral and to collect, invest and dispose of any income therefrom.

No appraisals of any of the Collateral have been prepared by or on behalf of the Company in connection with the issuance of the Notes. There can be no assurance that the proceeds from the sale of the Collateral remaining after the payment of obligations under the Revolving Credit Facilities Agreement or other super priority obligations would be sufficient to satisfy the obligations owed to the Holders as well as any other obligations secured on a *pari passu* basis. By its nature, some or all the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral can be sold in a short period of time or at all. See “*Risk factors—Risks related to our indebtedness and the Notes—The Notes will be secured only to the extent of the value of the Collateral that will be granted as security for the Notes and the Note Guarantees, and such security may not be sufficient to satisfy the obligations under the Notes and the Note Guarantees*”.

The creditors under the Revolving Credit Facilities Agreement and, by accepting a Note, each Holder will be deemed to have:

- irrevocably appointed U.S. Bank Trustees Limited, as Security Agent, in each case to act as its security agent under the Intercreditor Agreement and the other relevant documents to which the security agent is a party (including, without limitation, the Security Documents);
- irrevocably authorized the Security Agent and the Trustee to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to each of them under the Intercreditor Agreement or other documents to which the Security Agent and/or the Trustee is a party, together with any other incidental rights, power and discretions; and (ii) execute each document expressed to be executed by the Security Agent and/or the Trustee on its behalf; and
- accepted the terms and conditions of the Intercreditor Agreement and any Additional Intercreditor Agreement (as defined herein) and each Holder will also be deemed to have authorized the Security Agent and the Trustee to enter into any such Additional Intercreditor Agreement.

In addition, the terms of the Security Documents and/or the nature of the security interest granted may provide for (or result in) certain assets originally the subject of a security interest being released from that security without the need for a formal release (such as the disposal of floating charge assets or the exclusion of a leasehold interest in relation to which the lessor’s consent to charge would be required). Further, assets which may not be validly secured or assets which are already subject to certain types of Permitted Lien may be excluded from the security created by certain Security Documents.

### ***Release of Liens***

To the extent a release is required by a Security Document, the Security Agent shall release, and the Trustee shall release and if so requested direct the Security Agent to release, without the need for consent of the Holders, Liens on the Collateral securing the Notes:

- (1) upon payment in full of principal, interest and all other obligations on the Notes issued under the Indenture or discharge or defeasance thereof;

(2) upon release of a Note Guarantee (with respect to the Liens securing such Note Guarantee granted by such Guarantor);

(3) in connection with any disposition of Collateral to any Person; *provided* that if the Collateral is disposed of to the Company or a Restricted Subsidiary, the relevant Collateral becomes immediately subject to a substantially equivalent Lien in favor of the Security Agent securing the Notes (but excluding any transaction subject to “—*Certain Covenants—Merger and consolidation—The Issuer and the Company*”); *provided*, further, that, in each case, such disposition is permitted by the Indenture;

(4) if the Company designates any Subsidiary Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property, assets and Capital Stock of such Unrestricted Subsidiary;

(5) in connection with certain enforcement actions taken by the creditors under certain of our Secured Indebtedness as provided under the Intercreditor Agreement, or otherwise in compliance with the Intercreditor Agreement;

(6) as may be permitted by the covenant described under “—*Certain Covenants—Impairment of security interest*”; and

(7) in order to effectuate a merger, consolidation, conveyance or transfer conducted in compliance with the covenant described under “—*Certain Covenants—Merger and consolidation*”.

Each of these releases shall be effected by the Security Agent without the consent of the Holders or any action on the part of the Trustee.

### ***Intercreditor Agreement***

On the Issue Date, the Trustee shall accede to the Intercreditor Agreement. Pursuant to the terms of the Intercreditor Agreement, any liabilities in respect of obligations under the Revolving Credit Facilities Agreement and certain Hedging Obligations that are secured by Collateral that also secures our obligations under the Notes and the Note Guarantees will receive priority with respect to any proceeds received upon any enforcement action over any such assets. Any remaining proceeds received upon any enforcement action over any Collateral, after all obligations under the Revolving Credit Facilities Agreement and certain Hedging Obligations have been repaid from such recoveries, will be applied pro rata in repayment of all obligations under the Indenture and the Notes and any other indebtedness of the Issuer and the Guarantors permitted to be Incurred and secured by the Collateral pursuant to the Indenture and the Intercreditor Agreement.

### ***Amendments to the Intercreditor Agreement and Additional Intercreditor Agreements***

The Indenture will provide that, at the request of the Company, in connection with the Incurrence or refinancing by the Issuer, the Company or its Restricted Subsidiaries of any Indebtedness secured or permitted to be secured on the Collateral, the Issuer, the Company, the relevant Restricted Subsidiaries, the Trustee and the Security Agent, as applicable, shall enter into an intercreditor or similar agreement or a restatement, amendment or other modification of the existing Intercreditor Agreement (an “**Additional Intercreditor Agreement**”) with the holders of such Indebtedness (or their duly authorized representatives) on substantially the same terms as the Intercreditor Agreement (or on terms that in the good faith judgment of the Board of Directors or an Officer of the Company are not materially less favorable to the Holders), including containing substantially the same terms with respect to the application of the proceeds of the collateral held thereunder and the means of enforcement, it being understood that an increase in the amount of Indebtedness being subject to the terms of the Intercreditor Agreement or Additional Intercreditor Agreement will not be deemed to be less favorable to the Holders and will be permitted by this covenant if the Incurrence of such Indebtedness and any Lien in its favor is permitted by the “—*Certain Covenants—Limitation on Indebtedness*” and “—*Certain Covenants—Limitation on Liens*” covenants; *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or the Security Agent or, in the opinion of the Trustee or the Security Agent, adversely affect the rights, duties, liabilities or immunities of the Trustee or the Security Agent under the Indenture or the Intercreditor Agreement. As used herein, the term “Intercreditor Agreement” shall include references to any Additional Intercreditor Agreement that supplements or replaces the Intercreditor Agreement.

The Indenture will provide that, at the written direction of the Issuer and without the consent of the Holders, the Trustee or the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement to: (i) cure any ambiguity, omission, defect or inconsistency of any such agreement, (ii) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Issuer that is subject to any such agreement (*provided* that such Indebtedness is Incurred in compliance with the Indenture), (iii) add Restricted Subsidiaries to the Intercreditor Agreement, (iv) further secure the Notes (including Additional Notes Incurred in compliance with the Indenture), (v) make provision for equal and ratable pledges of the Collateral to secure Additional Notes Incurred in compliance with the Indenture or to implement any Permitted Collateral Liens or (vi) make any other change to any such agreement that does not adversely affect the Holders in any material respect. The Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to any Intercreditor Agreement without the consent of the Holders of a majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under “—*Amendments and Waivers*” or as permitted by the terms of such Intercreditor Agreement, and the Issuer may only direct the Trustee or the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or the Security Agent or, in the opinion of the Trustee or the Security Agent, adversely affect the rights, duties, liabilities or immunities of the Trustee under the Indenture relating to the Notes or any Intercreditor Agreement.

The Indenture will provide that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of any Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein), and to have authorized the Trustee to enter into any one or more amendments to any Intercreditor Agreement as contemplated above.

## The Proceeds Loan

On the Completion Date, the Issuer, as lender, and K&A Merger Limited, as borrower, will enter into the Proceeds Loan Agreement pursuant to which the Issuer will loan to K&A Merger Limited the proceeds from the issuance of the Notes.

The Proceeds Loan will be denominated in pounds sterling in aggregate principal amount equal to the aggregate principal amount of the Notes less certain deductions with respect to fees and expenses. See “*Use of proceeds*”. The Proceeds Loan will bear interest at a rate at least equal to the interest rates of the Notes. Interest on the Proceeds Loan will be payable semi-annually in arrears on or prior to the corresponding date for the payment of interest on the Notes.

The Proceeds Loan Agreement will provide that K&A Merger Limited will pay the Issuer interest and principal due and payable on the Notes and any Additional Amounts due thereunder. All amounts payable under the Proceeds Loan will be payable to such account or accounts with such Person or Persons as the Issuer may designate. The maturity date of the Proceeds Loan will be at such times as will allow the Issuer to redeem, repay or repurchase the proportion of the Notes to be redeemed, repaid or repurchased by the Issuer, pursuant to the terms of the Indenture. Except as otherwise required by law, all payments under the Proceeds Loan Agreement will be made without deductions or withholding for, or on account of, any applicable tax. In the event that K&A Merger Limited is required to make any such deduction or withholding, K&A Merger Limited shall gross up each payment to the Issuer to ensure that the Issuer receives and retains a net payment equal to the payment which it would have received had no such deduction or withholding been made.

The Proceeds Loan Agreement will provide that K&A Merger Limited will make all payments pursuant thereto on a timely basis in order to ensure that the Issuer can satisfy its payment obligations under the Notes and the Indenture, taking into account the administrative and timing requirements under the Indenture with respect to amounts payable on the Notes.

The Issuer’s rights under the Proceeds Loan Agreement will be assigned by way of security to the Security Agent and comprise part of the Collateral, as described above under “—*Security—The Collateral*”.

## Optional redemption

Except as set forth herein and under “—*Redemption for taxation reasons*” and “—*Escrow of proceeds; Special Mandatory Redemption*”, the Notes are not redeemable at the option of the Issuer.

At any time and from time to time on or after October 15, 2016, the Issuer may redeem the Notes, in whole or in part, at its option, upon not less than 10 nor more than 60 days’ prior notice at a redemption price equal to the applicable percentage of principal amount set forth below plus accrued and unpaid interest to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Period commencing	Percentage
October 15, 2016 .....	104.750%
October 15, 2017 .....	102.375%
October 15, 2018 and thereafter.....	100.000%

At any time and from time to time prior to October 15, 2016, the Issuer may redeem Notes with the Net Cash Proceeds received from any Equity Offering, upon not less than 10 nor more than 60 days’ prior notice at a redemption price equal to 109.500% plus accrued and unpaid interest to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), in an aggregate principal amount for all such redemptions not to exceed 40% of the original aggregate principal amount of the Notes (including Additional Notes); *provided that*:

- (1) in each case the redemption takes place not later than 120 days after the closing of the related Equity Offering, and
- (2) not less than 60% of the original aggregate principal amount of the Notes (including the principal amount of any Additional Notes) remains outstanding immediately thereafter.

At any time prior to October 15, 2016, the Issuer may redeem the Notes in whole or in part, at its option, upon not less than 10 nor more than 60 days’ prior notice at a redemption price equal to 100% of the principal amount of such Notes plus the relevant Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

## **General**

Notice of redemption will be provided as set forth under “—*Selection and notice*” below.

If the Issuer effects an optional redemption of Notes of a series, it will, for so long as such Notes are listed on the Euro MTF of the LxSE, inform the LxSE of such optional redemption and confirm the aggregate principal amount of the Notes of that series that will remain outstanding immediately after such redemption.

Any redemption and notice of redemption may, at the Issuer’s discretion, be subject to the satisfaction of one or more conditions precedent (including, in the case of a redemption related to an Equity Offering, the consummation of such Equity Offering).

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest will be paid to the Person in whose name the Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Issuer.

## ***Sinking fund***

The Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Notes.

## ***Selection and notice***

If less than all the Notes are to be redeemed at any time, the Trustee or the Registrar will select the Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Notes are listed, as certified to the Trustee by the Issuer, and in compliance with the requirements of Euroclear and/or Clearstream, or if the Notes are not so listed or such exchange prescribes no method of selection and the Notes are not held through Euroclear and/or Clearstream or Euroclear and/or Clearstream prescribes no method of selection, on a pro rata basis or by use of a pool-factor; *provided*, however, that no Note of £100,000 in aggregate principal amount or less shall be redeemed in part. Neither the Trustee nor the Registrar shall be liable for selections made under this paragraph.

For so long as the Notes are listed on the Euro MTF of the LxSE and the rules of such exchange so require, the Issuer shall publish notice of redemption on the official website of the LxSE or in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) and in addition to such publication, not less than 10 nor more than 60 days prior to the redemption date, mail such notice to Holders by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed, in which case a portion of the original Note will be issued in the name of the Holder thereof upon cancellation of the original Note. In the case of a Global Note, an appropriate notation will be made on such Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice (including any conditions contained therein), Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of them called for redemption, unless the redemption price is not paid on the redemption date.

## **Redemption for taxation reasons**

The Issuer or Successor Company (as defined herein) may redeem, and a Guarantor may cause the Issuer or Successor Company to redeem, the Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days’ notice to the Holders (which notice will be irrevocable) at a redemption price equal to 100% of the outstanding principal amount thereof, together with accrued and unpaid interest, if any, to, but excluding, the date fixed for redemption (a “**Tax Redemption Date**”) (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts (see “—*Additional Amounts*”), if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if as a result of:

- (1) any change in, or amendment to, the laws or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined under “—*Additional Amounts*”) affecting taxation; or
- (2) any change in, or amendment to, the application, administration or interpretation of such laws, treaties, regulations or rulings (including pursuant to a holding, judgment or order by a court of competent



jurisdiction or a change in published practice) of a Relevant Taxing Jurisdiction (each of the foregoing in clauses (1) and (2), a **“Change in Tax Law”**);

the Issuer, Successor Company or Guarantor are, or on the next interest payment date in respect of the Notes or any Note Guarantee would be, required to pay any Additional Amounts, and such obligation cannot be avoided by taking reasonable measures available to the Issuer, Successor Company or Guarantor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable and, in the case of a payment by a Guarantor, having the Issuer or another Guarantor make the payment, but not including assignment of the obligation to make payment with respect to the Notes). In the case of redemption due to withholding as a result of a Change in Tax Law in a jurisdiction that is a Relevant Taxing Jurisdiction at the date of this Offering Memorandum, such Change in Tax Law must become effective on or after the date of this Offering Memorandum. In the case of redemption due to withholding as a result of a Change in Tax Law in a jurisdiction that becomes a Relevant Taxing Jurisdiction after the date of this Offering Memorandum, such Change in Tax Law must become effective on or after the date the jurisdiction becomes a Relevant Taxing Jurisdiction (or, in the case of a Successor Company, on or after the date of assumption by the Successor Company of the Issuer’s obligations hereunder). Notice of redemption for taxation reasons will be published in accordance with the procedures described under *“—Selection and notice”*. Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 90 days prior to the earliest date on which the Payor would be obliged to make such payment of Additional Amounts and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer, Successor Company or Guarantor will deliver to the Trustee (a) an Officer’s Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and that it would not be able to avoid the obligation to pay Additional Amounts by taking reasonable measures available to it and (b) an opinion of an independent tax counsel of recognized standing to the effect that the Issuer, Successor Company or Guarantor has or have been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept such Officer’s Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the Holders.

The foregoing of this “Redemption for taxation reasons” section will apply *mutatis mutandis* to any jurisdiction in which any successor to the Issuer, Successor Company or any Guarantor is organized or any political subdivision or taxing authority or agency thereof or therein.

#### **Additional Amounts**

All payments made by or on behalf of the Issuer or a Successor Company under or with respect to the Notes, or any Guarantor (each of the Issuer, Successor Company and Guarantor, a **“Payor”**) with respect to any Note Guarantee, will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

- (1) the United Kingdom or any political subdivision or Governmental Authority thereof or therein having power to tax;
- (2) any jurisdiction from or through which payment on any such Note or Note Guarantee is made by the Issuer, Successor Company, Guarantor or their agents, or any political subdivision or Governmental Authority thereof or therein having the power to tax; or
- (3) any other jurisdiction in which the Payor is incorporated or organized, engaged in business for tax purposes, resident for tax purposes, or any political subdivision or Governmental Authority thereof or therein having the power to tax (each of clauses (1), (2) and (3), a **“Relevant Taxing Jurisdiction”**),

will at any time be required from any payments made with respect to any Note or Note Guarantee, including payments of principal, redemption price, premium, if any, or interest, the Payor will pay (together with such payments) such additional amounts (the **“Additional Amounts”**) as may be necessary in order that the net amounts received in respect of such payments by the Holders or the Trustee, as the case may be, after such withholding or deduction (including any such deduction or withholding from such Additional Amounts), will not be less than the amounts which would have been received in respect of such payments on any such Note or Note Guarantee in the absence of such withholding or deduction; *provided*, however, that no such Additional Amounts will be payable for or on account of:

- (1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder or the beneficial owner of a Note (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over the relevant Holder or beneficial owner, if

the relevant Holder or beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including, but not limited to, being a citizen or resident or national or domiciliary of, or the existence of a business, a permanent establishment, a dependent agent, a place of business or a place of management present or deemed present in the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Note or Note Guarantee, the enforcement of rights hereunder or under a Note Guarantee or the receipt of any payment in respect thereof;

(2) any Taxes that are imposed, withheld or deducted by reason of the failure by the Holder or the beneficial owner of the Note to comply with a written request of the Payor addressed to the Holder or the beneficial owner, after reasonable notice, to provide certification, information, documents or other evidence concerning the nationality, residence, identity or connection with the Relevant Taxing Jurisdiction of the Holder or such beneficial owners or to make any declaration or similar claim or satisfy any certification, identification, information or other reporting requirement relating to such matters, required by applicable law, regulation, treaty or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from all or part of such Tax; *provided* in each case the Holder or beneficial owner is legally eligible to do so;

(3) any Taxes that are payable otherwise than by deduction or withholding from a payment under or with respect to the Notes or any Note Guarantee;

(4) any estate, inheritance, gift, value added, sales, transfer, personal property or similar Taxes;

(5) any Taxes that are required to be imposed, deducted or withheld pursuant to the Taxation Directive or any law implementing or complying with, or introduced in order to conform to the Taxation Directive;

(6) any Taxes imposed in connection with a Note presented for payment (where presentation is permitted or required for payment) by or on behalf of a Holder or beneficial owner who would have been able to avoid such Tax by presenting the relevant Note to, or otherwise accepting payment from, another Paying Agent in a member state of the European Union;

(7) any Taxes which would not have been imposed if the Holder had presented the Note for payment (where presentation is permitted or required for payment) within 30 days after the relevant payment was first made available for payment to the Holder (except for Additional Amounts with respect to Taxes that would have been imposed had the Holder presented the Note for payment within such 30-day period);

(8) any Taxes imposed on or with respect to a payment to a Holder that is a fiduciary or partnership or any Person other than the sole beneficial owner of such payment or Note, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such partnership or the beneficial owner of such payment or Note would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the actual Holder of such Note; or

(9) any combination of the above.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use all reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes, in such form as provided in the ordinary course by the Relevant Taxing Jurisdiction and as is reasonably available to the Company, and will provide such certified copies to the Trustee. Such copies shall be made available to the Holders upon request and will be made available at the offices of the Registrar if the Notes are then listed on the Euro MTF of the LxSE. The Payor will attach to each certified copy a certificate stating (x) that the amount of withholding Taxes evidenced by the certified copy was paid in connection with payments in respect of the principal amount of Notes then outstanding and (y) the amount of such withholding Taxes paid per £1,000 principal amount of the Notes.

If any Payor becomes aware that it will be obligated to pay Additional Amounts under or with respect to any payment made on any Note or Note Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to Holders on the relevant payment date (unless such obligation to pay Additional Amounts arises, or the Payor becomes aware of such obligation, less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as

promptly as practicable after the date that is 30 days prior to the payment date). The Trustee shall be entitled to rely solely on such Officer's Certificate without further inquiry, as conclusive proof that such payments are necessary.

Wherever in the Indenture, the Note Guarantees or this "*Description of the Notes*" there are mentioned, in any context:

- (1) the payment of principal;
- (2) purchase or redemption prices in connection with a purchase or redemption of Notes;
- (3) interest; or
- (4) any other amount payable on or with respect to any of the Notes or Note Guarantee,

such reference shall be deemed to include payment of Additional Amounts as described under this heading to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay any present or future stamp, court or documentary Taxes, or any other excise, property or similar Taxes that arise in any jurisdiction from the execution, delivery, registration or enforcement of any Notes, any Note Guarantee, the Indenture, the Proceeds Loan Agreement, the Security Documents or any other document or instrument in relation thereto (other than a transfer or exchange of the Notes) excluding any such Taxes, charges or similar levies imposed by any jurisdiction that is not a Relevant Taxing Jurisdiction.

The foregoing obligations of this "*Additional Amounts*" section will survive any termination, defeasance or discharge of the Indenture and will apply *mutatis mutandis* to any jurisdiction in which any successor to the Issuer or any Guarantor is organized or any political subdivision or taxing authority or agency thereof or therein.

### **Change of Control**

If a Change of Control occurs, subject to the terms hereof, each Holder will have the right to require the Issuer to repurchase all or part (equal to £100,000 principal amount, and integral multiples of £1,000 in excess thereof), as the case may be, of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided*, however, that the Issuer shall not be obliged to repurchase Notes as described under this "*Change of Control*" section in the event and to the extent that it has unconditionally exercised its right to redeem all of the Notes as described under "*Optional redemption*" or all conditions to such redemption have been satisfied or waived.

Unless the Issuer has unconditionally exercised its right to redeem all of the Notes as described under "*Optional redemption*" or all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control, the Issuer will send a notice (the "*Change of Control Offer*") to each Holder of any such Notes, by mail or otherwise in accordance with the procedures set forth in the Indenture, with a copy to the Trustee:

- (1) stating that a Change of Control has occurred or may occur and that such Holder has the right to require the Issuer to purchase all or any part of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of such Notes plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date) (the "**Change of Control Payment**");
- (2) stating the repurchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is sent) (the "**Change of Control Payment Date**");
- (3) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control;
- (4) describing the procedures determined by the Issuer, consistent with the Indenture, that a Holder must follow in order to have its Notes repurchased; and
- (5) if such notice is mailed prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control.

On the Change of Control Payment Date, if the Change of Control shall have occurred, the Issuer will, to the extent lawful:

- (1) accept for payment all Notes or portions thereof properly tendered pursuant to the Change of Control Offer;
- (2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes so tendered;
- (3) deliver or cause to be delivered to the Trustee an Officer's Certificate stating the aggregate principal amount of Notes or portions thereof being purchased by the Issuer in the Change of Control Offer;
- (4) in the case of Global Notes, deliver, or cause to be delivered, to the Paying Agent the Global Notes in order to reflect thereon the portion of such Notes or portions thereof that have been tendered to and purchased by the Issuer; and
- (5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the relevant Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuer.

If any Definitive Registered Notes have been issued, the Paying Agent will promptly mail to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Notes, and the Trustee or an authentication agent appointed by the Trustee will promptly authenticate (or cause to be authenticated) and mail (or cause to be transferred by book entry) to each Holder of Definitive Registered Notes a new Definitive Registered Note equal in principal amount to the aggregate unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in a principal amount that is at least £100,000 or an integral multiple of £1,000 in excess thereof.

If and for so long as the Notes are listed on the Official List of the LxSE and the rules of such exchange so require, the Issuer will publish a public announcement with respect to the results of the Change of Control Offer as soon as practicable after the Change of Control Payment Date in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*), or, to the extent and in the manner permitted by such rules, post such notices on the official website of the LxSE.

Notwithstanding anything to the contrary herein, a Change of Control Offer may be made in advance of a Change of Control, conditional upon such Change of Control; *provided* that the purchase date will be no earlier than 30 days from the date a notice of such Change of Control Offer is mailed.

The Change of Control provisions described above will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. The existence of a Holder's right to require the Issuer to repurchase such Holder's Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Company or its Subsidiaries in a transaction that would constitute a Change of Control.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations (or rules of any exchange on which the Notes are then listed) in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations (or exchange rules) conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations (or exchange rules) and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of the conflict.

A Change of Control will result in a mandatory prepayment under the Revolving Credit Facilities Agreement. Future debt of the Company or its Subsidiaries, including the Issuer, may prohibit the Issuer from purchasing Notes in the event of a Change of Control or provide that a Change of Control is a default or may require repurchase upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuer to purchase the Notes could cause a default under, or require a repurchase of, other debt, even if the Change of Control itself does not, due to the financial effect of the purchase on the Company or the Issuer.

Finally, the Issuer's ability to pay cash to the Holders following the occurrence of a Change of Control may be limited by the Issuer's and the Company's then existing financial resources. There can be no assurance that sufficient funds will be

available when necessary to make the required purchase of the Notes. See “*Risk factors—Risks related to our structure—We may not be able to obtain the funds required to repurchase the Notes upon a change of control*”.

The definition of “Change of Control” includes a disposition of all or substantially all of the property and assets of the Company and its Restricted Subsidiaries taken as a whole to specified other Persons. Although there is limited case law interpreting the phrase “substantially all”, there is no precise established definition of the phrase “substantially all” under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of “all or substantially all” of the property or assets of a Person. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Notes as described above.

The provisions of the Indenture relating to the Issuer’s obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of Holders of a majority in outstanding aggregate principal amount of the Notes under the Indenture.

## **Certain Covenants**

### ***Limitation on Indebtedness***

The Company will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided*, however, that the Company and any Restricted Subsidiary may Incur Indebtedness if on the date of such Incurrence and after giving pro forma effect thereto (including pro forma application of the proceeds thereof), the Fixed Charge Coverage Ratio for the Company and its Restricted Subsidiaries for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is Incurred would have been at least 2.0 to 1.0, *provided* that the amount of Indebtedness incurred pursuant to this paragraph by Restricted Subsidiaries that are not Guarantors shall not exceed £7.5 million.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness:

(1) Indebtedness Incurred by the Company and any Restricted Subsidiary pursuant to any Credit Facility (including in respect of letters of credit or bankers’ acceptances issued or created thereunder), and any Refinancing Indebtedness in respect thereof and Guarantees in respect of such Indebtedness in a maximum aggregate amount of Indebtedness then outstanding not exceeding (i) the greater of (x) £75.0 million and (y) 100% of Consolidated EBITDA, plus (ii) in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(2) (a) Guarantees by the Company or any Restricted Subsidiary of Indebtedness of the Company or any Restricted Subsidiary, in each case, so long as the Incurrence of such Indebtedness being guaranteed is permitted under the terms of the Indenture (other than pursuant to this clause (2)); *provided* that, if Indebtedness being guaranteed is subordinated to or *pari passu* with the Notes or a Note Guarantee, then the guarantee must be subordinated to or *pari passu* with the Notes or Note Guarantees, as applicable, to the same extent as the Indebtedness guaranteed; or

(b) without limiting the covenant described under “—*Certain Covenants—Limitation on Liens*”, Indebtedness arising by reason of any Lien granted by or applicable to such Person securing Indebtedness of the Company or any Restricted Subsidiary, in each case so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture;

(3) Indebtedness of the Company owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Company or any Restricted Subsidiary; *provided*, however, that:

(a) other than in respect of intercompany current liabilities Incurred in connection with credit management, cash management, cash pooling, netting, setting off or similar arrangements in the ordinary course of business of the Company and the Restricted Subsidiaries, if the Issuer or any Guarantor is the obligor on such Indebtedness and the payee is not the Issuer or a Guarantor, such Indebtedness must be unsecured and expressly subordinated to the prior payment in full in cash of all obligations then due (x) in the case of the Issuer, with respect to the Notes, or (y) in the case of a Guarantor, with respect to the Note Guarantee, in each case in the manner and to the extent provided for in the Intercreditor Agreement; and

(b) (i) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Company or a Restricted Subsidiary; and (ii) any sale or other transfer of any such Indebtedness to a Person other than the Company or a Restricted Subsidiary, shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (3) by the Company or such Restricted Subsidiary, as the case may be;

(4) Indebtedness represented by (a) the Notes (other than any Additional Notes) and the Note Guarantees, (b) any Indebtedness (other than Indebtedness described in clauses (1), (3), (4)(a) and (7) of this paragraph) of (i) the Company, the Issuer or Bidco entered into or outstanding on the Issue Date or (ii) Lakeside Holdco or any Restricted Subsidiary of Lakeside Holdco entered into or outstanding on the Completion Date, (c) Refinancing Indebtedness that is Incurred in respect of any Indebtedness described in this clause (4) or clause (5) of this paragraph or Incurred pursuant to the first paragraph of this covenant, (d) Management Advances and (e) the Proceeds Loan;

(5) Indebtedness (i) of any Person Incurred and outstanding on the date on which such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Company or any Restricted Subsidiary or (ii) Incurred to provide or refinance all or any portion of the funds utilized to consummate a transaction or series of related transactions pursuant to which a Person became a Restricted Subsidiary or was otherwise acquired by the Company or a Restricted Subsidiary or otherwise in connection with or contemplation of such acquisition; *provided*, however, with respect to this clause (5)(i) and (5)(ii), that at the time of such acquisition or other transaction (x) the Company and its Restricted Subsidiaries would have been permitted to incur £1.00 of additional Indebtedness pursuant to the first paragraph of this covenant after giving pro forma effect to the relevant acquisition and Incurrence of such Indebtedness pursuant to this clause (5) or (y) the Fixed Charge Coverage Ratio for the Company and its Restricted Subsidiaries would not be lower than it was immediately prior to giving effect to such acquisition or other transaction;

(6) Indebtedness under Hedging Agreements entered into for bona fide hedging purposes of the Company or its Restricted Subsidiaries and not for speculative purposes (as determined in good faith by the Board of Directors or an Officer of the Company);

(7) Indebtedness consisting of (A) Capitalized Lease Obligations, mortgage financings, Purchase Money Obligations or other financings, in each case, Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in a Similar Business or (B) Indebtedness otherwise Incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, and (C) any Refinancing Indebtedness and Guarantees in respect of (A) or (B), in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred (other than Local Authority Loans) pursuant to this clause (7) then outstanding, will not exceed the greater of (i) £15.0 million and (ii) 2.4% of Total Assets;

(8) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, performance, indemnity, surety, judgment, appeal, advance payment, customs, VAT or other tax or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Company or a Restricted Subsidiary or relating to liabilities, obligations, indemnities or guarantees Incurred in the ordinary course of business or for governmental or regulatory requirements, (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business, *provided*, however, that upon the drawing of such letters of credit or other instrument, such obligations are reimbursed within 30 days following such drawing, (c) the financing of insurance premiums in the ordinary course of business and (d) any credit management, cash management, cash pooling, netting, setting off or similar arrangements in the ordinary course of business of the Company and the Restricted Subsidiaries;

(9) Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations in respect of earn-outs or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided* that the maximum liability of the Company and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in

value), actually received by the Company and its Restricted Subsidiaries in connection with any such disposition;

(10) (A) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided*, however, that such Indebtedness is extinguished within 60 Business Days of Incurrence;

(B) Indebtedness owed on a short-term basis of no longer than 60 days to banks and other financial institutions Incurred in the ordinary course of business of the Company and its Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Company and its Restricted Subsidiaries; and

(C) Indebtedness Incurred by a Restricted Subsidiary in connection with bankers' acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management purposes, in each case, Incurred or undertaken in the ordinary course of business;

(11) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness and Guarantees in respect thereof and the aggregate principal amount of all other Indebtedness Incurred pursuant to this clause (11) then outstanding, will not exceed the greater of (i) £20.0 million and (ii) 3.2% of Total Assets;

(12) Indebtedness (including any Refinancing Indebtedness and Guarantees in respect thereof) in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (12) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Company from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or its Capital Stock (other than Disqualified Stock, Designated Preference Shares or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares or an Excluded Contribution) of the Company, in each case, subsequent to the Completion Date; *provided*, however, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (1), (6), (10) and (14) of the third paragraph of the covenant described below under “—*Certain Covenants—Limitation on Restricted Payments*” to the extent the Company and its Restricted Subsidiaries Incur Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (12) to the extent the Company or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and/or clauses (1), (6), (10) or (14) of the third paragraph of the covenant described below under “—*Certain Covenants—Limitation on Restricted Payments*” in reliance thereon; and

(13) Indebtedness Incurred by a Receivables Subsidiary in a Qualified Receivables Financing.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

(i) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Company, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one of the clauses of the second paragraph or the first paragraph of this covenant; *provided* that Indebtedness incurred pursuant to clause (1) of the second paragraph of this covenant may not be reclassified, and Indebtedness under the Revolving Credit Facilities Agreement incurred or outstanding on the Completion Date will be deemed to have been incurred on such date in reliance on the exception provided in clause (1) of the second paragraph of this covenant;

(ii) Guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(iii) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (7) or (11) of the second paragraph above or the first paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

(iv) the principal amount of any Disqualified Stock of the Company or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

(v) for the purposes of determining “Consolidated EBITDA” under clause (1)(i)(y) of the second paragraph of this covenant, (x) pro forma effect shall be given to Consolidated EBITDA on the same basis as for calculating the Consolidated Net Leverage Ratio for the Company and its Restricted Subsidiaries and



(y) Consolidated EBITDA shall be measured on the most recent date on which new commitments are obtained (in the case of revolving facilities) or the date on which new Indebtedness is Incurred (in the case of term facilities) and for the period of the most recent four consecutive fiscal quarters ending prior to the date for which such internal consolidated financial statements of the Company are available;

(vi) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness; and

(vii) the amount of any Indebtedness outstanding as of any date shall be calculated as described under the definition of “Indebtedness”, *provided* that the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of UK GAAP.

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in UK GAAP or a change from UK GAAP to IFRS will not be deemed to be an Incurrence of Indebtedness for purposes of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary as of such date.

For purposes of determining compliance with any pound sterling-denominated restriction on the Incurrence of Indebtedness, the Sterling Equivalent of the aggregate principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or, at the option of the Company, first committed, in the case of Indebtedness Incurred under a revolving credit facility; *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than pound sterling, and such refinancing would cause the applicable pound sterling-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such pound sterling-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the aggregate principal amount of such Indebtedness being refinanced; (b) the Sterling Equivalent of the aggregate principal amount of any such Indebtedness outstanding on the Completion Date shall be calculated based on the relevant currency exchange rate in effect on the Completion Date; and (c) if and for so long as any such Indebtedness is subject to a Currency Agreement with respect to the currency in which such Indebtedness is denominated covering principal amounts payable on such Indebtedness, the amount of such Indebtedness, if denominated in pound sterling, will be the amount of the principal payment required to be made under such Currency Agreement and, otherwise, the Sterling Equivalent of such amount plus the Sterling Equivalent of any premium which is at such time due and payable but is not covered by such Currency Agreement.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company or a Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

#### ***Limitation on Restricted Payments***

The Company will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

(1) declare or pay any dividend or make any other distribution on or in respect of the Company’s or any Restricted Subsidiary’s Capital Stock (including any payment in connection with any merger or consolidation involving the Company or any of its Restricted Subsidiaries) except:

(a) dividends or distributions payable in Capital Stock of the Company (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Company or in Subordinated Shareholder Funding; and

(b) dividends or distributions payable to the Company or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its

Capital Stock other than the Company or a Restricted Subsidiary on no more than a pro rata basis, measured by value);

(2) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Company or any direct or indirect Parent of the Company held by Persons other than the Company or a Restricted Subsidiary (other than in exchange for Capital Stock of the Company (other than Disqualified Stock));

(3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”);

(4) make any payment (other than by capitalization of interest) on or with respect to, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Funding; or

(5) make any Restricted Investment in any Person;

(any such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) are referred to herein as a “**Restricted Payment**”), if at the time the Company or such Restricted Subsidiary makes such Restricted Payment:

(a) a Default shall have occurred and be continuing (or would result immediately thereafter therefrom);

(b) the Company and its Restricted Subsidiaries are not permitted to Incur an additional £1.00 of Indebtedness pursuant to the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” after giving effect, on a pro forma basis, to such Restricted Payment; or

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Completion Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (5) (without duplication of amounts paid pursuant to any other clause of the second succeeding paragraph), (6), (10), (11) and (12) of the second succeeding paragraph, but excluding all other Restricted Payments permitted by the second succeeding paragraph) would exceed the sum of (without duplication):

(i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the first day of the last fiscal quarter commencing prior to the Completion Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Company are available (or, in the case such Consolidated Net Income is a deficit, minus 100% of such deficit);

(ii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Company from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Completion Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Company subsequent to the Completion Date (other than (x) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary, (y) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the second succeeding paragraph and (z) Excluded Contributions since the Completion Date);

(iii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Company or any Restricted Subsidiary from the issuance or sale (other than to the Company or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by

the Company or any Restricted Subsidiary) by the Company or any Restricted Subsidiary subsequent to the Completion Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Company (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (plus the amount of any cash, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Company or any Restricted Subsidiary upon such conversion or exchange) but excluding (x) Net Cash Proceeds to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the second succeeding paragraph and (y) Excluded Contributions;

(iv) the amount equal to the net reduction in Restricted Investments made by the Company or any of its Restricted Subsidiaries resulting from:

(A) repurchases, redemptions or other acquisitions or retirements of any such Restricted Investment, proceeds realized upon the sale or other disposition to a Person other than the Company or a Restricted Subsidiary of any such Restricted Investment, repayments of loans or advances or other transfers of assets (including by way of dividend, distribution, interest payments or returns of capital) to the Company or any Restricted Subsidiary; or

(B) the redesignation of Unrestricted Subsidiaries as Restricted Subsidiaries (valued, in each case, as provided in the definition of “Investment”) not to exceed, in the case of any Unrestricted Subsidiary, the amount of Investments previously made by the Company or any Restricted Subsidiary in such Unrestricted Subsidiary, which amount, in each case under this clause (iv), was included in the calculation of the amount of Restricted Payments referred to in the first sentence of this clause (c),

*provided*, however, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Company’s option) included under this clause (iv); and

(v) the amount of the cash and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or of marketable securities received by the Company or any of its Restricted Subsidiaries in connection with:

(A) the sale or other disposition (other than to the Company or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) of Capital Stock of an Unrestricted Subsidiary of the Company; and

(B) any dividend or distribution made by an Unrestricted Subsidiary or Affiliate to the Company or a Restricted Subsidiary,

*provided*, however, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Company’s option) included under this clause (v); *provided* further, however, that such amount under this clause (v) shall not exceed the amount included in the calculation of the amount of Restricted Payments referred to in the first sentence of this clause (c).

The fair market value of property or assets other than cash covered by the preceding sentence shall be the fair market value thereof as determined in good faith by the Board of Directors or an Officer of the Company.

The foregoing provisions will not prohibit any of the following (collectively, “**Permitted Payments**”):

(1) any Restricted Payment made in exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale of, Capital Stock of the Company (other than Disqualified Stock or Designated Preference Shares), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Company subsequent to the Completion Date; *provided*, however, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the preceding sentence) of property or assets or of marketable securities, from

such sale of Capital Stock, Subordinated Shareholder Funding or such contribution will be excluded from clause (c)(ii) of the second preceding paragraph;

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made in exchange for, or out of the proceeds of the substantially concurrent Incurrence of Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under “—*Limitation on Indebtedness*” above;

(3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of the Company or a Restricted Subsidiary made in exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock of the Company or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under “—*Limitation on Indebtedness*” above, and that in each case, constitutes Refinancing Indebtedness;

(4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness:

(a) (i) from Net Available Cash to the extent permitted under “—*Certain Covenants—Limitation on sales of assets and subsidiary stock*” below, but only if (i) the Company shall have first complied with the terms described under “—*Certain Covenants—Limitation on sales of assets and subsidiary stock*” and purchased all Notes tendered pursuant to any offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest;

(b) to the extent required by the agreement governing such Subordinated Indebtedness, following the occurrence of a Change of Control (or other similar event described therein as a “change of control”), but only (i) if the Company shall have first complied with the terms of the covenant described under “—*Change of Control*”, if required, and purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; or

(c) (i) consisting of Acquired Indebtedness and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest and any premium required by the terms of any Acquired Indebtedness;

(5) any dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this covenant;

(6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of the Company, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Company to any Parent or any entity formed for the purpose of investing in Capital Stock of the Company or any Parent to permit any Parent or such entity to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Company, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Company, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), in each case from Management Investors; *provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (A) £2.0 million plus (B) £1.0 million multiplied by the number of calendar years that have commenced since the Completion Date plus (C) the Net Cash Proceeds received by the Company or its Restricted Subsidiaries subsequent to the Completion Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Funding to a Parent) from, or as a contribution to the equity (in each case under this clause (C), other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Company from, the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof), to the extent such Net Cash Proceeds are not included in any calculation under clause (c)(ii) of the first paragraph describing this covenant;

(7) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” above;

(8) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof;

(9) dividends, loans, advances or distributions to any Parent or any Affiliates or other payments by the Company or any Restricted Subsidiary in amounts equal to (without duplication):

(a) the amounts required for any Parent to pay any Parent Expenses or any Related Taxes; or

(b) amounts constituting or to be used for purposes of making payments (i) of fees, expenses and other payments in relation to the Transactions or (ii) to the extent described in clauses (2), (3), (5), (7), (11), (12) and (13) of the second paragraph under “—*Certain Covenants—Limitation on Affiliate Transactions*”;

(10) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), the declaration and payment by the Company of, or loans, advances, dividends or distributions to any Parent to pay, dividends on the common stock or common equity interests of the Company or any Parent following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by the Company from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Company or loaned or contributed as Subordinated Shareholder Funding to the Company and (b) following the Initial Public Offering, an amount equal to the greater of (i) 6% of the Market Capitalization and (ii) 6% of the IPO Market Capitalization; *provided* that in the case of (b) of this paragraph after giving pro forma effect to such loans, advances, dividends or distributions, the Consolidated Net Leverage Ratio for the Company and its Restricted Subsidiaries shall be equal to or less than 3.5 to 1.0;

(11) so long as no Default or Event of Default has occurred and is continuing (or would result from) (a) Restricted Payments (including loans or advances) in an aggregate amount outstanding at any time not to exceed £12.5 million and (b) any Restricted Payment *provided* that the Consolidated Net Leverage Ratio on a pro forma basis after giving effect to any such Restricted Payment does not exceed 2.5 to 1.0;

(12) payments by the Company, or loans, advances, dividends or distributions to any Parent to make payments, to holders of Capital Stock of the Company or any Parent in lieu of the issuance of fractional shares of such Capital Stock; *provided*, however, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Board of Directors or an Officer of the Company);

(13) Restricted Payments in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments to the extent made in exchange for or using as consideration Investments previously made under this clause (13);

(14) (i) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Company issued after the Completion Date; and (ii) the declaration and payment of dividends to any Parent or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares of such Parent or Affiliate issued after the Completion Date; *provided*, however, that, in the case of clauses (i) and (ii), the amount of all dividends declared or paid pursuant to this clause (14) shall not exceed the Net Cash Proceeds received by the Company or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock or an Excluded Contribution or, in the case of Designated Preference Shares by a Parent or an Affiliate the issuance of Designated Preference Shares) of the Company or loaned or contributed as Subordinated Shareholder Funding to the Company, from the issuance or sale of such Designated Preference Shares;

(15) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries; and

(16) payment of any Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by the Board of Directors or an Officer of the Company acting in good faith.

#### ***Limitation on Liens***

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, Incur or suffer to exist any Lien upon any of its property or assets (including Capital Stock of a Restricted Subsidiary), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the “**Initial Lien**”), except (a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the Notes and the Indenture (or a Note Guarantee in the case of Liens of a Guarantor) are secured equally and ratably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured (*provided* that a Lien to secure Indebtedness pursuant to clause (1) or (6) of such second paragraph of “—*Certain Covenants—Limitation on Indebtedness*” covenant may have priority not materially less favorable to the Holders than that accorded to the Revolving Credit Facilities Agreement pursuant to the Intercreditor Agreement), and (b) in the case of any property or assets that constitute Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Notes pursuant to clause (a)(2) of the preceding paragraph will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates and (ii) otherwise as set forth under “*Security—Release of Liens*”.

#### ***Limitation on distributions from Restricted Subsidiaries***

The Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(A) pay dividends or make any other distributions in cash or otherwise on its Capital Stock to the Company or the Issuer or pay any Indebtedness or other obligations owed to the Company or the Issuer;

(B) make any loans or advances to the Company or the Issuer; or

(C) sell, lease or transfer any of its property or assets to the Company or the Issuer;

*provided* that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

(1) any encumbrance or restriction pursuant to (a) the Revolving Credit Facilities Agreement, (b) the Indenture, the Notes, the Note Guarantees, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents or (c) any other agreement or instrument in effect at or entered into (i) on the Issue Date in the case of the Company, the Issuer or Bidco or (ii) on the Completion Date in the case of Lakeside Holdco or any Restricted Subsidiary of Lakeside Holdco, including, in each case, any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings, *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements referred to in clauses (a), (b) and (c) above, as applicable (as determined in good faith by the Board of Directors or an Officer of the Company);

(2) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which such Person was acquired by or merged, consolidated or otherwise combined with or into the Company or any Restricted Subsidiary, or was designated as a Restricted Subsidiary or on which such agreement or instrument is assumed by the Company or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Company or was merged, consolidated or otherwise combined with or into the Company or any Restricted Subsidiary entered into or in connection with such transaction) and outstanding on such date; *provided* that, for the purposes of this clause (2), if another Person is the Successor Company, any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Company or any Restricted Subsidiary when such Person becomes the Successor Company;

(3) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in clause (1) or (2) of this paragraph or this clause (3) (an **“Initial Agreement”**) or contained in any amendment, supplement or other modification to an agreement referred to in clause (1) or (2) of this paragraph or this clause (3); *provided*, however, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the Holders than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Board of Directors or an Officer of the Company);

(4) any encumbrance or restriction:

(a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;

(b) contained in mortgages, pledges, charges or other security agreements permitted under the Indenture or securing Indebtedness of the Company or a Restricted Subsidiary permitted under the Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, pledges, charges or other security agreements; or

(c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Company or any Restricted Subsidiary;

(5) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Indenture, in each case, that impose encumbrances or restrictions on the property so acquired or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the transfer of the assets of the joint venture;

(6) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

(7) customary provisions in leases, licenses, joint venture agreements and other similar agreements and instruments entered into in the ordinary course of business;

(8) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order (including encumbrances or restrictions on making distributions in cash or Cash Equivalents as a dividend or otherwise that arise or exist by reason of applicable law or any applicable rule, regulation or order) or encumbrances or restrictions required by any regulatory authority;

(9) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business;

(10) any encumbrance or restriction pursuant to Hedging Agreements;

(11) any encumbrance or restriction arising pursuant to an agreement or instrument relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders than (i) the encumbrances and restrictions contained in the Revolving Credit Facilities Agreement, together with the security documents associated therewith as in effect on the Completion Date or (ii) in comparable financings (as determined in good faith by the Board of Directors or an Officer of the Company) and where, in the case of clause (ii), the Company determines at the time such Indebtedness is Incurred that such encumbrances or restrictions will not adversely affect, in any material respect, the Issuer’s ability to make principal or interest payments on the Notes or the ability of the Company to make principal or interest payments on the Proceeds Loan;

(12) any encumbrance or restriction existing by reason of any Lien permitted under “—*Certain Covenants—Limitation on Liens*”; or

(13) restrictions effected in connection with a Qualified Receivables Financing that, in the good faith determination of the Board of Directors or an Officer of the Company, are necessary or advisable to effect such Qualified Receivables Financing.

#### ***Limitation on sales of assets and subsidiary stock***

The Company will not, and will not permit any of its Restricted Subsidiaries to, make any Asset Disposition unless:

(1) the Company or such Restricted Subsidiary, as the case may be, receives consideration (including by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise) at least equal to the fair market value (such fair market value to be determined on the date of contractually agreeing to such Asset Disposition), as determined in good faith by the Board of Directors or an Officer of the Company, of the shares and assets subject to such Asset Disposition (including, for the avoidance of doubt, if such Asset Disposition is a Permitted Asset Swap); and

(2) in any such Asset Disposition, or series of related Asset Dispositions (except to the extent the Asset Disposition is a Permitted Asset Swap), at least 75% of the consideration from such Asset Disposition (excluding any consideration by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise, other than Indebtedness) received by the Company or such Restricted Subsidiary, as the case may be, is in the form of cash, Cash Equivalents or Temporary Cash Investments.

Within 365 days from the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash from an Asset Disposition, the Company or such Restricted Subsidiary, as the case may be, may apply an amount equal to such Net Available Cash at the option of the Company or such Restricted Subsidiary:

- (a) (i) to prepay, repay, purchase or redeem any Indebtedness Incurred under clause (1) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”, or any Refinancing Indebtedness in respect thereof; *provided*, however, that in connection with any prepayment, repayment, purchase or redemption of Indebtedness pursuant to this clause (a) (except in the case of any revolving Indebtedness, including but not limited to the Revolving Credit Facilities Agreement), the Company or such Restricted Subsidiary will retire such Indebtedness and will cause the related commitment to be permanently reduced in an amount equal to the principal amount so prepaid, repaid, purchased or redeemed; or (ii) to prepay, repay, purchase or redeem Pari Passu Indebtedness at a price of no more than 100% of the principal amount of such Pari Passu Indebtedness plus accrued and unpaid interest to the date of such prepayment, repayment, purchase or redemption; *provided* that the Company shall redeem, repay, repurchase or redeem Pari Passu Indebtedness that is Public Debt pursuant to this clause (ii) only if the Company makes (at such time or subsequently in compliance with this covenant) an offer to the Holders to purchase their Notes in accordance



with the provisions set forth below for an Asset Disposition Offer for an aggregate principal amount of Notes at least equal to the proportion that (x) the total aggregate principal amount of Notes outstanding bears to (y) the sum of the total aggregate principal amount of Notes outstanding plus the total aggregate principal amount outstanding of such Pari Passu Indebtedness; or (iii) to prepay, repay, purchase or redeem any Indebtedness of a Restricted Subsidiary of the Company that is not a Guarantor or any Indebtedness that is secured on assets which do not constitute Collateral (in each case, other than Subordinated Indebtedness of the Company or a Guarantor or Indebtedness owed to the Company or any Restricted Subsidiary); or (iv) to purchase the Notes pursuant to an offer to all Holders of Notes at a purchase price in cash equal to at least 100% of the principal amount thereof, plus accrued and unpaid interest to, but not including, the date of repayment or purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date);

(b) to the extent the Company or such Restricted Subsidiary elects, to invest in or commit to invest in Additional Assets (including by means of an investment in Additional Assets by a Restricted Subsidiary with Net Available Cash received by the Company or another Restricted Subsidiary) within 365 days from the later of (i) the date of such Asset Disposition and (ii) the receipt of such Net Available Cash; *provided*, however, that any such reinvestment in Additional Assets made pursuant to a definitive binding agreement or a commitment approved by the Board of Directors or an Officer of the Company that is executed or approved within such time will satisfy this requirement, so long as such investment is consummated within 180 days of such 365th day;

(c) to make a capital expenditure pursuant to a definitive binding agreement or a commitment approved by the Board of Directors or an Officer of the Company; *provided*, however, that any such capital expenditure made that is executed or approved within such time will only satisfy this requirement so long as such investment is consummated within 180 days of such 365th day; or

(d) any combination of the foregoing;

*provided* that, pending the final application of any such Net Available Cash in accordance with clause (a), (b), (c) or (d) above, the Company and its Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise invest such Net Available Cash in any manner not prohibited by the Indenture.

If an amount less than the Net Available Cash from Asset Dispositions is applied or invested or committed to be applied or invested, or offered to be applied or invested, as provided in the preceding paragraph, an amount equal to the difference will be deemed to constitute “Excess Proceeds” under the Indenture. On the 366th day (or the 546th day, in the case of any Net Available Cash committed to be used pursuant to a definitive binding agreement or commitment approved by the Board of Directors or an Officer of the Company pursuant to clause (b) or (c) of the second paragraph of this covenant) after the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash from an Asset Disposition, or at such earlier date that the Company elects, if the aggregate amount of “Excess Proceeds” under the Indenture exceeds £10.0 million, the Company will be required to make an offer (or procure an offer is made) (“**Asset Disposition Offer**”) to all Holders of Notes issued under the Indenture and, to the extent the Company so elects, to all holders of other outstanding Pari Passu Indebtedness, to purchase the maximum aggregate principal amount of Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the “Excess Proceeds”, at an offer price in respect of the Notes in an amount equal to (and, in the case of any Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of such Notes and 100% of the principal amount of such Pari Passu Indebtedness, in each case, plus accrued and unpaid interest, if any, to, but excluding, the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing the Pari Passu Indebtedness, as applicable.

To the extent that the aggregate principal amount of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the “Excess Proceeds”, the Company may use any remaining “Excess Proceeds” for general corporate purposes, subject to the other covenants contained in the Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Disposition Offer by Holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of “Excess Proceeds”, the “Excess Proceeds” shall be allocated among the Notes and Pari Passu Indebtedness to be purchased on a pro rata basis or by use of a pool factor on the basis of the aggregate principal amount of tendered Notes and Pari Passu Indebtedness, or by such other method in compliance with applicable legal, depository and exchange requirements). For the purposes of calculating the aggregate principal amount of any such Indebtedness not denominated in pound sterling, such Indebtedness shall be calculated by converting any such aggregate principal amounts into their Sterling Equivalent determined as of a date selected by the Company that is within the Asset Disposition Offer Period (as defined herein). Upon completion of any Asset Disposition Offer, the amount of “Excess Proceeds” shall be reset at zero.

To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than the currency in which the relevant Notes are denominated, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in the currency in which the relevant Notes are denominated that is actually received upon converting such portion of Net Available Cash into such currency.

The Asset Disposition Offer, insofar as it relates to the Notes, will remain open for a period of not less than 20 Business Days following its commencement (the “**Asset Disposition Offer Period**”). No later than five Business Days after the termination of the Asset Disposition Offer Period (the “**Asset Disposition Purchase Date**”), the Company will purchase (or procure the purchase of) the aggregate principal amount of Notes and, to the extent they so elect, any Pari Passu Indebtedness required to be purchased pursuant to this covenant (the “**Asset Disposition Offer Amount**”) or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Company will, to the extent lawful, accept for payment, on a pro rata basis to the extent necessary, the Asset Disposition Offer Amount of Notes and Pari Passu Indebtedness or portions of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and, in the case of the Notes, in minimum denominations of £100,000 and in integral multiples of £1,000 in excess thereof. The Company will deliver to the Trustee an Officer’s Certificate stating that such Notes or portions thereof were accepted for payment in accordance with the terms of this covenant. The Company or the Paying Agent, as the case may be, will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver (or procure the mail or delivery) to each tendering Holder an amount equal to the purchase price of the Notes so validly tendered and not properly withdrawn by such Holder, and accepted for purchase, and the Issuer will promptly issue a new Note (or amend the Global Note), and the Trustee, upon delivery of an Officer’s Certificate from the Issuer, will (via an authenticating agent) authenticate and mail or deliver (or cause to be transferred by book entry) such new Note to such Holder, in an aggregate principal amount equal to any unpurchased portion of the Note surrendered; *provided* that each such new Note will be in an aggregate principal amount with a minimum denomination of £100,000 or in integral multiples of £1,000 in excess thereof. Any Note not so accepted will be promptly mailed or delivered (or transferred by book entry) by the Company or the Issuer to the Holder thereof.

For the purposes of clause (2) of the first paragraph of this covenant, the following will be deemed to be cash:

- (1) the assumption by the transferee of Indebtedness of the Issuer or Indebtedness of the Company or a Restricted Subsidiary (other than Subordinated Indebtedness of the Issuer or a Guarantor) and the release of the Issuer, the Company or such Restricted Subsidiary from all liability on such Indebtedness in connection with such Asset Disposition;
- (2) securities, notes or other obligations received by the Issuer, the Company or any Restricted Subsidiary from the transferee that are converted by the Issuer, the Company or such Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of such Asset Disposition;
- (3) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, to the extent that the Company and each other Restricted Subsidiary are released from any Guarantee of payment of such Indebtedness in connection with such Asset Disposition;
- (4) consideration consisting of Indebtedness of the Issuer, the Company or any Restricted Subsidiary (other than Subordinated Indebtedness of the Issuer or a Guarantor) received after the Issue Date from Persons who are not the Issuer, the Company or any Restricted Subsidiary; and
- (5) any Designated Non-Cash Consideration received by the Issuer, the Company or any Restricted Subsidiary in such Asset Dispositions having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at that time outstanding, not to exceed £10.0 million (with the fair market value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value).

The Company will comply (or procure compliance), to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations (or exchange rules) conflict with provisions of this covenant, the Company will comply (or procure compliance) with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of any conflict.

### ***Maintenance of listing***

The Company will use its commercially reasonable efforts to obtain and maintain the listing of the Notes on the Official List of the LxSE for so long as such Notes are outstanding; *provided* that if the Company is unable to obtain admission to such listing or if at any time the Company determines that it will not maintain such listing, it will obtain (where the Notes are initially so listed, prior to the delisting of the Notes from the Official List of the LxSE), and thereafter use its best efforts to maintain a listing of such Notes on another “recognized stock exchange” as defined in Section 1005 of the Income Tax Act 2007 of the United Kingdom.

### ***Limitation on Affiliate Transactions***

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with or for the benefit of any Affiliate of the Company (such transaction or series of related transactions being an “**Affiliate Transaction**”) involving aggregate value in excess of £2.0 million unless:

- (1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Company or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm’s length dealings with a Person who is not such an Affiliate;
- (2) in the event such Affiliate Transaction involves an aggregate value in excess of £10.0 million, the terms of such transaction or series of related transactions have been approved by a majority of the members of the Board of Directors of the Company resolving that such transaction complies with clause (1) above; and
- (3) in the event such Affiliate Transaction involves an aggregate consideration in excess of £20.0 million, the Company has received a written opinion from an Independent Financial Advisor that such Affiliate Transaction is fair, from a financial standpoint, to the Company and its Restricted Subsidiaries or that the terms are not materially less favorable than those that could reasonably have been obtained in a comparable transaction at such time on an arm’s length basis from a Person that is not an Affiliate.

The provisions of the preceding paragraph will not apply to:

- (1) any Restricted Payment permitted to be made pursuant to the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*”, any Permitted Payments (other than pursuant to clause (9)(b)(ii) of the third paragraph of the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*”) or any Permitted Investment (other than Permitted Investments as defined in clauses (1)(b), (2), (11), (15) and (17) of the definition thereof);
- (2) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Company, any Restricted Subsidiary or any Parent, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants’ plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Company, in each case in the ordinary course of business;
- (3) any Management Advances and any waiver or transaction with respect thereto;
- (4) any transaction between or among the Company and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among Restricted Subsidiaries or any Receivables Subsidiary;
- (5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities (including under customary insurance policies) and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Company, any Restricted Subsidiary or any Parent (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);

(6) the Transactions and the entry into and performance of obligations of the Company or any of its Restricted Subsidiaries under the terms of any transaction arising out of, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date, as these agreements and instruments may be amended, modified, supplemented, extended, renewed or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect in the good faith judgment of the Board of Directors or an Officer of the Company and the entry into and performance of any registration rights or other listing agreement in connection with any Public Offering;

(7) the execution, delivery and performance of any Tax Sharing Agreement and the formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business;

(8) transactions with customers, clients, landlords, suppliers or purchasers or sellers of goods or services, which, in each case, are in the ordinary course of business and are either fair to the Company or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an Officer of the Company or the relevant Restricted Subsidiary or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;

(9) any transaction in the ordinary course of business between or among the Company or any Restricted Subsidiary and any Affiliate of the Company or an Associate or similar entity that would constitute an Affiliate Transaction solely because the Company or a Restricted Subsidiary or any Affiliate of the Company or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;

(10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Company or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Funding; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the Board of Directors or an Officer of the Company in their reasonable determination and (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Indenture, the Intercreditor Agreement and any Additional Intercreditor Agreement, as applicable;

(11) without duplication in respect of payments made pursuant to clause (12) hereof, (a) payments by the Company or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) of annual management, consulting, monitoring or advisory fees and related expenses to an aggregate amount not to exceed £2.0 million in each twelve month period commencing on the Issue Date and (b) customary payments by the Company or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with acquisitions or divestitures, which payments in respect of this clause (b) are approved by a majority of the Board of Directors or an Officer of the Company in good faith;

(12) payment to any Permitted Holder of all reasonable out of pocket expenses Incurred by such Permitted Holder in connection with its direct or indirect investment in the Company and its Subsidiaries; and

(13) any transaction effected as part of a Qualified Receivables Financing.

## **Reports**

For so long as any Notes are outstanding, the Company will provide to the Trustee the following reports:

(1) within 120 days after the end of the Company's fiscal year beginning with the first fiscal year ending after the Issue Date, annual reports containing, to the extent applicable, the following information: (a) audited consolidated balance sheets of the Company as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Company for the two most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; *provided* that in the event of any change in the Company's fiscal year, the first annual report that is prepared in respect of such new fiscal year shall also include an unaudited consolidated balance sheet and an unaudited consolidated income statement and statement of cash flow of the Company as of and for the comparable prior period; (b) unaudited pro forma income statement information and balance sheet information of the Company (which, for the avoidance of doubt, shall not include the provision of a full income

statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year; (c) an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition, EBITDA and liquidity and capital resources of the Company, and a discussion of material commitments and contingencies and critical accounting policies; (d) description of the business, management and shareholders of the Company, all material affiliate transactions and a description of all material contractual arrangements, including material debt instruments; and (e) a description of material risk factors and material recent developments;

(2) within 75 days (or in the case of the first two fiscal quarters after the Issue Date, beginning with the fiscal quarter ending September 30, 2014, 90 days) following the end of the first three fiscal quarters in each fiscal year of the Company beginning with the fiscal quarter ending September 30, 2014, all quarterly reports of the Company containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such fiscal quarter and unaudited condensed statements of income and cash flow for the most recently completed fiscal quarter year- to-date period ending on the unaudited condensed balance sheet date, and the comparable prior year periods, together with condensed footnote disclosure; (b) unaudited pro forma income statement information and balance sheet information of the Company (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the relevant fiscal quarter; (c) an operating and financial review of the unaudited financial statements, including a discussion of the results of operations, financial condition, EBITDA and material changes in liquidity and capital resources of the Company, and a discussion of material changes not in the ordinary course of business in commitments and contingencies since the most recent report; and (d) material recent developments; and

(3) promptly after the occurrence of any material acquisition, disposition, restructuring, merger or similar transaction, or any senior executive officer changes at the Company or change in auditors of the Company or any other material event that the Company or any of its Restricted Subsidiaries announces publicly, a report containing a description of such event.

All financial statements shall be prepared in accordance with UK GAAP as in effect on the date of such report or financial statement (or otherwise on the basis of UK GAAP as then in effect) and on a consistent basis for the periods presented; *provided*, however, that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in applicable UK GAAP, present earlier periods on a basis that applied to such periods. Except as provided for above, no report needs to include separate financial statements for any Subsidiaries of the Company. At the Company's election it may also include financial statements of a Parent or of Lakeside Holdco in lieu of those for the Company; *provided* that, if the financial statements of a Parent or of Lakeside Holdco are included in such report, a reasonably detailed description of the material differences between the financial statements of the Parent or Lakeside Holdco, as the case may be, and the Company shall be included for any such period. Following an Initial Public Offering of the Capital Stock of an IPO Entity and/or the listing of such Capital Stock on a recognized stock exchange, the requirements of clauses (1), (2) and (3) above shall be considered to have been fulfilled if the IPO Entity complies with the reporting requirements of such stock exchange; *provided* that (x) the IPO Entity shall always provide financial statements consistent with the requirements of clause (2)(a) above for any applicable quarterly period pursuant to clause (2) above after the Completion Date and (y) to the extent such IPO Entity relies on such stock exchange reporting requirements to fulfill the requirements of clauses (1), (2) and (3) above, a reasonably detailed description of material differences between the financial statements of such IPO Entity and the financial statements of the Company shall be included for any period after the Completion Date.

At any time that any of the Company's Subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries, if taken together as one Subsidiary, constitutes a Significant Subsidiary of the Company, then the annual and quarterly financial information required by clauses (1) and (2) of the first paragraph of this covenant shall include either (i) a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Unrestricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Company or (ii) stand-alone audited or unaudited financial statements, as the case may be, of such Unrestricted Subsidiary or Unrestricted Subsidiaries (as a group or otherwise) together with an unaudited reconciliation to the financial information of the Company and its Subsidiaries, which reconciliation shall include the following items: turnover, EBITDA, net income, cash, total assets, total debt, shareholders equity, capital expenditures and interest expense.

Substantially concurrently with the issuance to the Trustee of the reports specified in clauses (1), (2) and (3) of the first paragraph of this covenant, the Company shall also (a) use its commercially reasonable efforts (i) to post copies of such reports on such password protected website as may be then maintained by the Company and its Subsidiaries or (ii) otherwise to provide substantially comparable public availability of such reports (as determined by the Board of

Directors or an Officer of the Company in good faith) or (b) to the extent the Board of Directors or an Officer of the Company determines in good faith that it cannot make such reports available in the manner described in the preceding clause (a) owing to applicable law or after the use of its commercially reasonable efforts, furnish such reports to the Holders and, upon their request, prospective purchasers of the Notes.

The Issuer will also make available copies of all reports required by clauses (1) through (3) of the first paragraph of this covenant, if and so long as the Notes are listed on the Official List of the LxSE and admitted for trading on the Euro MTF of the LxSE and the rules of such exchange so require, at the offices of the Registrar or, to the extent and in the manner permitted by such rules, post such reports on the official website of the LxSE.

In addition, so long as the Notes remain outstanding and during any period during which the Company is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Company shall furnish to the Holders and, upon their request, prospective purchasers of the Notes, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

### ***Merger and consolidation***

#### ***The Issuer and the Company***

Neither the Issuer nor the Company will consolidate with or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person, unless (and subject to the other terms of the Indenture):

(1) the Successor Company (if not the Company or the Issuer, as applicable) will be a Person organized and existing under the laws of any Permissible Jurisdiction and the Successor Company (if not the Company or the Issuer, as applicable) will expressly assume (a) by supplemental Indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Company or the Issuer, as applicable, under the Notes and the Indenture and (b) to the extent required by applicable law to effect such assumption, all obligations of the Company or the Issuer, as applicable, under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, subject in each case to any limitation contemplated by the Agreed Security Principles;

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(3) only in case of a transaction involving the Company, immediately after giving effect to such transaction, either (a) the Successor Company would be permitted to Incur at least an additional £1.00 of Indebtedness pursuant to the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” or (b) the Fixed Charge Coverage Ratio for the Company and its Restricted Subsidiaries would not be lower than it was immediately prior to giving effect to such transaction; and

(4) the Company shall have delivered to the Trustee an Officer’s Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental Indenture (if any) comply with the Indenture, and that all conditions precedent therein provided for relating to such transaction have been complied with and an Opinion of Counsel to the effect that such supplemental Indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Company and the Notes constitute legal, valid and binding obligations of the Successor Company, enforceable in accordance with their terms (in each case, in form and substance reasonably satisfactory to the Trustee); *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer’s Certificate as to any matters of fact, including as to satisfaction of clauses (2) and (3) above.

Only in case of a transaction involving the Company, any Indebtedness that becomes an obligation of the Company or any Restricted Subsidiary (or that is deemed to be Incurred by any Restricted Subsidiary that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this covenant, and any Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”.

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Company, which properties and assets, if held by the Company instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the

Company on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Company, as the case may be.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Company under the Indenture and the Notes but in the case of a lease of all or substantially all its assets, the predecessor company will not be released from its obligations under the Indenture or the Notes.

Notwithstanding the preceding clauses (2), (3) and (4) and the provisions described below under “—*Bidco, Lakeside Holdco and the Subsidiary Guarantors*” (which do not apply to transactions referred to in this sentence), (a) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to the Company and (b) any Restricted Subsidiary that is not a Guarantor may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Restricted Subsidiary. Notwithstanding the preceding clauses (2) and (3) (which do not apply to the transactions referred to in this sentence), the Company may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Company, reincorporating the Company in another jurisdiction, or changing the legal form of the Company.

There is no precise established definition of the phrase “substantially all” under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

The foregoing provisions (other than the requirements of clause (2) of the first paragraph of this covenant) will not apply to (i) any transactions which constitute an Asset Disposition if the Company has complied with the covenant described under “—*Certain Covenants—Limitation on sales of assets and subsidiary stock*” or (ii) the creation of a new subsidiary as a Restricted Subsidiary of the Company.

#### ***Bidco, Lakeside Holdco and the Subsidiary Guarantors***

Neither Bidco, Lakeside Holdco nor any of the Subsidiary Guarantors may (other than a Subsidiary Guarantor whose guarantee is to be released in accordance with the terms of the Indenture, the Intercreditor Agreement and any Additional Intercreditor Agreement);

- (1) consolidate with or merge with or into any Person, or
- (2) sell, convey, transfer or dispose of, all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person, or
- (3) permit any Person to merge with or into such Subsidiary Guarantor, unless
  - (A) the other Person is the Company or any Restricted Subsidiary that is a Guarantor or becomes a Guarantor; or
  - (B) (1) either (x) a Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Guarantor under its Note Guarantee, to the extent required by applicable law to effect such assumption, the obligations under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents to which it is a party and, if applicable, the Proceeds Loan Agreement, in each case subject to any limitation contemplated by the Agreed Security Principles; and
  - (2) immediately after giving effect to the transaction, no Default has occurred and is continuing; or
  - (C) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of the Guarantor or the sale or disposition of all or substantially all the assets of the Guarantor (in each case other than to the Company or a Restricted Subsidiary) otherwise permitted by the Indenture.

Notwithstanding the preceding clause (B) and the provisions described under “—*The Issuer and the Company*” (which do not apply to transactions referred to in this sentence), (a) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to Bidco, Lakeside Holdco or a Subsidiary

Guarantor and (b) Bidco, Lakeside Holdco and any Subsidiary Guarantor may consolidate or otherwise combine with, merge into or transfer all or part of their respective properties and assets to Bidco, Lakeside Holdco or any other Subsidiary Guarantor, as the case may be. Notwithstanding the preceding clause B(2) (which do not apply to the transactions referred to in this sentence), Bidco, Lakeside Holdco and any Subsidiary Guarantor may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of Bidco, Lakeside Holdco or the Subsidiary Guarantor reincorporating Bidco, Lakeside Holdco or such Subsidiary Guarantor in another jurisdiction, or changing the legal form of Bidco, Lakeside Holdco or such Subsidiary Guarantor, as the case may be.

There is no precise established definition of the phrase “substantially all” under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

### ***Suspension of covenants on achievement of Investment Grade Status***

If on any date following the Issue Date, the Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a “**Suspension Event**”), then, beginning on that day and continuing until the Reversion Date, the provisions of the Indenture summarized under the following captions will not apply to such Notes: “—*Certain Covenants—Limitation on Restricted Payments*”, “—*Certain Covenants—Limitation on Indebtedness*”, “—*Certain Covenants—Limitation on distributions from Restricted Subsidiaries*”, “—*Certain Covenants—Limitation on Affiliate Transactions*”, “—*Certain Covenants—Limitation on sales of assets and subsidiary stock*”, “—*Certain Covenants—Additional Note Guarantees and Collateral*” and the provisions of clause (3) of the first paragraph of the covenant described under “—*Merger and consolidation—The Issuer and the Company*”, and, in each case, any related default provision of the Indenture will cease to be effective and will not be applicable to the Company and its Restricted Subsidiaries. Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company properly taken during the continuance of the Suspension Event, and the “—*Certain Covenants—Limitation on Restricted Payments*” covenant will be interpreted as if it has been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event will be classified, at the Company’s option, as having been Incurred pursuant to the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” or one of the clauses set forth in the second paragraph of such covenant (to the extent such Indebtedness would be permitted to be Incurred thereunder as of the Reversion Date and after giving effect to Indebtedness Incurred prior to the Suspension Event and outstanding on the Reversion Date). To the extent such Indebtedness would not be so permitted to be Incurred under the first two paragraphs of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”, such Indebtedness will be deemed to have been outstanding on the Issue Date or the Completion Date, as applicable, so that it is classified as permitted under clause (4)(b) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”. The Issuer shall notify the Trustee that the conditions under this covenant have been satisfied, although such notification shall not be a condition for the suspension of the covenants set forth above to be effective. The Trustee shall not be obliged to notify Holders of such event.

### ***Additional Note Guarantees and Collateral***

Subject to the Agreed Security Principles, the Intercreditor Agreement and any Additional Intercreditor Agreement, the Company will not cause or permit any of its Restricted Subsidiaries that are not Guarantors or the Issuer, directly or indirectly, to Guarantee any Indebtedness under the Revolving Credit Facilities Agreement (or other Indebtedness that is Incurred under clause (1) or (6) of the second paragraph of “—*Certain Covenants—Limitation on Indebtedness*”), any Public Debt and any Refinancing Indebtedness thereof or any other Indebtedness of the Issuer or a Guarantor exceeding £2.0 million in principal amount, in whole or in part unless, in each case, such Restricted Subsidiary becomes a Guarantor on the date on which such other Guarantee is Incurred and, if applicable, executes and delivers to the Trustee a supplemental Indenture in the form attached to the Indenture or other appropriate agreement pursuant to which such Restricted Subsidiary will provide a Guarantee on the same terms and conditions as those set forth in the Indenture, which Guarantee will be senior to or *pari passu* with such Restricted Subsidiary’s Guarantee of such other Indebtedness.

A Restricted Subsidiary that is not a Guarantor may become a Guarantor if it executes and delivers to the Trustee a supplemental Indenture in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide a Guarantee.

Following the provision of any additional Guarantees as described above, subject to the Agreed Security Principles, the Intercreditor Agreement and any Additional Intercreditor Agreement (if such security is being granted in respect of the other Indebtedness), any such Guarantor will provide security over certain of its material assets (excluding any assets of such Guarantor which are subject to a Permitted Lien at the time of the execution of such supplemental indenture if



providing such security interest would not be permitted by the terms of such Permitted Lien or by the terms of any obligations secured by such Permitted Lien) to secure its Guarantee on a first priority basis consistent with the Collateral.

Each additional Guarantee or security will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, thin capitalization, distributable reserves, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Notwithstanding the foregoing paragraphs, the Company shall not be obligated to cause such Restricted Subsidiary to Guarantee the Notes or provide security to the extent and for so long as the Incurrence of such Guarantee could or the grant of such security would be inconsistent with the Intercreditor Agreement or the Agreed Security Principles.

### ***Impairment of security interest***

The Company shall not, and shall not permit any Restricted Subsidiary to, take or omit to take any action, which action or omission would have the result of materially impairing the security interest with respect to the Collateral (it being understood that the Incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the security interest with respect to the Collateral) for the benefit of the Trustee and the Holders, and the Company shall not, and shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement, any Lien over any of the Collateral that is prohibited by the covenant entitled “—*Certain Covenants—Limitation on Liens*”; *provided*, that the Company and its Restricted Subsidiaries may Incur any Lien over any of the Collateral that is not prohibited by the covenant entitled “—*Certain Covenants—Limitation on Liens*”, including Permitted Collateral Liens, and the Collateral may be discharged or released in accordance with the Indenture, the applicable Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement.

Notwithstanding the above, nothing in this covenant shall restrict the discharge and release of any Lien in accordance with the Indenture, the applicable Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement.

Subject to the foregoing, the Security Documents may be amended, extended, renewed, restated or otherwise modified or released to (i) cure any ambiguity, omission, defect or inconsistency therein; (ii) provide for Permitted Collateral Liens; (iii) add to the Collateral; or (iv) make any other change thereto that does not adversely affect the Holders in any material respect; *provided*, however, that (except where permitted by the Indenture or the Intercreditor Agreement or to effect or facilitate the creation of Permitted Collateral Liens for the benefit of the Security Agent and holders of other Indebtedness Incurred in accordance with the Indenture) no Security Document may be amended, extended, renewed, restated or otherwise modified or released, unless contemporaneously with such amendment, extension, renewal, restatement or modification or release (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), the Company delivers to the Security Agent and the Trustee, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Security Agent and the Trustee, from an Independent Financial Advisor or appraiser or investment bank which confirms the solvency of the Company and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, modification or release, (2) a certificate from an Officer of the relevant Person which confirms the solvency of the Person granting such Lien after giving effect to any transactions related to such amendment, extension, renewal, restatement, modification or release (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), or (3) an Opinion of Counsel (subject to any qualifications customary for this type of opinion of counsel), in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, modification or release (followed by an immediate retaking of a lien of at least equivalent ranking over the same assets), the Lien or Liens created under the Security Document, so amended, extended, renewed, restated, modified or released and retaken are valid and perfected Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, modification or release and retake and to which the new Indebtedness secured by the Permitted Collateral Lien is not subject. In the event that the Company and its Restricted Subsidiaries comply with the requirements of this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such amendments without the need for instructions from the Holders.

### ***Further assurances***

Subject to the Agreed Security Principles, the Company and its Restricted Subsidiaries will, at their own expense, execute and do all such acts and things and provide such assurances as the Security Agent may reasonably require (i) for registering any Security Documents in any required register and for perfecting or protecting the security intended to be afforded by such Security Documents and (ii) if such Security Documents have become enforceable, for facilitating the

realization of all or any part of the assets which are subject to such Security Documents and for facilitating the exercise of all powers, authorities and discretions vested in the Security Agent or in any receiver of all or any part of those assets. Subject to the Agreed Security Principles, the Company and its Restricted Subsidiaries will execute all transfers, conveyances, assignments and releases of that property whether to the Security Agent or to its nominees and give all notices, orders and directions which the Security Agent may reasonably request.

### ***Limitation on Issuer activities***

The Issuer will not engage in any business activity or undertake any other activity, except any activity (a) subject to compliance with the terms of the Indenture, related to the offering, sale or issuance of the Notes or the incurrence of Indebtedness by the Issuer represented by the Notes or any Public Debt, (b) undertaken with the purpose of, and directly related to, fulfilling its obligations under the Notes, the Indenture and any other document relating to the Notes (including the Proceeds Loan), the Security Documents, the Intercreditor Agreement and the Revolving Credit Facilities Agreement or any document relating to any Public Debt, (c) related to the establishment and maintenance of the Issuer's corporate existence, (d) related to using amounts received by the Issuer to make investments in cash or Cash Equivalents in a manner not otherwise prohibited by the Indenture or (e) reasonably related to the foregoing. The Issuer will not (a) incur any indebtedness (except to the Company or a Wholly Owned Subsidiary) other than, subject to compliance with the terms of the Indenture, the Notes or any Public Debt, (b) issue any Capital Stock (other than to the Company or a Wholly Owned Subsidiary) or (c) undertake any transaction that will require the Issuer to register as an "investment company" or an entity "controlled by an investment company" as defined in the U.S. Investment Company Act of 1940, as amended, and the rules and regulations thereunder.

The Issuer will not, and the Company will not permit the Issuer to, use the proceeds from the issuance of the Notes other than (i) to pay fees and expenses related to the offering of the Notes and (ii) to subscribe for the Proceeds Loan issued by the Company promptly upon the receipt of proceeds from the issuance of the Notes.

### **Payments for consent**

The Indenture will provide that the Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Holder for or as an inducement to any consent, waiver or amendment of any of the terms of the provisions of the Indenture or the Notes unless such consideration is offered to all Holders and is paid to all Holders that so consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement. Notwithstanding the foregoing, the Issuer, the Company and its Restricted Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes, to exclude Holders in any jurisdiction where (i) the solicitation of such consent, waiver or amendment, including in connection with an exchange offer or an offer to purchase for cash, or (ii) the payment of the consideration therefor (A) would require the Issuer, the Company or any of its Restricted Subsidiaries to file a registration statement, prospectus or similar document under any applicable securities laws (including, but not limited to, the United States federal securities laws and the laws of the European Union or its member states), which the Issuer and the Company in their sole discretion determine (acting in good faith) would be materially burdensome; or (B) such solicitation would otherwise not be permitted under applicable law in such jurisdiction.

### **Events of Default**

Each of the following is an "**Event of Default**" under the Indenture:

- (1) default in any payment of interest or Additional Amounts, if any, on any Note when due and payable, continued for 30 days;
- (2) default in the payment of the principal amount of or premium, if any, on any Note issued under the Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;
- (3) failure to comply for 30 days after written notice by the Trustee on behalf of the Holders or by the Holders of at least 30% in aggregate principal amount of the outstanding Notes with any of the Company's obligations under the covenants described under "*—Change of Control*" above or the obligations of the Company and the Restricted Subsidiaries under the covenants described under "*—Certain Covenants*" above (in each case, other than a failure to purchase Notes which will constitute an Event of Default under clause (2) above);

(4) failure to comply by the Company or any of its Restricted Subsidiaries for 60 days after written notice by the Trustee on behalf of the Holders or by the Holders of at least 30% in aggregate principal amount of the outstanding Notes with the Issuer's or the Guarantors' other agreements contained in the Indenture;

(5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is Guaranteed by the Company or any of its Restricted Subsidiaries) other than Indebtedness owed to the Company or a Restricted Subsidiary whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, which default:

(a) is caused by a failure to pay principal at Stated Maturity on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness ("payment default"); or

(b) results in the acceleration of such Indebtedness prior to its maturity (the "cross acceleration provision");

and, in each case, the aggregate principal amount of any such Indebtedness, together with the aggregate principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates £15.0 million or more;

(6) certain events of bankruptcy, insolvency or court protection of the Issuer, the Company or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company and its Restricted Subsidiaries), would constitute a Significant Subsidiary (the "bankruptcy provisions");

(7) failure by the Issuer, the Company, a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company and its Restricted Subsidiaries), would constitute a Significant Subsidiary, to pay final judgments aggregating in excess of £15.0 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final and due (the "judgment default provision");

(8) any security interest under the Security Documents on any Collateral having a fair market value in excess of £15.0 million shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement and the Indenture) for any reason other than the satisfaction in full of all obligations under the Indenture or the release or amendment of any such security interest in accordance with the terms of the Indenture, the Intercreditor Agreement or such Security Document or any such security interest created thereunder shall be declared invalid or unenforceable in a final non-appealable decision of a court of competent jurisdiction or the Issuer shall assert in writing that any such security interest is invalid or unenforceable and any such Default continues for 10 days (the "security default provisions"); and

(9) any Note Guarantee ceases to be in full force and effect (other than in accordance with the terms of the Intercreditor Agreement and the Indenture), or a Guarantor denies or disaffirms its obligations under its Note Guarantee in writing, other than in accordance with the terms thereof or upon release of the Note Guarantee in accordance with the Indenture.

However, a default under clause (3), (4), (5) or (7) of this paragraph will not constitute an Event of Default until the Trustee or the Holders of at least 30% in aggregate principal amount of the outstanding Notes notify the Company of the default and, with respect to clauses (3), (4), (5) and (7) the Company does not cure such default (or arranges that such Default has been cured) within the time specified in clause (3), (4), (5) or (7), as applicable, of this paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (6) above) occurs and is continuing, the Trustee by notice to the Company or the Holders of at least 30% in aggregate principal amount of the outstanding Notes, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest, including Additional Amounts, if any, on all the Notes to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest, including Additional Amounts, if any, will be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (5) of this "Events of Default" section has occurred and is continuing, the declaration of acceleration of the Notes

shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (5) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest, including Additional Amounts, if any, on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

If an Event of Default described in clause (6) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest, including Additional Amounts, if any, on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

The Holders of a majority in aggregate principal amount of the outstanding Notes under the Indenture may waive all past or existing Defaults or Events of Default (except with respect to (i) nonpayment of principal, premium or interest, or Additional Amounts, if any and (ii) a covenant or provision which under the Indenture cannot be modified or amended without the consent of the Holders of at least 90% of the principal amount of the Notes then outstanding, each of which may only be waived with the consent of the Holders of at least 90% of the principal amount of the Notes then outstanding) and rescind any such acceleration with respect to such Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee indemnity and/or security (including by way of prefunding) satisfactory to it in its sole discretion against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless:

- (1) such Holder has previously given the Trustee written notice that an Event of Default is continuing;
- (2) Holders of at least 30% in aggregate principal amount of the outstanding Notes have requested in writing the Trustee to pursue the remedy;
- (3) such Holders have offered in writing the Trustee indemnity and/or security (including by way of prefunding) satisfactory to it in its sole discretion against any loss, liability or expense;
- (4) the Trustee has not complied with such request within 60 days after the receipt of the written request and the offer of security and/or indemnity; and
- (5) the Holders of a majority in aggregate principal amount of the outstanding Notes have not given the Trustee a written direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in aggregate principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Indenture will provide that, in the event an Event of Default, of which a responsible officer of the Trustee has received written notice, has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification and/or security (including by way of prefunding) satisfactory to it in its sole discretion against all losses, liabilities and expenses caused by taking or not taking such action.

The Indenture will provide that if a Default occurs and a responsible officer of the Trustee is informed in writing of such occurrence by the Company, the Trustee must give notice of the Default to the Holders within 90 days after being notified by the Company. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as a committee of trust officers of the Trustee in good faith determines that withholding notice is in the interests of the Holders. The Company is required to deliver to the Trustee, within 120 days after the end of each fiscal year (and within 14 days upon request at any time after the 120 days), an Officer's Certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Company is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Company is taking or proposes to take in respect thereof.

The Notes provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified and/or secured (including by way of pre-funding) to its satisfaction in its sole discretion. It may not be possible for the Trustee to take certain actions in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for Holders to take action directly.

Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture and may not enforce the Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

#### **Amendments and waivers**

Subject to certain exceptions, the Note Documents may be amended, supplemented or otherwise modified with the consent of the Holders of a majority in aggregate principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, such Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of a majority in aggregate principal amount of the Notes then outstanding (including consents obtained in connection with a

purchase of, or tender offer or exchange offer for, such Notes). However, without the consent of Holders holding not less than 90% of the then outstanding aggregate principal amount of Notes (including consents obtained in connection with a purchase of, or tender offer or exchange offer for the Notes), an amendment or waiver may not, with respect to any such Notes held by a non-consenting Holder:

- (1) reduce the principal amount of such Notes whose Holders must consent to an amendment, waiver or modification;
- (2) reduce the stated rate of or extend the stated time for payment of interest on any such Note;
- (3) reduce the principal of or extend the Stated Maturity of any such Note;
- (4) reduce the premium payable upon the redemption of any such Note or change the time at which any such Note may be redeemed, in each case as described above under “—*Optional redemption*” or “—*Redemption for taxation reasons*”;
- (5) make any such Note payable in money other than that stated in such Note;
- (6) impair the right of any Holder to receive payment of principal of and interest or Additional Amounts, if any, on such Holder’s Notes on or after the due dates therefor or to institute suit for the enforcement of any such payment on or with respect to such Holder’s Notes;
- (7) make any change in the provision of the Indenture described under “—*Additional Amounts*” that adversely affects the right of any Holder of such Notes in any material respect or amends the terms of such Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Payor agrees to pay Additional Amounts, if any, in respect thereof;
- (8) release all or substantially all the Guarantors from their obligations under their respective Note Guarantees or the Indenture, except otherwise in accordance with the terms of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement;
- (9) release the security interest granted for the benefit of the Holders in the material Collateral, other than pursuant to the terms of the Security Document or the Indenture, as applicable, except as permitted by the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement;
- (10) waive a Default or Event of Default with respect to the nonpayment of principal, premium, interest or Additional Amounts, if any, on the Notes (except pursuant to a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of such Notes and a waiver of the payment default that resulted from such acceleration); or
- (11) make any change in the amendment or waiver provisions which require the Holders’ consent described in this sentence.

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, the Guarantors, the Trustee and the other parties thereto, as applicable, may amend or supplement any Note Documents to:

- (1) cure any ambiguity, omission, defect, error or inconsistency, conform any provision of the Note Documents to this “*Description of the Notes*”, or reduce the minimum denomination of the Notes;
- (2) provide for the assumption by a successor Person of the obligations of the Issuer or the Guarantors under any Note Document;
- (3) provide for uncertificated Notes in addition to or in place of certificated Notes (*provided that* the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code, or in a manner such that the uncertificated Notes are described in Section 4701(b)(1)(B) of the Code) or change the minimum denominations for the Notes;
- (4) add to the covenants or provide for a Note Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Issuer, the Company or any Restricted Subsidiary;

(5) make any change that would provide additional rights or benefits to the Trustee or the Holders or does not adversely affect the rights of or benefits to the Trustee or any Holder in any material respect;

(6) make such provisions as necessary (as determined in good faith by the Board of Directors or an Officer of the Company) for the issuance of Additional Notes;

(7) to provide for any Restricted Subsidiary to provide a Note Guarantee in accordance with the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” and “—*Certain Covenants—Additional Note Guarantees and Collateral*” to add Note Guarantees, to add security to or for the benefit of the Notes, or to confirm and evidence the release, termination, discharge or retaking of any Note Guarantee or Lien (including the Collateral and the Security Documents) or any amendment in respect thereof with respect to or securing the Notes when such release, termination, discharge or retaking or amendment is permitted under the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents;

(8) to conform the text of the Indenture, the Note Guarantees, the Security Documents or the Notes to any provision of this Description of the Notes to the extent that such provision in this Description of the Notes was intended to be a verbatim recitation of a provision of the Indenture, a Note Guarantee, the Security Documents or the Notes;

(9) to evidence and provide for the acceptance and appointment under the Indenture of a successor Trustee pursuant to the requirements thereof or to provide for the accession by the Trustee to any Note Document; or

(10) in the case of the Security Documents, to mortgage, pledge, hypothecate or grant a security interest in favor of the Security Agent for the benefit of parties to the Revolving Credit Facilities Agreement in any property which is required by the Revolving Credit Facilities Agreement (as in effect on the Issue Date) to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Security Agent, or to the extent necessary to grant a security interest for the benefit of any Person; *provided* that the granting of such security interest is not prohibited by the Indenture and the covenant described under “—*Certain Covenants—Impairment of security interest*” is complied with.

The Trustee shall be entitled to rely on such evidence as it deems appropriate, including Officer’s Certificates and Opinions of Counsel.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment of any Note Document. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any Holder given in connection with a tender of such Holder’s Notes will not be rendered invalid by such tender.

For so long as the Notes are listed on the Euro MTF of the LxSE and the rules of such exchange so require, the Issuer will publish notice of any amendment, supplement and waiver on the official website of the LxSE or in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*).

### **Acts by Holders**

In determining whether the Holders of the required aggregate principal amount of the Notes have concurred in any direction, waiver or consent, any Notes owned by the Company or by any Person directly or indirectly controlled, or controlled by, or under direct or indirect common control with, the Company will be disregarded and deemed not to be outstanding.

### **Defeasance**

The Issuer at any time may terminate all its and each Guarantor’s obligations under the Notes and the Indenture (“legal defeasance”) and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Notes, registrations of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the Security Documents in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate all its and each Guarantor’s obligations under the covenants described under “—*Certain Covenants*” (other than with respect to clauses (1) and (2) of the covenant described under “—*Merger and*

*consolidation—The Issuer and the Company” and clauses (A), (B) and (C) of the covenant described under “—Certain Covenants—Merger and consolidation—Bidco, Lakeside Holdco and the Subsidiary Guarantors”) and “—Change of Control” and the default provisions relating to such covenants described under “—Events of Default” above, the operation of the cross default upon a payment default, the cross acceleration provisions, the bankruptcy provisions, the judgment default provision, the guarantee default provision and the security default provision described under “—Events of Default” above (“covenant defeasance”).*

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of the covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to the Notes. If the Issuer exercises its covenant defeasance option with respect to the Notes, payment of the Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to clauses (1) and (2) of the covenant described under “—Certain Covenants—Merger and consolidation”), (4), (5), (6) (other than with respect to the Issuer and the Company), (7), (8) or (9) under “—Events of Default” above.

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the “defeasance trust”) with the Trustee (or such other entity designated or appointed as agent by the Trustee for this purpose) cash in pound sterling, pound sterling-denominated UK Government Obligations or a combination of cash in pound sterling and pound sterling-denominated UK Government Obligations in such amounts as will be sufficient, in the good faith determination of the Board of Directors or an Officer of the Company, for the payment of principal, premium, if any, and interest on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

- (1) an Opinion of Counsel in the United States to the effect that Holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel in the United States must be based on a ruling of the U.S. Internal Revenue Service or other change in applicable U.S. federal income tax law since the Issue Date);
- (2) an Officer’s Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer;
- (3) an Officer’s Certificate and an Opinion of Counsel (which Opinion of Counsel may be subject to customary assumptions and exclusions), each stating that that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with;
- (4) an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the U.S. Investment Company Act of 1940; and
- (5) all other documents or other information that the Trustee may reasonably require in connection with either defeasance option.

### **Satisfaction and discharge**

The Indenture, and the rights of the Trustee and the Holders under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Document will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when (1) either (a) all the Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Trustee for cancellation; or (b) all Notes not previously delivered to the Trustee for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or such other entity designated or appointed as agent by the Trustee for this purpose), cash in pound sterling or pound sterling-denominated UK Government Obligations or a combination of cash in pound sterling and pound sterling-denominated UK Government Obligations in an amount sufficient, in the good faith determination of the Board of Directors or an Officer of the Company to pay and discharge the outstanding aggregate principal amount of indebtedness on the Notes not previously delivered to the Trustee for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Indenture; (4) the Issuer has delivered irrevocable instructions to the Trustee to



apply the funds deposited towards the payment of the Notes at maturity or on the redemption date, as the case may be; and (5) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each to the effect that all conditions precedent under the "*Satisfaction and discharge*" section of the Indenture relating to the satisfaction and discharge of the Indenture have been complied with; *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

#### **No personal liability of directors, officers, employees and shareholders**

No director, officer, employee, incorporator or shareholder of the Issuer or the Company, any of the Company's Subsidiaries or any of their respective Affiliates, as such, shall have any liability for any obligations of the Issuer or the Guarantors under the Note Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

#### **Concerning the Trustee and certain agents**

U.S. Bank Trustees Limited is to be appointed as Trustee under the Indenture. The Indenture will provide that, except during the continuance of an Event of Default of which a responsible officer of the Trustee has received written notice, the Trustee will perform only such duties as are set forth specifically in the Indenture. During the existence of an Event of Default of which a responsible officer of the Trustee has received written notice, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty.

The Trustee will be permitted to engage in other transactions with the Company, the Issuer and their respective Affiliates and Subsidiaries.

The Indenture will set out the terms under which the Trustee may retire or be removed, and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of the then outstanding Notes, or may resign at any time by giving written notice to the Issuer and (2) that if the Trustee at any time (a) has or acquires a conflict of interest in its capacity as Trustee that is not eliminated, (b) fails to meet certain eligibility requirements or (c) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a bona fide Holder for not less than six months may petition any court for removal of the Trustee and appointment of a successor Trustee.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture will contain provisions for the indemnification of the Trustee for any loss, liability, taxes and expenses Incurred without negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of the Indenture.

#### **Notices**

All notices to Holders will be validly given if mailed to them at their respective addresses in the register of the Holders, if any, maintained by the Registrar. In addition, for so long as any of the Notes are listed on the LxSE and the rules of the LxSE so require, notices with respect to the Notes listed on the Euro MTF will be published on the official website of the LxSE or in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, posted on the official website of the LxSE. For so long as any Notes are represented by Global Notes, all notices to Holders will be delivered to Euroclear and Clearstream, delivery of which shall be deemed to satisfy the requirements of this paragraph, each of which will give such notices to the holders of Book-Entry Interests.

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; *provided* that, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to mail, cause to be delivered or otherwise transmit a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

## **Prescription**

Claims against the Issuer or any Guarantor for the payment of principal, or premium, if any, on the Notes or any Note Guarantee will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer or any Guarantor for the payment of interest on the Notes will be prescribed six years after the applicable due date for payment of interest.

## **Currency indemnity**

Pound sterling is the sole currency of account and payment for all sums payable by the Issuer and the Guarantors under or in connection with the Notes and the relevant Note Guarantees, as the case may be, including damages. Any amount received or recovered in a currency other than pound sterling, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding up or dissolution of the Issuer, any Guarantor or otherwise by any Holder or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the pound sterling amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that pound sterling amount is less than the pound sterling amount expressed to be due to the recipient or the Trustee under any Note, the Issuer and the Guarantors will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or the Trustee on a joint and several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be prima facie evidence of the matter stated therein for the Holder or the Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantor's other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any pound sterling denominated restriction herein, the Sterling Equivalent amount for purposes hereof that is denominated in a currency other than pound sterling shall be calculated based on the relevant currency exchange rate in effect on the date such non-pound sterling amount is Incurred or made, as the case may be.

## **Enforceability of judgments**

Since all the assets of the Issuer and the Guarantors are held or located outside the United States, any judgment obtained in the United States against the Issuer or any Guarantor, including judgments with respect to the payment of principal, premium, if any, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Notes or the Note Guarantees, may not be collectable within the United States.

## **Consent to jurisdiction and service**

In relation to any legal action or proceedings arising out of or in connection with the Indenture and the Notes and the Note Guarantees, the Issuer and each Guarantor will in the Indenture irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States.

## **Governing law**

The Indenture and the Notes, including any Note Guarantees, and the rights and duties of the parties thereunder will be governed by and construed in accordance with the laws of the State of New York.

## **Certain definitions**

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

**“Acquired Indebtedness”** means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, or (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary or such

acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Company or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

**“Acquisition Agreement”** means the share purchase agreement dated September 9, 2014, by and among Bidco and certain shareholders of Lakeside Holdco.

**“Acquisition”** means the acquisition of the Keepmoat Group pursuant to the purchase by Bidco of 100% of the shares of Lakeside Holdco in accordance with the Acquisition Agreement.

**“Additional Assets”** means:

- (1) any property or assets (other than Indebtedness and Capital Stock) used or to be used by the Company, a Restricted Subsidiary or otherwise useful in a Similar Business (it being understood that capital expenditures on property or assets already used in a Similar Business or to replace any property or assets that are the subject of such Asset Disposition shall be deemed an investment in Additional Assets);
- (2) the Capital Stock of a Person that is engaged in a Similar Business and becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Company or a Restricted Subsidiary; or
- (3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary.

**“Affiliate”** of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, **“control”**, when used with respect to any Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms **“controlling”** and **“controlled”** have meanings correlative to the foregoing.

**“Agreed Security Principles”** means the agreed security principles as set out in an annex to the Indenture as in effect on the Issue Date, as applied reasonably and in good faith by the Board of Directors or an Officer of the Company.

**“Applicable Premium”** means, with respect to any Note on any redemption date, the greater of:

- (1) 1.0% of the principal amount of such Note; or
- (2) the excess of:
  - (i) the present value at such redemption date of (x) the redemption price of such Note at October 15, 2016 (such redemption price being set forth in the table appearing under the caption “—*Optional redemption*”), plus (y) all required interest payments due on such Note through October 15, 2016 (excluding accrued but unpaid interest), computed using a discount rate equal to the Gilt Rate as of such redemption date plus 50 basis points; over
  - (ii) the outstanding principal amount of such Note;

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate. For the avoidance of doubt, the calculation of the Applicable Premium shall not be an obligation or duty of the Trustee, Register, Paying Agent or Transfer Agent.

**“Asset Disposition”** means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors’ qualifying shares), property or other assets (each referred to for the purposes of this definition as a “disposition”) by the Company or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction; *provided* that the sale, conveyance or other disposition of all or substantially all the assets of the Company and its Restricted Subsidiaries taken as a whole will be governed by the provisions of the Indenture described above under the caption “—*Change of Control*” or the provisions described above under the caption “—*Certain Covenants—Merger and consolidation*” and not by the provisions of the

Asset Disposition covenant. Notwithstanding the preceding provisions of this definition, the following items shall not be deemed to be Asset Dispositions:

- (1) a disposition by a Restricted Subsidiary to the Company or by the Company or a Restricted Subsidiary to a Restricted Subsidiary;
- (2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;
- (3) a disposition of inventory or other assets in the ordinary course of business;
- (4) a disposition of obsolete, surplus or worn out equipment or other assets, or equipment or other property that is no longer useful in the conduct of the business of the Company and its Restricted Subsidiaries;
- (5) transactions permitted under “—*Certain Covenants—Merger and consolidation—The Issuer and the Company*” or a transaction that constitutes a Change of Control;
- (6) an issuance of Capital Stock by a Restricted Subsidiary to the Company or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Company;
- (7) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Board of Directors or an Officer of the Company) of less than the greater of (i) £5.0 million and (ii) 0.8% of Total Assets;
- (8) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under “—*Certain Covenants—Limitation on Restricted Payments*” and the making of any Permitted Payments or Permitted Investments or, solely for purposes of the second paragraph under “—*Certain Covenants—Limitation on sales of assets and subsidiary stock*”, asset sales, in respect of which (and only to the extent that) the proceeds of which are used to make such Restricted Payments or Permitted Investments;
- (9) dispositions in connection with Permitted Liens;
- (10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;
- (11) the licensing or sub-licensing of intellectual property or other general intangibles and licenses, sub-licenses, leases or subleases of other property, in each case, in the ordinary course of business;
- (12) foreclosure, condemnation or any similar action with respect to any property or other assets;
- (13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms and for credit management purposes) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;
- (14) any disposition of Capital Stock, Indebtedness or other securities or assets of an Unrestricted Subsidiary;
- (15) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Company or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;
- (16) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;
- (17) any disposition with respect to property built, owned or otherwise acquired by the Company or any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by the Indenture; *provided* that the fair market value of the assets disposed of when taken together with all other dispositions made pursuant to this clause (17) does not exceed £7.5 million;

(18) sales or dispositions of receivables in connection with any Qualified Receivables Financing or any factoring transaction or in the ordinary course of business; and

(19) subject to clause (17) above in relation to a sale and leaseback transaction any dispositions in connection with the entry into a Capitalized Lease Obligation.

**“Associate”** means (i) any Person engaged in a Similar Business of which the Company or its Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture engaged in a Similar Business entered into by the Company or any Restricted Subsidiary.

**“Board of Directors”** means (1) with respect to the Company or any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (3) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision of the Indenture requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval).

**“Business Day”** means each day that is not a Saturday, Sunday or other day on which banking institutions in London, United Kingdom, or New York, New York, United States are authorized or required by law to close; *provided*, however, that for any payments to be made under the Indenture, such day shall also be a day on which the TARGET2 payment system is open for the settlement of payments.

**“Capital Stock”** of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

**“Capitalized Lease Obligations”** means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of UK GAAP. The amount of Indebtedness represented by such obligation will be the capitalized amount of such obligation at the time any determination thereof is to be made as determined on the basis of UK GAAP, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

**“Cash Equivalents”** means:

(1) securities issued or directly and fully Guaranteed or insured by a Permissible Jurisdiction or, in each case, any agency or instrumentality thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;

(2) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances (in each case, including any such deposits made pursuant to any sinking fund established by the Company or any Restricted Subsidiary) having maturities of not more than one year from the date of acquisition thereof issued by any lender party to a Credit Facility or by any bank or trust company (a) whose commercial paper is rated at least “A-1” or the equivalent thereof by S&P or at least “P-1” or the equivalent thereof by Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (b) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of £500 million;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;

(4) commercial paper rated at the time of acquisition thereof at least “A-2” or the equivalent thereof by S&P or “P-2” or the equivalent thereof by Moody's or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if both of the two named rating agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;

(5) readily marketable direct obligations issued by a Permissible Jurisdiction having one of the two highest rating categories obtainable from either Moody's or S&P (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;

(6) Indebtedness or Preferred Stock issued by Persons with a rating of “BBB-” or higher from S&P or “Baa3” or higher from Moody's (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;

(7) bills of exchange issued in a Permissible Jurisdiction eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent); and

(8) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (7) above.

**“Change of Control”** means:

(1) the Company becomes aware that (by way of a report or any other filing pursuant to any regulatory filing, proxy, vote, written notice or otherwise) any “person” or “group” of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, is or has become the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Company, *provided* that for the purposes of this clause, (x) any holding company whose only material assets relate to ownership of the Capital Stock of the Company will not itself be

considered a “person” or “group”; and (y) any Voting Stock of which any Permitted Holder is the “beneficial owner” (as so defined) shall not be included in any Voting Stock of which any such person or group is the “beneficial owner” (as so defined), unless that person or group is not an affiliate of a Permitted Holder and has greater voting power with respect to that Voting Stock than any other Permitted Holder; or

(2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all the assets of the Company and its Restricted Subsidiaries taken as a whole to a Person, other than a Restricted Subsidiary or one or more Permitted Holders.

“**Clearstream**” means Clearstream Banking, société anonyme, or any successor securities clearing agency.

“**Code**” means the United States Internal Revenue Code of 1986, as amended.

“**Commodity Hedging Agreements**” means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including commodities derivative agreements or arrangements), to which such Person is a party or a beneficiary.

“**Consolidated EBITDA**” for any period means, without duplication, the Consolidated Net Income for such period, plus the following to the extent deducted in calculating such Consolidated Net Income or consisting of the release of provisions specified in clause (8) hereof:

- (1) Consolidated Interest Expense and Receivables Fees;
- (2) Consolidated Income Taxes;
- (3) consolidated depreciation expense;
- (4) consolidated amortization or impairment expense;
- (5) any expenses, charges or other costs related to any Equity Offering, Investment, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business; *provided* that such payments are made in connection with such acquisition and are consistent with the customary practice in the industry at the time of such acquisition), disposition, recapitalization or the Incurrence of any Indebtedness permitted by the Indenture (in each case whether or not successful) (including any such fees, expenses or charges related to the Transactions), in each case, as determined in good faith by the Board of Directors or an Officer of the Company;
- (6) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period or any prior period or any net earnings, income or share of profit of any Associates, associated company or undertaking;
- (7) the amount of management, monitoring, consulting, employment and advisory fees and related expenses paid in such period to the Permitted Holders to the extent permitted by the covenant described under “*Certain Covenants—Limitation on Affiliate Transactions*”; and
- (8) other non-cash charges, write-downs or items reducing Consolidated Net Income (excluding any such non-cash charge, write-down or item to the extent it represents an accrual of or reserve for cash charges in any future period) or items classified by the Company as extraordinary, exceptional, unusual or nonrecurring items, plus the release of provisions made in relation to shared equity loans or similar schemes, less other non-cash items of income increasing Consolidated Net Income (excluding any such non-cash item of income to the extent it represents a receipt of cash in any future period).

“**Consolidated Financial Interest Expense**” means, for any period (in each case, determined on the basis of UK GAAP), the sum of:

- (1) consolidated net interest income/expense of the Company and its Restricted Subsidiaries related to Indebtedness (including (a) amortization of debt discount or premium, (b) all commissions, discounts and other fees and charges owed with respect to letters of credit or bankers’ acceptances, (c) the interest component of Capitalized Lease Obligations, and (d) net payments, if any, pursuant to interest rate Hedging Obligations with respect to Indebtedness) but not including any Pension Items, debt issuance costs and

premiums, commissions, discounts and other fees and charges owed or paid with respect to financings, or costs associated with Hedging Obligations (other than those described in (d));

(2) dividends on other distributions in respect of all Disqualified Stock of the Company and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Company or a subsidiary of the Company; and

(3) any interest on Indebtedness of another Person that is guaranteed by the Company or any of its Restricted Subsidiaries or secured by a Lien on assets of the Company or any of its Restricted Subsidiaries, to the extent such interest is actually paid by the Company or any of its Restricted Subsidiaries.

**“Consolidated Income Taxes”** means Taxes or other payments, including deferred Taxes, based on income, profits or capital (including, without limitation, withholding Taxes) and corporation Tax and franchise Taxes of any of the Company and its Restricted Subsidiaries whether or not paid, estimated, accrued or required to be remitted to any Governmental Authority.

**“Consolidated Interest Expense”** means, for any period (in each case, determined on the basis of UK GAAP), the consolidated net interest income/expense of the Company and its Restricted Subsidiaries, whether paid or accrued, plus or including (without duplication) any interest, costs and charges consisting of:

(1) interest expense attributable to Capitalized Lease Obligations and the interest component of deferred payment obligations;

(2) amortization of debt discount or premium, amortization of debt issuance costs, fees, premium and expenses and the expensing of any financing fees;

(3) non-cash interest expense;

(4) the net payments (if any) of Hedging Agreements (excluding amortization of fees and discounts and unrealized gains and losses, costs associated with Hedging Obligations (including termination payments), foreign currency losses and any Receivables Fees);

(5) dividends on other distributions in respect of all Disqualified Stock of the Company and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Company or a subsidiary of the Company;

(6) the consolidated interest expense that was capitalized during such period;

(7) any interest on Indebtedness of another Person that is guaranteed by the Company or any of its Restricted Subsidiaries or secured by a Lien on assets of the Company or any of its Restricted Subsidiaries; and

(8) Pension Items.

**“Consolidated Net Income”** means, for any period, the profit/(loss) for the financial period of the Company and its Restricted Subsidiaries determined on a consolidated basis on the basis of UK GAAP; *provided*, however, that there will not be included in such Consolidated Net Income:

(1) subject to the limitations contained in clause (3) below, any profit/(loss) for the financial period of any Person if such Person is not a Restricted Subsidiary, except that the Company’s equity in the profit/(loss) for the financial period of any such Person will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents (x) actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution or return on investment or (y) only for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*”, that could have been distributed, as reasonably determined by an Officer of the Company (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below);

(2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*”, any the profit/(loss) for the financial period of any Restricted Subsidiary (other than Guarantors) if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the



making of distributions by such Restricted Subsidiary, directly or indirectly, to a Guarantor by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to or permitted under the Revolving Credit Facilities Agreement, the Notes or the Indenture, and (c) restrictions not prohibited by the covenant described under "*Certain Covenants—Limitation on distributions from Restricted Subsidiaries*"), except that the Company's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Company or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause) even if encumbrances or restrictions to make distributions in cash or Cash Equivalents arise or exist by reason of applicable law or applicable rules, regulation or order;

(3) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Company or any Restricted Subsidiaries (including pursuant to any sale/leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by the Board of Directors or an Officer of the Company);

(4) any extraordinary, exceptional, unusual or nonrecurring gain, loss, charge or expense (as determined in good faith by the Board of Directors or an Officer of the Company), or any charges, expenses or reserves in respect of any restructuring, disposal, closing, redundancy or severance;

(5) the cumulative effect of a change in accounting principles;

(6) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards and any non-cash deemed finance charges in respect of any Pension Items or other provisions;

(7) all deferred financing costs written off and premiums paid or other expenses Incurred directly in connection with any early extinguishment of Indebtedness and any net gain (loss) from any write-off or forgiveness of Indebtedness;

(8) any unrealized gains or losses in respect of Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value of changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;

(9) any unrealized foreign currency transaction gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies;

(10) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Company or any Restricted Subsidiary owing to the Company or any Restricted Subsidiary;

(11) any purchase accounting effects including, but not limited to, adjustments to inventory, stock, property and equipment, software and other intangible assets and deferred revenue in component amounts required or permitted by UK GAAP and related authoritative pronouncements (including the effects of such adjustments pushed down to the Company and the Restricted Subsidiaries), as a result of any consummated acquisition, or the amortization or write-off of any amounts thereof;

(12) any goodwill or other intangible asset impairment, charge, amortization or write-off, including debt issuance costs (as determined in good faith by Senior Management);

(13) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding;

(14) Consolidated Income Taxes to the extent in excess of cash payments made in respect of such Consolidated Income Taxes; and

(15) to the extent covered by insurance and actually reimbursed, or, so long as the Company has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed by the insurer and only to the extent that such amount is (a) not denied by the applicable insurer in writing within 180 days and (b) in fact reimbursed within 365 days of the date of such evidence (with a deduction for any amount so added back to the extent not so reimbursed within 365 days), losses with respect to business interruption.

**“Consolidated Net Leverage”** means the sum of the aggregate outstanding Indebtedness of the Company and its Restricted Subsidiaries (excluding Hedging Obligations) less cash and Cash Equivalents.

**“Consolidated Net Leverage Ratio”** means, as of any date of determination, the ratio of (x) Consolidated Net Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Company are available; *provided*, however, that for the purposes of calculating Consolidated EBITDA for such period, if, as of such date of determination:

(1) since the beginning of such period, the Company or any Restricted Subsidiary has closed or disposed of any company, any business, or any group of assets constituting an operating unit of a business (any such disposition, a **“Sale”**) or if the transaction giving rise to the need to calculate the Consolidated Net Leverage Ratio is such a Sale, Consolidated EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the company, business, or group of assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto after giving pro forma effect to such Sale as if such Sale occurred on the first day of such period; *provided* that if any such Sale constitutes “discontinued operations” in accordance with UK GAAP, Consolidated Net Income shall be reduced by an amount equal to the Consolidated Net Income (if positive) attributable to the company, business or group of assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated Net Income (if negative) attributable thereto after giving pro forma effect to such Sale as if such Sale occurred on the first day of such period;

(2) since the beginning of such period, the Company or any Restricted Subsidiary (by merger or otherwise) has made an Investment in any Person that thereby becomes a Restricted Subsidiary, or otherwise has acquired any company, any business or any group of assets constituting an operating unit of a business (any such Investment or acquisition, a **“Purchase”**), including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, Consolidated EBITDA for such period will be calculated after giving pro forma effect thereto, including anticipated synergies and expenses and cost savings, as if such Purchase occurred on the first day of such period; and

(3) since the beginning of such period, any Person (that became a Restricted Subsidiary or was merged or otherwise combined with or into the Company or any Restricted Subsidiary since the beginning of such period) will have made any Sale or any Purchase that would have required an adjustment pursuant to clause (1) or (2) above if made by the Company or a Restricted Subsidiary since the beginning of such period, Consolidated EBITDA for such period will be calculated after giving pro forma effect thereto, including anticipated synergies and expenses and cost savings, as if such Sale or Purchase occurred on the first day of such period.

For the purposes of this definition and the definitions of Consolidated EBITDA, Consolidated Income Taxes, Consolidated Interest Expense and Consolidated Net Income, (a) calculations will be as determined in good faith by a responsible financial or accounting officer of the Company, including in respect of synergies and expenses and cost savings, as though the full effect of such synergies and expenses and cost savings were realized on the first day of the relevant period and shall also include the reasonably anticipated full run rate costs savings effect (as calculated in good faith by a responsible financial or chief accounting officer of the Company) of cost savings programs that have been initiated by the Company or its Restricted Subsidiaries as though such cost savings programs had been fully implemented on the first day of the relevant period, and (b) in determining the amount of Indebtedness outstanding on any date of determination, pro forma effect shall be given to any Incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Indebtedness as if such transaction had occurred on the first day of the relevant period. For the purpose of calculating pro forma effect pursuant to clause (2) above, the definition of Fixed Charge Coverage Ratio and for the first paragraph and clause (5) of the second paragraph of the covenant described under “*Certain Covenants—Limitation on Indebtedness*”, as well as clause (3) of the first paragraph of the covenant described under “*Certain Covenants—Merger and consolidation—The Issuer and the Company*”, pro forma effect may also be given to anticipated acquisitions where the Indebtedness to be Incurred is to finance such acquisitions in whole or in part, which have not yet occurred but which have become subject to a definitive purchase agreement or contract.

**“Consolidated Senior Secured Leverage”** means the sum of the aggregate outstanding Senior Secured Indebtedness of the Company and its Restricted Subsidiaries (excluding Hedging Obligations).

**“Consolidated Senior Secured Leverage Ratio”** means the Consolidated Net Leverage Ratio, but calculated by excluding all Indebtedness other than Senior Secured Indebtedness.

**“Contingent Obligations”** means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness (“primary obligations”) of any other Person (the “primary obligor”), including any obligation of such Person, whether or not contingent:

- (1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;
- (2) to advance or supply funds:
  - (a) for the purchase or payment of any such primary obligation; or
  - (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or
- (3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

**“Credit Facility”** means, with respect to the Company or any of its Subsidiaries, one or more debt facilities, indentures or other arrangements (including the Revolving Credit Facilities Agreement or commercial paper facilities and overdraft facilities) with banks, other institutions or investors providing for revolving credit loans, term loans, notes, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended from time to time (whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or banks, other institutions or investors and whether provided under the Revolving Credit Facilities Agreement or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term “Credit Facility” shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Company as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

**“Currency Agreement”** means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement to which such Person is a party or beneficiary.

**“Default”** means any event which is, or after notice or passage of time or both would be, an Event of Default.

**“Designated Non-Cash Consideration”** means the fair market value (as determined in good faith by the Board of Directors or an Officer of the Company) of non-cash consideration received by the Company or one of its Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer’s Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under “—*Certain Covenants—Limitation on sales of assets and subsidiary stock*”.

**“Designated Preference Shares”** means, with respect to the Company or any Parent, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Company or a Subsidiary of the Company or an employee stock ownership plan or trust established by the Company or any such Subsidiary for the benefit of their employees to the

extent funded by the Company or such Subsidiary) and (b) that is designated as “Designated Preference Shares” pursuant to an Officer’s Certificate of the Company at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (c)(ii) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*”.

**“Disqualified Stock”** means, with respect to any Person, any Capital Stock of such Person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event:

- (1) matures or is mandatorily redeemable for cash or in exchange for Indebtedness pursuant to a sinking fund obligation or otherwise;
- (2) is convertible or exchangeable for Indebtedness or Disqualified Stock (excluding Capital Stock which is convertible or exchangeable solely at the option of the Company or a Restricted Subsidiary); or
- (3) is or may become (in accordance with its terms) upon the occurrence of certain events or otherwise redeemable or repurchasable for cash or in exchange for Indebtedness at the option of the holder of the Capital Stock in whole or in part,

in each case on or prior to the earlier of (a) the Stated Maturity of the Notes or (b) the date on which there are no Notes outstanding; *provided*, however, that (i) only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock and (ii) any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Company to repurchase such Capital Stock upon the occurrence of a change of control or asset sale (howsoever defined or referred to) shall not constitute Disqualified Stock if any such redemption or repurchase obligation is subject to compliance by the relevant Person with the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*”.

**“Equity Contribution”** means the contribution from the Equity Investors to the Company of shareholder funds on or about the Completion Date as part of the Transactions as described in this Offering Memorandum.

**“Equity Investors”** means TDR Capital and/or Sun Capital, funds managed by either or both of them or any of their respective Affiliates, or any co-investment vehicle managed by either or both of them or any of their respective Affiliates.

**“Equity Offering”** means a sale by the IPO Entity of (x) Capital Stock (other than Disqualified Stock) other than offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions, or (y) other securities, the proceeds of which are contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of, or as Subordinated Shareholder Funding to, the IPO Entity or any of its Restricted Subsidiaries.

**“Euroclear”** means Euroclear Bank SA/NV or any successor securities clearing agency.

**“European Union”** means all members of the European Union as of January 1, 2004 and the Czech Republic.

**“Exchange Act”** means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

**“Excluded Contribution”** means Net Cash Proceeds or property or assets received by the Company as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Company after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Company (other than the Equity Contribution), in each case, to the extent designated as an Excluded Contribution pursuant to an Officer’s Certificate of the Company.

**“fair market value”** may be conclusively established by means of an Officer’s Certificate or a resolution of the Board of Directors of the Company setting out such fair market value as determined by such Officer or the Board of Directors of the Company in good faith.

**“Fixed Charge Coverage Ratio”** means, for any period, the ratio of:

- (a) Consolidated EBITDA; to

(b) Consolidated Financial Interest Expense;

*provided* that in calculating the Fixed Charge Coverage Ratio or any element thereof for any period, pro forma calculations will be made in good faith by the Board of Directors or an Officer of the Company (including any pro forma synergies and expenses and cost savings that have occurred or are reasonably expected to occur within the next twelve months following the date of such calculation, including, without limitation, as a result of, or that would result from any actions taken by the Company or any of its Restricted Subsidiaries including, without limitation, in connection with any cost reduction or cost savings plan or program or in connection with any transaction, investment, acquisition, disposition, restructuring, corporate reorganization or otherwise, in the good faith judgment of the Board of Directors or an Officer of the Company (regardless of whether these synergies and expenses and cost savings could then be reflected in pro forma financial statements to the extent prepared)); *provided*, further, without limiting the application of the previous proviso, that for the purposes of calculating Consolidated EBITDA or Consolidated Financial Interest Expense for such period, if, as of such date of determination:

(1) since the beginning of such period, the Company or any Restricted Subsidiary has closed or disposed of any company, any business or any group of assets constituting an operating unit of a business (any such disposition, a **“Sale”**) or if the transaction giving rise to the need to calculate the Fixed Charge Coverage Ratio is such a Sale, (a) Consolidated EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the company, business or group of assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto after giving pro forma effect to such Sale as if such Sale occurred on the first day of such period; *provided* that if any such Sale constitutes “discontinued operations” in accordance with UK GAAP, Consolidated Net Income shall be reduced by an amount equal to the Consolidated Net Income (if positive) attributable to the company, business or group of assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated Net Income (if negative) attributable thereto after giving pro forma effect to such Sale as if such Sale occurred on the first day of such period; and (b) the Consolidated Financial Interest Expense for such period shall be reduced by an amount equal to the Consolidated Financial Interest Expense directly attributable to any Indebtedness of the Company or of any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Company and the continuing Restricted Subsidiaries in connection with such Sale for such same period (or, if the Capital Stock of any Restricted Subsidiary is sold, the Consolidated Financial Interest Expense for such period directly attributable to the Indebtedness of such Restricted Subsidiary to the extent the Company and the continuing Restricted Subsidiaries are no longer liable for such Indebtedness after such Sale);

(2) since the beginning of such period, the Company or any Restricted Subsidiary (by merger or otherwise) has made an Investment in any Person that thereby becomes a Restricted Subsidiary, or otherwise has acquired any company, any business or any group of assets constituting an operating unit of a business (any such Investment or acquisition, a **“Purchase”**), including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, Consolidated EBITDA and Consolidated Financial Interest Expense for such period will be calculated after giving pro forma effect thereto, including anticipated synergies and expenses and cost savings, as if such Purchase occurred on the first day of such period; and

(3) since the beginning of such period, any Person (that became a Restricted Subsidiary or was merged or otherwise combined with or into the Company or any Restricted Subsidiary since the beginning of such period) will have made any Sale or any Purchase that would have required an adjustment pursuant to clause (1) or (2) above if made by the Company or a Restricted Subsidiary since the beginning of such period, Consolidated EBITDA and Consolidated Financial Interest Expense for such period will be calculated after giving pro forma effect thereto as if such Sale or Purchase occurred on the first day of such period.

If any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest expense on such Indebtedness will be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness for a period equal to the remaining term of such Indebtedness).

For the purposes of this definition, (a) calculations will be as determined in good faith by a responsible financial or accounting officer of the Company (including in respect of anticipated expense and cost reductions and synergies, and as though the full effect of synergies and cost savings were realized on the first day of the relevant period) and (b) in determining the amount of Indebtedness outstanding on any date of determination, pro forma effect shall be given to any Incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Indebtedness as if such transaction had occurred on the first day of the relevant period.

**“Gilt Rate”** means, as of any redemption date, the yield to maturity as of such redemption date of UK Government Obligations with a fixed maturity (as compiled by the Office for National Statistics and published in the most recent

financial statistics that have become publicly available at least two Business Days in London prior to such redemption date (or, if such statistics are no longer published, any publicly available source of similar market data)) most nearly equal to the period from such redemption date to October 15, 2016; *provided*, however, that if the period from such redemption date to October 15, 2016 is less than one year, the weekly average yield on actually traded UK Government Obligations denominated in Sterling adjusted to a fixed maturity of one year shall be used.

**“Governmental Authority”** means any nation, sovereign or government, any state, province, territory or other political subdivision thereof, and any entity or authority exercising executive, legislative, judicial, regulatory, self-regulatory or administrative functions of or pertaining to government, including a central bank or stock exchange.

**“Guarantee”** means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part),

*provided*, however, that the term “Guarantee” will not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a corresponding meaning.

**“Guarantor”** means the Company and any Restricted Subsidiary that Guarantees the Notes.

**“Hedging Agreement”** means any Interest Rate Agreement, Currency Agreement, Commodity Hedging Agreement or other agreement entered into by the Company or any of its Subsidiaries to offset, balance or manage risks related to any businesses, services or activities engaged in by the Company or any of its Subsidiaries or any Associates in the ordinary course.

**“Hedging Obligations”** of any Person means the obligations of such Person pursuant to any Hedging Agreement.

**“Holder”** means each Person in whose name the Notes are registered on the Registrar’s books, which shall initially be the nominee of Euroclear or Clearstream.

**“IFRS”** means the International Financial Reporting Standards (formerly, International Accounting Standards) endorsed from time to time by the European Union or any variation thereof with which the Company or its Restricted Subsidiaries are, or may be, required to comply; *provided* that at any date after the Issue Date the Company may make an irrevocable election to establish that “IFRS” shall mean IFRS as in effect on a date that is on or prior to the date of such election. The Company shall give notice of any such election to the Trustee.

**“Immaterial Subsidiary”** means any Restricted Subsidiary that (i) has not guaranteed, or is not a co-obligor under, any other Indebtedness of the Issuer or any Guarantor and (ii) (A) has Total Assets (as determined in accordance with UK GAAP) of less than 5% of the Company’s consolidated Total Assets and (B) has Consolidated EBITDA of less than 5% of the Company’s Consolidated EBITDA (in each case, measured (i) for the four fiscal quarters ended most recently for which internal financial statements are available, (ii) on a pro forma basis giving effect to any acquisitions or depositions of companies, division or lines of business since such balance sheet date or the start of such four fiscal quarter period, as applicable and (iii) on the basis of management accounts and excluding intercompany balances, investments in subsidiaries and joint ventures and intangible assets).

**“Incur”** means issue, create, assume, enter into any Guarantee of, incur, extend or otherwise become liable for; *provided*, however, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms **“Incurred”** and **“Incurrence”** have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility shall only be **“Incurred”** at the time any funds are borrowed thereunder.

**“Indebtedness”** means, with respect to any Person on any date of determination (without duplication):

- (1) the principal of indebtedness of such Person for borrowed money;
- (2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all reimbursement obligations of such Person in respect of letters of credit, bankers’ acceptances, performance, completion, surety or appeal bonds or similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have been reimbursed) (except to the extent such reimbursement obligations are Incurred in the ordinary course of business and such obligations are satisfied or reimbursed within 30 days of Incurrence), in each case only to the extent that the underlying obligation in respect of which the instrument was issued would be treated as Indebtedness;
- (4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property outside of the ordinary course of business, where the deferred payment is arranged primarily as a means of raising finance, which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;
- (5) Capitalized Lease Obligations of such Person;
- (6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);
- (7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided*, however, that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Board of Directors or an Officer of the Company) and (b) the amount of such Indebtedness of such other Persons;
- (8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and
- (9) to the extent not otherwise included in this definition, net obligations of such Person under Hedging Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The term **“Indebtedness”** shall not include Subordinated Shareholder Funding or any lease, concession or license of property (or Guarantee thereof) which would be considered an operating lease under UK GAAP as in effect on the Issue Date or any deposit made in relation thereto, any asset retirement obligations, prepayments or deposits or grants received from clients or customers or Authorities, in each case, in the ordinary course of business, any income tax or other payables, any social security or tax obligations, any obligations with regard to Pension Items or any bonds in relation thereto, or obligations under any profit sharing agreement, license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business.

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (6), (7) or (8) above) shall be (a) in the case of any Indebtedness issued with original issue discount, the amount in respect thereof that would appear on the balance sheet (excluding any notes thereto) of such Person in accordance with UK GAAP and (b) the principal amount of the Indebtedness, in the case of any other Indebtedness.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

- (i) Contingent Obligations Incurred in the ordinary course of business and obligations under or in respect of Qualified Receivables Financing;
- (ii) in connection with the purchase by the Company or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided*, however, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter; or
- (iii) for the avoidance of doubt, any obligations in respect of workers’ compensation claims, early retirement or termination obligations, Pension Items or similar claims, obligations or contributions or social security or wage Taxes.

**“Independent Financial Advisor”** means an investment banking or accounting firm or any third party appraiser; *provided*, however, that such firm or appraiser is not an Affiliate of the Company.

**“Initial Public Offering”** means an Equity Offering of the Capital Stock of the IPO Entity following which there is a Public Market and, as a result of which, the Capital Stock of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

**“Intercreditor Agreement”** means the intercreditor agreement dated September 9, 2014, as amended on the Issue Date, made between the Security Agent, the agent for the Revolving Credit Facilities Agreement, certain hedging counterparties, the Trustee and the other parties named therein, as amended, restated or otherwise modified or varied from time to time.

**“Interest Rate Agreement”** means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

**“Investment”** means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any direct or indirect advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet prepared on the basis of UK GAAP; *provided*, however, that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the Company or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Company or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment at such time equal to the fair market value of the Capital Stock of such Subsidiary not



sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption “—*Certain Covenants—Limitation on Restricted Payments*”.

For purposes of “—*Certain Covenants—Limitation on Restricted Payments*”:

(1) “Investment” will include the portion (proportionate to the Company’s equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided*, however, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Company will be deemed to continue to have a permanent “Investment” in an Unrestricted Subsidiary in an amount (if positive) equal to (a) the Company’s “Investment” in such Subsidiary at the time of such redesignation less (b) the portion (proportionate to the Company’s equity interest in such Subsidiary) of the fair market value of the net assets (as conclusively determined in good faith by the Board of Directors or an Officer of the Company) of such Subsidiary at the time that such Subsidiary is so re-designated a Restricted Subsidiary; and

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors or an Officer of the Company.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Company’s option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

**“Investment Grade Securities”** means:

(1) securities issued or directly and fully guaranteed or insured by a Permissible Jurisdiction (other than Cash Equivalents);

(2) debt securities or debt instruments with a rating of “A–” or higher from S&P or “A3” or higher by Moody’s or the equivalent of such rating by such rating organization or, if no rating of Moody’s or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization, but excluding any debt securities or instruments constituting loans or advances among the Company and its Subsidiaries; and

(3) investments in any fund that invests exclusively in investments of the type described in clauses (1) and (2) above which fund may also hold cash and Cash Equivalents pending investment or distribution.

**“Investment Grade Status”** shall occur when the Notes receive both of the following:

- (1) a rating of “BBB–” or higher from S&P; and
- (2) a rating of “Baa3” or higher from Moody’s;

or the equivalent of such rating by either such rating organization or, if no rating of Moody’s or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization.

**“IPO Entity”** means the Company, any Parent or any Successor Company of the Company or any Parent.

**“IPO Market Capitalization”** means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interest are sold in such Initial Public Offering.

**“Issue Date”** means October 3, 2014.

**“Keepmoat Group”** means Lakeside Holdco together with its subsidiaries.

**“Lien”** means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

**“Local Authority Loans”** means loans provided by a governmental, council, authority, statutory or quasi-governmental body or association (including without limitation the Homes and Communities Agency) (each, an **“Authority”**) in connection with the purchase, redevelopment or refurbishment of property by the Company or a Restricted Subsidiary.

**“Management Advances”** means loans or advances made to, or Guarantees with respect to loans or advances made to any Management Investors:

- (1) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business;
- (2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or
- (3) not exceeding £2.0 million in the aggregate outstanding at any time.

**“Management Investors”** means the officers, directors, employees and other members of the management of or consultants to any Parent, the Company or any of their respective Subsidiaries, or spouses, family members or relatives thereof, or any trust, partnership or other entity for the benefit of or the beneficial owner of which (directly or indirectly) is any of the foregoing, or any of their heirs, executors, successors and legal representatives, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Company, any Restricted Subsidiary or any Parent.

**“Market Capitalization”** means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

**“Moody’s”** means Moody’s Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

**“Nationally Recognized Statistical Rating Organization”** means a nationally recognized statistical rating organization within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act.

**“Net Available Cash”** from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring Person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

- (1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under UK GAAP (after taking into account any available tax credits or deductions and any Tax Sharing Agreements), as a consequence of such Asset Disposition;
- (2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which are required by applicable law to be repaid out of the proceeds from such Asset Disposition;
- (3) all distributions and other payments required to be made to minority interest holders (other than any Parent, the Company or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and
- (4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of UK GAAP, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Company or any Restricted Subsidiary after such Asset Disposition.

**“Net Cash Proceeds”**, with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any Tax Sharing Agreements).

**“Note Documents”** means the Notes (including Additional Notes), the Indenture, the Intercreditor Agreement, the Proceeds Loan Agreement and the Security Documents.

**“Officer”** means, with respect to any Person, (1) any member of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an “Officer” for the purposes of the Indenture by the Board of Directors of such Person.

**“Officer’s Certificate”** means, with respect to any Person, a certificate signed by one Officer of such Person.

**“Opinion of Counsel”** means a written opinion from legal counsel, in form and substance reasonably satisfactory to the Trustee. The counsel may be an employee of or counsel to the Company or its Subsidiaries.

**“Parent”** means any Person of which the Company at any time is or becomes a Subsidiary after the Issue Date and any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent.

**“Parent Expenses”** means:

(1) costs (including all professional fees and expenses) Incurred by any Parent in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of the Company or any Restricted Subsidiary, including in respect of any reports filed with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;

(2) customary indemnification obligations of any Parent owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Company and its Subsidiaries;

(3) obligations of any Parent in respect of director and officer insurance (including premiums therefor) to the extent relating to the Company and its Subsidiaries;

(4) fees and expenses payable by any Parent;

(5) (a) general corporate overhead expenses, including professional fees and expenses and other operational expenses of any Parent or any Equity Investor or any of its Affiliates related to the ownership or operation of the business of the Company or any of its Restricted Subsidiaries and Equity Investor or any of its Affiliates (including, without limitation, accounting, legal, corporate reporting, and administrative expenses as well as payments made pursuant to operating partner arrangements or secondment, employment or similar agreements entered into between the Company and/or any of its Restricted Subsidiaries and/or any Parent and any Equity Investor or any of its Affiliates or any employee thereof) or (b) costs and expenses with respect to any litigation or other dispute relating to the Transactions or the ownership, directly or indirectly, of the Company by any Parent;

(6) other fees, expenses and costs relating directly or indirectly to activities of the Company and its Subsidiaries in an amount not to exceed £2.0 million in any fiscal year; and

(7) expenses Incurred by any Parent in connection with any Public Offering or other sale of Capital Stock or Indebtedness:

(x) where the net proceeds of such offering or sale are intended to be received by or contributed to the Company or a Restricted Subsidiary,

(y) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed, or

(z) otherwise on an interim basis prior to completion of such offering so long as any Parent shall cause the amount of such expenses to be repaid to the Company or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed.

**“Pari Passu Indebtedness”** means Indebtedness of the Company (other than Indebtedness of the Company pursuant to the Revolving Credit Facilities Agreement) or any Guarantor if such Indebtedness or Guarantee, as the case may be,

ranks equally in right of payment to the Notes or the Note Guarantees, as the case may be, and which, in each case, is secured by Liens on the Collateral.

**“Paying Agent”** means any Person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Note on behalf of the Issuer.

**“Pension Items”** means any costs, charges or liabilities, including contributions, made in respect of any pension funds or post-retirement benefit schemes, other than administration costs.

**“Permissible Jurisdiction”** means any state, commonwealth or territory of the United States or the District of Columbia, Canada or any province of Canada, Japan, any member state of the European Union, Switzerland or Norway or any political subdivision, taxing authority agency or instrumentality of any such state, commonwealth, territory, union, country or member state.

**“Permitted Asset Swap”** means the concurrent purchase and sale or exchange of assets used or useful in a Similar Business or a combination of such assets and cash, Cash Equivalents or Temporary Cash Investments between the Company or any of its Restricted Subsidiaries and another Person; *provided* that any cash or Cash Equivalents received in excess of the value of any cash or Cash Equivalents sold or exchanged must be applied in accordance with the covenant described under “—*Certain Covenants—Limitation on sales of assets and subsidiary stock*”.

**“Permitted Collateral Liens”** means (A) Liens on the Collateral described in one or more of clauses (2), (3), (4), (5), (6), (8), (9), (10), (11), (12), (13), (14), (18), (19), (20), (22), (23), (24) and (27) of the definition of Permitted Liens; (B) Liens on the Collateral to secure Indebtedness of the Company or a Restricted Subsidiary that is permitted to be Incurred under clauses (1), (2) (in the case of (2), to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens), (4)(a) and (c) (if the original Indebtedness was so secured), (5)(i) (covering only the shares and assets of the acquired Person the Indebtedness of which is so secured), (5)(ii), (6) or (11) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”; *provided, however* that, in the case of Indebtedness of the Company or a Restricted Subsidiary that is permitted to be Incurred under clause (5)(i) or (5)(ii) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”, after giving pro forma effect to such transaction, the Consolidated Senior Secured Leverage Ratio of the Company would have been less than 4.2 to 1.0 or no higher than it was immediately prior to giving effect to the transaction; (C) Liens on the Collateral securing Indebtedness Incurred under the first paragraph of “—*Certain Covenants—Limitation on Indebtedness*”, *provided* that, in the case of this clause (C), after giving pro forma effect to such Incurrence and the use of proceeds therefrom, the Consolidated Senior Secured Leverage Ratio of the Company would have been less than 4.2 to 1.0; (D) Liens on Collateral securing Refinancing Indebtedness in respect of any Indebtedness secured pursuant to the foregoing clauses (A), (B) and (C); and (E) Liens on the Collateral that secure Indebtedness on a basis junior to the Liens in favor of the Notes or the Note Guarantees, *provided* that the holders of such Indebtedness (or their representative) enter into an intercreditor agreement or subordination agreement that ranks such Liens junior to the Liens securing the Notes and the Note Guarantees regardless of the time such Liens are granted; *provided, however* that such Liens securing Indebtedness pursuant to the foregoing clauses (B), (C) and (D) rank equal (with respect to the application of proceeds from any realization or enforcement of the Collateral in accordance with the Intercreditor Agreement) or junior to the Liens on the Collateral securing the Notes or the Note Guarantees (except that a Lien in favor of Indebtedness Incurred under clauses (1) or (6) of the second paragraph of “—*Certain Covenants—Limitation on Indebtedness*” may have super priority in respect of the application of proceeds from any realization or enforcement of the Collateral on terms not materially less favorable to the Holders than that accorded to the Revolving Credit Facilities Agreement on the Issue Date as provided in the Intercreditor Agreement as in effect on the Issue Date).

**“Permitted Holders”** means, collectively, (1) the Equity Investors and any Affiliate or Related Person of any of them, (2) any one or more Persons whose beneficial ownership constitutes or results in a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture, (3) Senior Management and (4) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent or the Company, acting in such capacity. Any Person or group that includes a Permitted Holder shall also be deemed to be a Permitted Holder, *provided* that the Permitted Holders (before giving effect to this sentence) shall control at least 50% of the voting power of the Voting Stock of the Company owned by such Person or group.

**“Permitted Investment”** means (in each case, by the Company or any of its Restricted Subsidiaries):

- (1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Company or (b) a Person (including the Capital Stock of any such Person) that is engaged in any Similar Business and such Person will, upon the making of such Investment, become a Restricted Subsidiary;

- (2) Investments in another Person if such Person is engaged in any Similar Business and as a result of such Investment such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, the Company or a Restricted Subsidiary;
- (3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;
- (4) Investments in receivables owing to the Company or any Restricted Subsidiary created or acquired in the ordinary course of business, including without limitation receivables under shared equity loans or similar schemes created or acquired in the ordinary course of business and deferred receivables representing work in progress created in the ordinary course of business;
- (5) Investments in payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;
- (6) Management Advances;
- (7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Company or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor;
- (8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition, in each case, that was made in compliance with “—*Certain Covenants—Limitation on sales of assets and subsidiary stock*”;
- (9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date;
- (10) Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with “—*Certain Covenants—Limitation on Indebtedness*”;
- (11) Investments, taken together with all other Investments made pursuant to this clause (11) and then outstanding, in an aggregate amount at the time of such Investment not to exceed £10.0 million; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*”, such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of “Permitted Investment” and not this clause;
- (12) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of “Permitted Liens” or made in connection with Liens permitted under the covenant described under “—*Certain Covenants—Limitation on Liens*”;
- (13) any Investment to the extent made using Capital Stock of the Company (other than Disqualified Stock) or Subordinated Shareholder Funding or Capital Stock of any Parent as consideration;
- (14) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Affiliate Transactions*” (except those described in clauses (1), (3), (6), (8), (9) and (12) of that paragraph);
- (15) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or licenses or leases of intellectual property, in any case, in the ordinary course of business and in accordance with the Indenture;
- (16) Guarantees not prohibited by the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;

(17) Investments in Associates or Unrestricted Subsidiaries in an aggregate amount when taken together with all other Investments made pursuant to this clause (17) that are at the time outstanding not to exceed the greater of 4.8% of Total Assets and £30.0 million; and

(18) Investments in the Notes and any Additional Notes and Investments pursuant to the Proceeds Loan Agreement.

**“Permitted Liens”** means, with respect to any Person:

(1) Liens on assets or property of a Restricted Subsidiary that is not the Issuer or a Guarantor securing Indebtedness of any Restricted Subsidiary that is not the Issuer or a Guarantor;

(2) pledges, deposits or Liens under workmen’s compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for contested Taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business;

(3) Liens imposed by law, including carriers’, warehousemen’s, mechanics’, landlords’, materialmen’s and repairmen’s or other like Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;

(4) Liens for Taxes not yet delinquent or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to UK GAAP have been made in respect thereof;

(5) Liens in favor of issuers of surety, performance or other bonds, guarantees or letters of credit or bankers’ acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of the Company or any Restricted Subsidiary in the ordinary course of its business;

(6) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Company and its Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Company and its Restricted Subsidiaries;

(7) Liens on assets or property of the Company or any Restricted Subsidiary securing Hedging Obligations permitted under the Indenture, or over assets or property of any Restricted Subsidiary which is not required to give a Guarantee pursuant to the Agreed Security Principles and which Lien is in favor of obligations under the Indenture;

(8) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;

(9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(10) Liens on assets or property of the Company or any Restricted Subsidiary for the purpose of securing Capitalized Lease Obligations or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under the Indenture and (b) any such Lien may not extend to any assets or property of the Company or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;

(11) Liens arising by virtue of any statutory or common law provisions or standard terms and procedures relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts, securities accounts or other funds maintained with a depositary or financial institution;

(12) Liens arising from Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Company and its Restricted Subsidiaries in the ordinary course of business;

(13) Liens existing on, or provided for or required to be granted under written agreements existing on, the Issue Date;

(14) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Company or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Company or any Restricted Subsidiary); *provided*, however, that such Liens are not created, Incurred or assumed in anticipation of or in connection with such other Person becoming a Restricted Subsidiary (or such acquisition of such property, other assets or stock); *provided*, further, that such Liens do not extend to or cover any property, other assets or stock of the Company and its Restricted Subsidiaries other than (A) the property, other assets or stock acquired or (B) the property, other assets or stock (plus improvements, accessions, proceeds or dividends or distributions in connection with the original property, other assets or stock) of the Person acquired, merged with or into or consolidated or combined with the Company or a Restricted Subsidiary;

(15) Liens on assets or property of the Company or any Restricted Subsidiary securing Indebtedness or other obligations of the Company or such Restricted Subsidiary owing to the Company or another Restricted Subsidiary, or Liens in favor of the Company or any Restricted Subsidiary;

(16) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;

(17) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;

(18) (a) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Company or any Restricted Subsidiary has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;

(19) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(20) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(21) Liens on cash accounts securing Indebtedness Incurred under clause (10)(C) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”;

(22) Liens on cash set aside at the time of the Incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose;

(23) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities, or liens over cash accounts securing cash pooling arrangements;

(24) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

- (25) Liens Incurred with respect to obligations which do not exceed £5.0 million at any one time outstanding;
- (26) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;
- (27) Liens on Receivables Assets Incurred in connection with a Qualified Receivables Financing;
- (28) Liens securing Indebtedness permitted to be Incurred pursuant to clause (1) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”; and
- (29) any cash collateral arrangement securing the obligations of an ancillary lender, landlord, hedging counterparty or regulator in respect of ancillary facilities, leases, Hedging Obligations or capital, surety or other guarantee requirements under applicable regulations of the Company or its Restricted Subsidiaries.

**“Person”** means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

**“Preferred Stock”**, as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

**“Proceeds Loan”** means the loan of the proceeds of the Notes pursuant to the Proceeds Loan Agreement and all loans directly or indirectly replacing or refinancing such loans or a portion thereof.

**“Proceeds Loan Agreement”** means one or more loan agreements made as of the Completion Date of the proceeds of the Notes by and among K&A Merger Limited, as borrower and the Issuer, as lender.

**“Public Debt”** means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional and other investors, in each case, that are not Affiliates of the Company, in accordance with Section 4(a)(2) of and/or Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.



**“Public Market”** means any time after:

- (1) an Equity Offering has been consummated; and
- (2) shares of common stock or other common equity interests of the IPO Entity having a market value in excess of £50.0 million on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

**“Public Offering”** means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A and/or Regulation S under the Securities Act to professional market investors or similar Persons).

**“Purchase Money Obligations”** means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

**“Qualified Receivables Financing”** means any Receivables Financing of a Receivables Subsidiary that meets the following conditions: (1) the Board of Directors or an Officer of the Company shall have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Company and the Receivables Subsidiary, (2) all sales of accounts receivable and related assets to the Receivables Subsidiary are made at fair market value (as determined in good faith by the Board of Directors or an Officer of the Company), and (3) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by the Board of Directors or an Officer of the Company) and may include Standard Securitization Undertakings.

The grant of a security interest in any accounts receivable of the Company or any of its Restricted Subsidiaries (other than a Receivables Subsidiary) to secure Indebtedness under a Credit Facility or Indebtedness in respect of the Notes shall not be deemed a Qualified Receivables Financing.

**“Receivables Assets”** means any assets that are or will be the subject of a Qualified Receivables Financing.

**“Receivables Fees”** means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Receivables Financing.

**“Receivables Financing”** means any transaction or series of transactions that may be entered into by the Company or any of its Subsidiaries pursuant to which the Company or any of its Subsidiaries may sell, convey or otherwise transfer to (a) a Receivables Subsidiary (in the case of a transfer by the Company or any of its Subsidiaries), or (b) any other Person (in the case of a transfer by a Receivables Subsidiary), or may grant a security interest in, any accounts receivable (whether now existing or arising in the future) of the Company or any of its Subsidiaries, and any assets related thereto, including all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interest are customarily granted in connection with asset securitization transactions involving accounts receivable and any Hedging Obligations entered into by the Company or any such Subsidiary in connection with such accounts receivable.

**“Receivables Repurchase Obligation”** means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

**“Receivables Subsidiary”** means a Wholly Owned Subsidiary of the Company (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Company in which the Company or any Subsidiary of the Company makes an Investment and to which the Company or any Subsidiary of the Company transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Company and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors of the Company (as provided below) as a Receivables Subsidiary and:

(1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by the Company or any other Restricted Subsidiary of the Company (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is subject to terms that are substantially equivalent in effect to a guarantee of any losses on securitized or sold receivables by the Company or any other Restricted Subsidiary of the Company, (iii) is recourse to or obligates the Company or any other Restricted Subsidiary of the Company in any way other than pursuant to Standard Securitization Undertakings, or (iv) subjects any property or asset of the Company or any of its Restricted Subsidiaries, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

(2) with which neither the Company nor any other Restricted Subsidiary of the Company has any contract, agreement, arrangement or understanding other than on terms which the Company reasonably believes to be no less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Company; and

(3) to which neither the Company nor any other Restricted Subsidiary of the Company has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors of the Company shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Company giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

**"refinance"** means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms "refinances", "refinanced" and "refinancing" as used for any purpose in the Indenture shall have a correlative meaning.

**"Refinancing Indebtedness"** means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of the Indenture or Incurred in compliance with the Indenture (including Indebtedness of the Company that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the Company or another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided*, however, that:

(1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final Stated Maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final Stated Maturity of the Indebtedness being refinanced or, if shorter, of the Notes;

(2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith); and

(3) if the Indebtedness being refinanced is expressly subordinated to the Notes or the Note Guarantees, such Refinancing Indebtedness is subordinated to the Notes or the Note Guarantees on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced,

*provided*, however, that Refinancing Indebtedness shall not include Indebtedness of the Company or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary and *provided*, further, that the provisions of clause (3) above would not operate to preclude the refinancing of indebtedness with Indebtedness that is secured with a super priority status (or other preferential security status) if such security is otherwise permitted pursuant to the Indenture.

Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred from time to time after the termination, discharge or repayment of any such Credit Facility or other Indebtedness.

**"Related Person"** with respect to any Equity Investor, means:

(1) any controlling equity holder or Subsidiary of such Person;

(2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof;

(3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or

(4) in the case of the Equity Investors any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

**“Related Taxes” means**

(1) any Taxes (other than (x) Taxes measured by gross or net income, receipts or profits and (y) withholding Taxes), required to be paid (*provided* such Taxes are in fact paid) by any Parent by virtue of its:

(a) being organized or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Company or any of the Company’s Subsidiaries);

(b) issuing or holding Subordinated Shareholder Funding;

(c) being a Parent, directly or indirectly, of the Company or any of the Company’s Subsidiaries;

(d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Company or any of the Company’s Subsidiaries; or

(e) having made any payment in respect to any of the items for which the Company is permitted to make payments to any Parent pursuant to “—*Certain Covenants—Limitation on Restricted Payments*”; or

(2) if and for so long as the Company is a member of a group filing a consolidated or combined tax return with any Parent or party to a Tax Sharing Agreement, any consolidated or combined Taxes measured by income for which such Parent is liable up to an amount not to exceed the amount of any such Taxes that the Company and its Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis if the Company and its Subsidiaries had paid Tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Company and its Subsidiaries; *provided* that distributions shall be permitted in respect of the income of an Unrestricted Subsidiary only to the extent such Unrestricted Subsidiary distributed cash for such purpose to the Company or its Restricted Subsidiaries.

**“Restricted Investment”** means any Investment other than a Permitted Investment.

**“Restricted Subsidiary”** means any Subsidiary of the Company other than an Unrestricted Subsidiary.

**“Reversion Date”** means, after the Notes have achieved Investment Grade Status, the date, if any, that such Notes and/or shall cease to have such Investment Grade Status.

**“Revolving Credit Facilities Agreement”** means the senior secured revolving credit facility agreement dated September 9, 2014 by and among the Company, Bidco, the Issuer, the lenders party thereto, Lloyds Bank plc, as Agent, and U.S. Bank Trustees Limited, as Security Agent, as amended, supplemented, refinanced, replaced or otherwise modified from time to time.

**“S&P”** means Standard & Poor’s Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

**“SEC”** means the U.S. Securities and Exchange Commission.

**“Secured Indebtedness”** means any Indebtedness secured by a Lien.

**“Securities Act”** means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

**“Security Agent”** means US Bank Trustees Limited acting as security agent pursuant to the Intercreditor Agreement or such successor Security Agent or any delegate thereof as may be appointed thereunder or any such security agent, delegate or successor thereof pursuant to an Additional Intercreditor Agreement.

**“Security Documents”** means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the Collateral as contemplated by the Indenture.

**“Senior Management”** means the officers, directors, and other current or former members of senior management of the Company or any of its Subsidiaries, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Company or any Parent.

**“Senior Secured Indebtedness”** means, with respect to any Person as of any date of determination, any Indebtedness that is Incurred under the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” or clauses (1), (4), (5), (6), (7), (11) or (12) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” (in the case of clause (4), to the extent such Indebtedness constitutes Indebtedness under the Notes (excluding Additional Notes)) and any Refinancing Indebtedness in respect thereof, in each case secured by a Lien on the Collateral that is at least *pari passu* with the Liens securing the Notes.

**“Significant Subsidiary”** means any Restricted Subsidiary that meets any of the following conditions:

- (1) the Company’s and its Restricted Subsidiaries’ investments in and advances to the Restricted Subsidiary exceed 10% of the Total Assets of the Company and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;
- (2) the Company’s and its Restricted Subsidiaries’ proportionate share of the Total Assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the Total Assets of the Company and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or
- (3) the Company’s and its Restricted Subsidiaries’ equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of the Restricted Subsidiary exceeds 10% of such income of the Company and its Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

**“Similar Business”** means (a) any businesses, services or activities engaged in by the Company or any of its Subsidiaries or any Associates on the Issue Date and (b) any businesses, services and activities engaged in by the Company or any of its Subsidiaries or any Associates that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

**“Standard Securitization Undertakings”** means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Company or any Subsidiary of the Company which the Board of Directors or an Officer of the Company has determined in good faith to be customary in a Receivables Financing, including those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

**“Stated Maturity”** means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any Contingent Obligations to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

**“Sterling Equivalent”** means, with respect to any monetary amount in a currency other than pound sterling, at any time of determination thereof by the Company or the Trustee, the amount of pound sterling obtained by converting such currency other than pound sterling involved in such computation into pound sterling at the spot rate for the purchase of pound sterling with the applicable currency other than pound sterling as published in The Financial Times in the “Currency Rates” section (or, if The Financial Times is no longer published, or if such information is no longer available in The Financial Times, such source as may be selected in good faith by the Board of Directors or an Officer of the Company) on the date of such determination.

**“Subordinated Indebtedness”** means, with respect to any Person, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated in right of payment to the Notes and any Guarantee pursuant to a written agreement (which, for the avoidance of doubt, will not include the Notes or any *Pari Passu* Indebtedness).

**“Subordinated Shareholder Funding”** means, collectively, (i) the Company’s existing preference shares and shareholder loans as of the Completion Date; and (ii) any funds provided to the Company by any Parent, any Affiliate of any Parent or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by a Parent or a Permitted Holder, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided*, however, that such Subordinated Shareholder Funding:

- (1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Company or any funding meeting the requirements of this definition) or the making of any such payment prior to the date that is six months following the Stated Maturity of the Notes is restricted by the provisions of the Indenture as a “Restricted Payment”;
- (2) does not require, prior to the first anniversary of the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts;
- (3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the date that is six months following the Stated Maturity of the Notes;
- (4) does not provide for or require any security interest or encumbrance over any asset of the Company or any of its Subsidiaries; and
- (5) pursuant to the Intercreditor Agreement, any Additional Intercreditor Agreement or any other intercreditor agreement is fully subordinated and junior in right of payment to the Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding.

*provided*, further, however, that upon the occurrence of any event or circumstance that results in such Indebtedness ceasing to qualify as Subordinated Shareholder Funding, such Indebtedness shall constitute an Incurrence of such Indebtedness by the Company, and any and all Restricted Payments made through the use of the net proceeds from the Incurrence of such Indebtedness since the date of the original issuance of such Subordinated Shareholder Funding shall constitute new Restricted Payments that are deemed to have been made after the date of the original issuance of such Subordinated Shareholder Funding.

**“Subsidiary”** means, with respect to any Person:

- (1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or
- (2) any partnership, joint venture, limited liability company or similar entity of which:
  - (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and
  - (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

**“Successor Company”** means, with respect to any Person (other than a Parent), the resulting, surviving or transferee Person and, with respect to a Parent, means a Successor Parent.

**“Successor Parent”** means, with respect to a Parent, any other Person of which more than 50% of the total voting power of the Voting Stock, at the time such Parent becomes a Subsidiary of such other Person, is “beneficially owned” (as such term is defined in Rules 13d-3 and 13d-5 under the Exchange Act (as in effect on the Issue Date)) by one or more other Persons that, immediately prior to such Parent becoming a Subsidiary of such other Person, “beneficially owned” more than 50% of the total voting power of the Voting Stock of such Parent.

**“Sun Capital”** means Sun Capital Partners Limited and/or:

(1) any of its Subsidiaries; and/or

(2) any of Xercise 2 Ltd, Friends Provident International Ltd re 712134, Devonshire Place Holdings Ltd, Devonshire Place Investments Ltd, Hillgate Capital Ltd, Eldersfield Investments Ltd, Wolvercote Investments Ltd, Eta Shares Ltd, Theta Shares Ltd, Principal Advisors Ltd, Kappa Shares Ltd and/or Zeta Shares Ltd, in each case provided that such company is controlled by a Sun Capital Principal or is controlled directly or indirectly by a trust of which a Sun Capital Principal is a principal beneficiary; and/or

(3) any of Hugh Osmond, Edward Hawkes, Matthew Allen, Marc Jonas, Edward Spencer Churchill, Stephen Farrugia, Jamie Mount and/or Tiffany Renwick, in each case provided such person is a director and/or employee of Sun Capital Partners Limited (each such person named in this clause (3), a **“Sun Capital Principal”**); and/or

(a) a member of their respective families (as defined in section 253 of the Companies Act 2006, an Act of Parliament of the United Kingdom of Great Britain and Northern Ireland); and/or

(b) any trust of which any Sun Capital Principal is a principal beneficiary (and for the purposes of this definition, a “trust” includes any person which is a trustee from time to time of that trust); and/or

(c) any insurance company with which any Sun Capital Principal has a personalized portfolio bond provided that that Sun Capital Principal retains (A) the beneficial interest in the assets in that portfolio bond, and (B) the ability to direct the management of the assets in that portfolio bond; and/or

(d) any company which is controlled by any Sun Capital Principal or a member of their respective families (as defined in section 253 of the Companies Act 2006, an Act of the Parliament of the United Kingdom of Great Britain and Northern Ireland).

**“TARGET2”** means the second generation trans-European automated real time gross settlement express transfer payment system.

**“Taxes”** means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including interest, penalties and other liabilities with respect thereto) that are imposed by any government or other taxing authority.

**“Tax Sharing Agreement”** means any tax sharing or profit and loss pooling or similar agreement with customary or arm’s length terms or any arrangement to purchase tax losses or share group relief entered into with any Parent or Unrestricted Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof.

**“TDR Capital”** means TDR Capital LLP and its successors and assigns.

**“Temporary Cash Investments”** means any of the following:

(1) any investment in

(a) direct obligations of, or obligations Guaranteed by, (i) any Permissible Jurisdiction or (ii) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Company or a Restricted Subsidiary in that country with such funds, or

(b) direct obligations of any country recognized by the United States of America rated at least “A” by S&P or “A-1” by Moody’s (or, in either case, the equivalent of such rating by such

organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:

(a) any lender under the Revolving Credit Facilities Agreement,

(b) any institution authorized to operate as a bank in any of the countries or member states referred to in clause (1)(a) above, or

(c) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof,

in each case, having capital and surplus aggregating in excess of £250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least "A" by S&P or "A-2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;

(4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Company or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any Permissible Jurisdiction, and rated at least "BBB" by S&P or "Baa3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(6) bills of exchange issued in any Permissible Jurisdiction eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of £250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least "A" by S&P or "A2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment and/or distribution); and

(9) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended.

**"Total Assets"** means the consolidated total assets of the Company and its Restricted Subsidiaries in accordance with UK GAAP as shown on the most recent balance sheet of such Person.

**"Transactions"** means the transactions contemplated by the Acquisition Agreement and the financing thereof, the Equity Contribution, the Proceeds Loan, the bridge facility associated with the Acquisition and any issuance of intercompany debt in connection therewith, the issuance of the Notes and the use of proceeds thereof, as described in *"Use of proceeds"*, the entry into the Revolving Credit Facilities Agreement and the payment or incurrence of any fees, expenses or charges associated with any of the foregoing.

**“UK GAAP”** means generally applied accounting principles in the United Kingdom as in effect on the date of any calculation or determination required hereunder. Except as otherwise set forth in the Indenture, all ratios and calculations based on UK GAAP contained in the Indenture shall be computed in accordance with UK GAAP. At any time after the Issue Date, the Company may elect to establish that UK GAAP shall mean UK GAAP as in effect on or prior to the date of such election; *provided* that any such election, once made, shall be irrevocable. At any time after the Issue Date, the Company may elect to apply IFRS accounting principles in lieu of UK GAAP and, upon any such election, references herein to UK GAAP shall thereafter be construed to mean IFRS (except as otherwise provided in the Indenture), including as to the ability of the Company to make an election pursuant to the previous sentence; *provided* that any such election, once made, shall be irrevocable; *provided*, further, that any calculation or determination in the Indenture that requires the application of UK GAAP for periods that include fiscal quarters ended prior to the Company’s election to apply IFRS shall remain as previously calculated or determined in accordance with UK GAAP; *provided*, further again, that the Company may only make such election if it also elects to report any subsequent financial reports required to be made by the Company, including pursuant to the covenants set forth under “—Certain Covenants—Reports,” in IFRS. The Company shall give notice of any such election made in accordance with this definition to the Trustee and the Holders.

**“UK Government Obligations”** means direct obligations of, or obligations guaranteed by, the United Kingdom, and the payment for which the United Kingdom pledges its full faith and credit.

**“Uniform Commercial Code”** means the New York Uniform Commercial Code.

**“Unrestricted Subsidiary”** means:

- (1) any Subsidiary of the Company (other than the Issuer or Bidco) that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Company in the manner provided below); and
- (2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Company may designate any Subsidiary of the Company (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein), other than the Issuer or Bidco, to be an Unrestricted Subsidiary only if:

- (1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Company or any other Subsidiary of the Company which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and
- (2) such designation and the Investment of the Company in such Subsidiary complies with “—*Certain Covenants—Limitation on Restricted Payments*”.

Any such designation by the Board of Directors of the Company shall be evidenced to the Trustee by filing with the Trustee a resolution of the Board of Directors of the Company giving effect to such designation and an Officer’s Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Company may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided*, that immediately after giving effect to such designation (1) no Default or Event of Default would result therefrom and (2)(x) the Company could Incur at least £1.00 of additional Indebtedness under the first paragraph of “—*Certain Covenants—Limitation on Indebtedness*” or (y) the Fixed Charge Coverage Ratio for the Company and its Restricted Subsidiaries would not be less than it was immediately prior to giving effect to such designation, in each case, on a pro forma basis taking into account such designation. Any such designation by the Board of Directors of the Company shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors of the Company giving effect to such designation or an Officer’s Certificate certifying that such designation complied with the foregoing provisions.

**“Voting Stock”** of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

**“Wholly Owned Restricted Subsidiary”** means a Restricted Subsidiary of the Company, all the Voting Stock of which (other than directors’ qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Company or another Wholly Owned Subsidiary) is owned by the Company or another Wholly Owned Restricted Subsidiary.



**“Wholly Owned Subsidiary”** means a subsidiary of the Company, all the Voting Stock of which (other than directors’ qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Company or another Wholly Owned Subsidiary) is owned by the Company or another Wholly Owned Subsidiary.

## Book-entry, delivery and form

### General

Notes sold to qualified institutional buyers in reliance on Rule 144A under the Securities Act will initially be represented by a global note in registered form without interest coupons attached (the “**Rule 144A Global Note**”). Notes sold to non-U.S. persons outside the United States in reliance on Regulation S under the Securities Act will initially be represented by a global note in registered form without interest coupons attached (the “**Regulation S Global Note**” and, together with the Rule 144A Global Note, the “**Global Notes**”). The Global Notes will be deposited, on the closing date, with a common depository and registered in the name of the nominee of the common depository for the account of Euroclear and Clearstream.

Ownership of interests in the Rule 144A Global Note (the “**Rule 144A Book-Entry Interests**”) and ownership of interests in the Regulation S Global Note (the “**Regulation S Book-Entry Interests**” and, together with the Rule 144A Book-Entry Interests, the “**Book-Entry Interests**”) will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that hold interests through such participants. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers’ securities accounts in their respective names on the books of their respective depositories. Except under the limited circumstances described below, Book- Entry Interests will not be issued in definitive form.

Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their participants. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of those securities in definitive form. The foregoing limitations may impair your ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not be considered the owners or “holders” of Notes for any purpose.

So long as the Notes are held in global form, the common depository for Euroclear and/or Clearstream (or its nominee), as applicable, will be considered the sole holder of the Global Notes for all purposes under the Indenture. In addition, participants must rely on the procedures of Euroclear and Clearstream, and indirect participants must rely on the procedures of Euroclear and Clearstream and the participants through which they own Book- Entry Interests, to transfer their interests or to exercise any rights of holders of Notes under the Indenture.

Neither the Trustee nor we will have any responsibility, or be liable, for any aspect of the records relating to the Book-Entry Interests.

### Action by owners of book-entry interests

Euroclear and Clearstream have advised us that they will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described above) only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents or waivers or the taking of any other action in respect of the Global Notes. However, if there is an Event of Default under the Notes, Euroclear and Clearstream, at the request of the holders of the Notes, reserve the right to exchange the Global Notes for definitive registered Notes in certificated form (the “**Definitive Registered Notes**”), and to distribute such Definitive Registered Notes to their participants.

### Definitive Registered Notes

Under the terms of the Indenture, owners of the Book-Entry Interests will receive Definitive Registered Notes:

- (1) if Euroclear or Clearstream notifies us that it is unwilling or unable to continue to act as depository and a successor depository is not appointed by the Issuer within 120 days; or
- (2) if the owner of a Book-Entry Interest requests such exchange in writing delivered through Euroclear or Clearstream following an Event of Default under the Indenture.

Euroclear and Clearstream have advised us that upon request by an owner of a Book-Entry Interest described in the immediately preceding clause (3), their current procedure is to request that we issue or cause to be issued Notes in definitive registered form to all owners of Book-Entry Interests and not only to the owner who made the initial request.

In such an event, the Registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear, Clearstream or us, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend as provided in the Indenture, unless that legend is not required by the Indenture or applicable law.

To the extent permitted by law, we, the Trustee, the Paying Agent, the Transfer Agent, the Security Agent and the Registrar shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the Issuer, and such registration is a means of evidencing title to the Notes.

We will not impose any fees or other charges in respect of the Notes; however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and Clearstream.

### **Redemption of the Global Notes**

In the event that any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream, as applicable, will redeem an equal amount of the Book-Entry Interests in such Global Note from the amount received by them in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear and Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). We understand that, under the existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their participants' accounts on a proportionate basis (with adjustments to prevent fractions), by lot or on such other basis as they deem fair and appropriate, provided, however, that no Book-Entry Interest of less than £100,000 principal amount may be redeemed in part.

### **Payments on Global Notes**

We will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, interest and additional amounts, if any) to the Paying Agent. The Paying Agent will, in turn, pay such amounts to Euroclear and Clearstream, which will distribute such payments to participants in accordance with their customary procedures. We will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "*Description of the Notes—Additional Amounts*". If any such deduction or withholding is required to be made, then, to the extent described under "*Description of the Notes—Additional Amounts*" above, we will pay additional amounts as may be necessary in order for the net amounts received by any holder of the Global Notes or owner of Book-Entry Interests after such deduction or withholding will equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction. We expect that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indenture, we and the Trustee, the Paying Agent, Transfer Agent, Security Agent and Registrar will treat the registered holders of the Global Notes (e.g., Euroclear or Clearstream (or their respective nominee)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of us, the Trustee, the Paying Agent, Transfer Agent, Security Agent and Registrar or any of their agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest or for maintaining, supervising or reviewing the records of Euroclear or Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest;
- Euroclear, Clearstream or any participant or indirect participant; or
- the records of the common depositary.

### **Currency of payment for the Global Notes**

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interests to such Notes through Euroclear or Clearstream in British pound sterling.

## Transfers

Transfers between participants in Euroclear or Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a holder of Notes requires physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder of Notes must transfer its interests in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set forth in the Indenture governing the Notes.

The Global Notes will bear a legend to the effect set forth under "*Transfer restrictions*" Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under "*Transfer restrictions*".

Transfers of Rule 144A Book-Entry Interests to persons wishing to take delivery of Rule 144A Book-Entry Interests will at all times be subject to such transfer restrictions.

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the Securities Act or any other exemption (if available under the Securities Act).

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a Rule 144A Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act in a transaction meeting the requirements of Rule 144A under the Securities Act or otherwise in accordance with the transfer restrictions described under "*Transfer restrictions*" and in accordance with any applicable securities laws of any other jurisdiction.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Rule 144A Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under "*Description of the Notes—Transfer and exchange*" and, if required, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See "*Transfer restrictions*".

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

## Information concerning Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. We provide the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of the settlement system are controlled by the settlement system and may be changed at any time. Neither we nor the Initial Purchasers are responsible for those operations or procedures.

We understand as follows with respect to Euroclear and Clearstream: Euroclear and Clearstream hold securities for participating organisations. They facilitate the clearance and settlement of securities transactions between their participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organisations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities

that do not participate in the Euroclear and/or Clearstream system, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the Rule 144A Global Notes only through Euroclear or Clearstream participants.

#### **Global clearance and settlement under the book-entry system**

The Notes represented by the Global Notes have been listed on the LxSE and admitted for trading on the Euro MTF. Transfers of interests in the Global Notes between participants in Euroclear or Clearstream will be effected in the ordinary way in accordance with their respective system's rules and operating procedures.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of us, any Notes Guarantor, the Trustee or the Paying Agent will have any responsibility for the performance by Euroclear, Clearstream or their participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

#### **Initial settlement**

Initial settlement for the Notes will be made in British pound sterling. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value of the settlement date.

#### **Secondary market trading**

The Book-Entry Interests will trade through participants of Euroclear and Clearstream and will settle in same day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

## Tax considerations

If you are a prospective investor, you should consult your tax advisor as to the possible tax consequences of buying, holding or selling any Notes under the laws of your country of citizenship, residence or domicile, including the effect of any local taxes applicable to you. The discussions that follow do not purport to be a comprehensive description of all tax considerations that may be relevant to a decision to purchase, hold or sell Notes. In particular, these discussions do not consider any specific facts or circumstances that may apply to you. The discussions that follow for each jurisdiction are based upon the applicable laws and interpretations thereof as in effect as of the date of this Offering Memorandum. These tax laws and interpretations are subject to change, possibly with retroactive or retrospective effect.

### Certain United States federal income tax consequences

The following is a summary of certain United States federal income tax consequences of the purchase, ownership and disposition of Notes as of the date hereof. This summary deals only with Notes that are held as capital assets by a U.S. holder (as defined below) who acquires our Notes upon original issuance at their “issue price” (i.e., the first price at which a substantial amount of the Notes is sold to the public for cash, excluding to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers).

As used herein, a “U.S. holder” means a person that is for United States federal income tax purposes any of the following:

- an individual citizen or resident of the United States;
- a corporation (or any other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury Regulations (“**Treasury Regulations**”) to be treated as a United States person.

This summary is based upon provisions of the United States Internal Revenue Code of 1986, as amended, and Treasury Regulations, rulings and judicial decisions as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in United States federal income tax consequences different from those summarized below. This summary does not address all aspects of United States federal income taxes and does not address the effects of the Medicare contribution tax on net investment income or foreign, state, local or other tax considerations that may be relevant to U.S. holders in light of their particular circumstances. In addition, it does not represent a detailed description of the United States federal income tax consequences applicable to you if you are subject to special treatment under the United States federal income tax laws. For example, this summary does not address:

- tax consequences to holders who may be subject to special tax treatment, such as dealers in securities or currencies, traders in securities that elect to use the mark to market method of accounting for their securities, financial institutions, regulated investment companies, real estate investment trusts, investors in partnerships or other pass through entities for United States federal income tax purposes, tax exempt entities or insurance companies;
- tax consequences to persons holding the Notes as part of a hedging, integrated, constructive sale or conversion transaction or a straddle;
- tax consequences to U.S. holders whose “functional currency” is not the United States dollar; or
- alternative minimum tax consequences, if any.

If a partnership (or other entity treated as a partnership for United States federal income tax purposes) holds our Notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our Notes, you should consult your tax advisors.

If you are considering the purchase of Notes, you should consult your own tax advisors concerning the particular United States federal income tax consequences to you of the purchase, ownership and disposition of the Notes, as well as the consequences to you arising under the laws of any other taxing jurisdiction.

## ***Payments of interest***

Subject to the discussion below, interest on a Note will generally be taxable to you as ordinary income at the time it is paid or accrued in accordance with your method of accounting for United States federal income tax purposes. In addition to interest on the Notes (which includes any foreign tax withheld from the interest payments you receive), you will be required to include in income any Additional Amounts paid in respect of such tax withheld. You may be entitled to deduct or credit this tax, subject to certain limitations (including that the election to deduct or credit foreign taxes applies to all of your applicable foreign taxes for a particular tax year). Interest income (including any Additional Amounts) on a Note generally will be considered foreign source income and, for purposes of the United States foreign tax credit, generally will be considered passive category income. You will generally be denied a foreign tax credit for foreign taxes imposed with respect to the Notes where you do not meet a minimum holding period requirement during which you are not protected from risk of loss. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

If you use the cash basis method of accounting for United States federal income tax purposes, you will be required to include in income the United States dollar value of the interest received, determined by translating the pounds sterling received at the spot rate on the date such payment is received regardless of whether the payment is in fact converted into United States dollars. You will not recognize exchange gain or loss with respect to the receipt of such payment of interest.

If you use the accrual method of accounting for United States federal income tax purposes, you may determine the amount of income recognized with respect to such interest in accordance with either of two methods. Under the first method, you will be required to include in income for each taxable year the United States dollar value of the interest that has accrued during such year, determined by translating such interest at the average rate of exchange for the period or periods during which such interest accrued or, in the case of an accrual period that spans two taxable years of a U.S. holder, the part of the period within the taxable year. Under the second method, you may elect to translate interest income at the spot rate on:

- the last day of the accrual period,
- the last day of the taxable year if the accrual period straddles your taxable year, or
- the date the interest payment is received if such date is within five business days of the end of the accrual period.

This election will apply to all debt obligations you hold from year to year and cannot be changed without the consent of the Internal Revenue Service (the “IRS”). You should consult your own tax advisor as to the advisability of making the above election.

In addition, if you use the accrual method of accounting for United States federal income tax purposes, upon receipt of an interest payment on a Note (including amounts received upon the sale of a Note attributable to accrued interest previously included in income), you will recognize ordinary income or loss in an amount equal to the difference, if any, between the United States dollar value of such payment (determined by translating the pounds sterling received at the spot rate on the date such payment is received) and the United States dollar value of the interest income you previously included in income with respect to such payment.

## ***Sale, exchange, redemption, retirement and other taxable disposition of Notes***

Upon the sale, exchange, redemption, retirement or other taxable disposition of a Note, you will recognize gain or loss equal to the difference between the amount realized upon the sale, exchange, redemption, retirement or other taxable disposition (less an amount equal to any accrued but unpaid interest, which will be treated as interest income to the extent not previously included in income) and your tax basis in the Note. Your tax basis in a Note generally will be your United States dollar cost for that Note. If you purchased your Note with pounds sterling, your cost generally will be the United States dollar value of the pounds sterling paid for such Note determined at the spot rate on the date of such purchase. If your Note is sold, exchanged, redeemed, retired or otherwise disposed of in a taxable transaction for pounds sterling, the amount realized generally will be the United States dollar value of the pounds sterling received on the date of sale, exchange, redemption, retirement or other taxable disposition. If you are a cash method taxpayer and the Notes are traded on an established securities market, pounds sterling paid or received will be translated into United States dollars at the spot rate on the settlement date of the purchase or sale. An accrual method taxpayer may elect the same treatment with respect to the purchase and sale of Notes traded on an established securities market, provided that the election is applied consistently to all debt instruments from year to year. Such election cannot be changed without the consent of the IRS.

Subject to the foreign currency rules discussed below, your gain or loss will generally be capital gain or loss and will be long term capital gain or loss if at the time of sale, exchange, redemption, retirement or other taxable disposition, you have held the Note for more than one year. Capital gains of non-corporate U.S. holders, including individuals, derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Gain or loss realized by you on the sale, exchange, redemption, retirement or other taxable disposition of a Note would generally be treated as United States source gain or loss.

Gain or loss recognized upon the sale, exchange, redemption, retirement or other taxable disposition of a Note that is attributable to changes in currency exchange rates relating to the principal amount of such Note will be treated as exchange gain or loss. Exchange gain or loss will be treated as ordinary income or loss and generally will be United States source gain or loss. For these purposes, the principal amount of the Note is your purchase price for the Note calculated in pounds sterling on the date of purchase, and the amount of exchange gain or loss recognized is equal to the difference between (i) the United States dollar value of the principal amount determined on the date of the sale, exchange, redemption, retirement or other taxable disposition of the Note and (ii) the United States dollar value of the principal amount determined on the date you purchased the Note. The amount of exchange gain or loss will be limited to the amount of overall gain or loss realized on the disposition of the Note.

#### ***Exchange gain or loss with respect to pounds sterling***

Your tax basis in any pounds sterling received as interest on a Note or on the sale, exchange, redemption, retirement or other taxable disposition of a Note will be the United States dollar value thereof at the spot rate in effect on the date the pounds sterling are received. Any gain or loss recognized by you on a sale, exchange or other taxable disposition of the pounds sterling will be ordinary income or loss and generally will be United States source gain or loss.

#### ***Reportable transactions***

Treasury Regulations meant to require the reporting of certain tax shelter transactions could be interpreted to cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under the Treasury Regulations, certain transactions are required to be reported to the IRS including, in certain circumstances, a sale, exchange, redemption, retirement or other taxable disposition of a foreign currency note, or foreign currency received in respect of a foreign currency note to the extent that such sale, exchange, redemption, retirement or other taxable disposition results in a tax loss in excess of a threshold amount. Holders considering the purchase of Notes should consult with their own tax advisor to determine the tax return obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

#### ***Backup withholding and information reporting***

Generally, information reporting requirements will apply to all payments of principal and interest on a Note, or the proceeds from the sale or other disposition of a Note, unless you are an exempt recipient. Additionally, if you fail to provide your taxpayer identification number, or in the case of interest payments fail either to report in full dividend and interest income or to make certain certifications, you may be subject to backup withholding.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against your United States federal income tax liability provided the required information is timely furnished to the IRS. You are urged to consult your own tax advisors regarding backup withholding and information reporting requirements relating to your ownership and disposition of the Notes.

#### ***United States return disclosure requirements for individual U.S. holders***

Certain U.S. holders are required to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for notes held in accounts maintained by certain financial institutions), by attaching a complete IRS Form 8938, Statement of Specified Foreign Financial Assets, with their tax return for each year in which they hold an interest in the Notes. You are urged to consult your own tax advisors regarding information reporting requirements relating to your ownership of the Notes.

#### ***Certain United Kingdom taxation considerations***

**The comments below are intended only as a general guide to current United Kingdom withholding tax law and HMRC practice (which may not be binding on HMRC) in relation to payments of principal and interest in respect of the Notes, which may be subject to change, sometimes with retrospective effect, and are not intended to be exhaustive. They do not necessarily apply where the income is deemed for tax purposes to be the income of any other person. They relate only to the position of persons who are the absolute beneficial owners of their Notes and**



**any interest payable on their Notes. In particular, they only relate to persons holding the Notes as an investment. Certain classes of persons such as dealers, certain professional investors, or persons connected with the Issuer may be subject to special rules and this summary does not apply to such holders of the Notes.**

**This summary is a general guide for information purposes and should be treated with appropriate caution. It does not purport to be a complete analysis or listing of all the potential United Kingdom tax consequences of acquiring, holding or disposing of Notes and is not intended to be, nor should it be considered legal or tax advice.**

Any holders of Notes who are in doubt as to their own tax position, or who may be subject to tax in a jurisdiction other than the United Kingdom, should consult their professional tax advisers.

### ***Withholding or deduction of tax on payments of interest by the Issuer or under the Guarantee***

#### *Payments of interest by the Issuer*

If and while the Notes continue to be “quoted Eurobonds”, being interest bearing securities issued by a company and listed on a “recognised stock exchange” within the meaning of Section 1005 of the Income Tax Act 2007, payments of interest by the Issuer may be made without withholding or deduction for or on account of United Kingdom income tax. The Luxembourg Stock Exchange is a recognised stock exchange for these purposes. Notes will be treated for these purposes as listed on the Euro MTF where they are both admitted to trading on the Official List of the Euro MTF and are officially listed in Luxembourg in accordance with provisions corresponding to those generally applicable in countries in the EEA.

If the Notes cease to be so listed, interest will generally be paid by the Issuer under deduction of United Kingdom income tax at the basic rate (currently 20%) unless (i) any other relief applies, or (ii) the Issuer has received a direction to the contrary from HMRC in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty.

If interest were paid under deduction of United Kingdom income tax (e.g. if the Notes lost their listing), holders of Notes who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in an applicable double taxation treaty.

#### *Payments under a Guarantee*

The United Kingdom withholding tax treatment of payments by a Guarantor under the terms of the Guarantee in respect of interest on the Notes (or other amounts due under the Notes other than the repayment of amounts subscribed for the Notes) is uncertain. In particular, such payments by a Guarantor may not be eligible for the exemption in respect of securities listed on a recognised stock exchange described above in relation to payments of interest by the Issuer. Accordingly, if a Guarantor makes any such payments, these may be subject to United Kingdom withholding tax at the basic rate, subject to such relief as may be available following a direction by HMRC pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply.

### ***Exchange of information***

HMRC has powers to obtain information relating to securities in certain circumstances. This may include details of the beneficial owners of the Notes (or the persons for whom the Notes are held), details of the persons to whom payments derived from the Notes are or may be paid and information and documents in connection with transactions relating to the Notes. Information may be required to be provided by, amongst others, the holders of the Notes, persons by (or via) whom payments derived from the Notes are made or who receive (or would be entitled to receive) such payments, persons who effect or are a party to transactions relating to the Notes on behalf of others and certain registrars or administrators. In certain circumstances, the information obtained by HMRC may be provided to tax authorities in other countries.

### ***Taxation of disposal (including redemption) and return (including interest)***

#### *Corporate holders of Notes*

Holders of the Notes within the charge to United Kingdom corporation tax (including non-resident holders of the Notes whose Notes are used, held or acquired for the purposes of a trade carried on in the United Kingdom through a permanent establishment) will be subject to United Kingdom tax as income on all profits and gains from the Notes broadly in accordance with their statutory accounting treatment. Such holders of the Notes will generally be charged in each accounting period by reference to interest and other amounts which, in accordance with generally accepted accounting

practice, are recognised in determining the holders of the Notes' profit or loss for that period. Fluctuations in value relating to foreign exchange gains and losses in respect of the Notes will generally be brought into account as income.

#### *Other holders of Notes*

#### *Taxation of interest*

Holders of the Notes who are either individuals or trustees and are resident for tax purposes in the United Kingdom or who carry on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Notes are attributable will generally be liable to United Kingdom tax on the amount of any interest received in respect of the Notes.

#### *Taxation of disposal*

Dependent, among other things, on the discount (if any) at which the Notes are issued and the premium which is or may be payable upon redemption, the Notes may be deemed to constitute "deeply discounted securities" for the purposes of Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005. If the Notes are so categorised, any profit made on a disposal (including redemption) of a Note by an individual or trustee (i) who is resident for tax purposes in the United Kingdom or (ii) who is subject to United Kingdom income tax by virtue of carrying on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Notes are attributable, will be taxed as income.

If the Notes are not deemed to constitute deeply discounted securities, (i) if the Notes are "qualifying corporate bonds" within the meaning of Section 117 of the Taxation of Chargeable Gains Act 1992 ("**Qualifying Corporate Bonds**"), on a disposal of the Notes neither chargeable gains nor allowable losses should arise for the purposes of taxation of capital gains, however (ii) if the Notes are not Qualifying Corporate Bonds, a disposal of a Note by a holder of the Note resident for tax purposes in the United Kingdom or who carries on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Note is attributable may give rise to a chargeable gain or allowable loss for the purposes of taxation of capital gains. A transfer (within the meaning of Chapter 2 of Part 12 of the Income Tax Act 2007 (Accrued Income Profits and Losses)) of a Note by a holder of the Notes resident for tax purposes in the United Kingdom or who carries on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Note is attributable may however give rise to a charge to tax on income in respect of an amount representing interest on the Note which has accrued since the preceding interest payment date under the provisions of Chapter 2 of Part 12 of the Income Tax Act 2007 (Accrued Income Profits and Losses).

#### *Taxation of premium on early redemption*

It is possible that the Notes may be redeemed prior to maturity at a premium (including at the option of the Issuer). Payment of such premium may constitute a payment of interest. Payments of interest are subject to UK withholding tax and reporting requirements as outlined above.

**Holders of Notes are advised to consult their own professional advisers if they require any advice or further information relating to deeply discounted securities.**

#### **EU directive on the taxation of savings income**

The Savings Directive requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or for the benefit of) an individual resident, or certain other types of entity established, in that other EU Member State, except that Austria and Luxembourg will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. The Luxembourg government has announced its intention to elect out of the withholding system in favour of an automatic exchange of information with effect from 1 January 2015. The European Commission has proposed certain amendments to the Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

#### **The Proposed Financial Transactions Tax ("FTT")**

The European Commission has published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to

certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

A joint statement issued in May 2014 by ten of the eleven participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 1 January 2016. The FTT, if implemented on this basis, may not apply to dealings in the Notes.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate.

## **Certain insolvency law and local law limitations on validity and enforceability of the guarantees and the security interests**

The Issuer and other members of the Group, including the Guarantors are companies incorporated under the laws of England and Wales (the “**Obligors**”). Therefore, any insolvency proceedings by or against the Obligors would likely be based on English insolvency laws (assuming the centres of main interests of those companies are in the relevant jurisdiction and this remains the case, and the companies have no establishments elsewhere). Set out below is a summary of certain limitations on the enforceability of the Note Guarantees and the security interests, and a brief description of certain aspects of insolvency law, in England and Wales.

The following is a summary of certain limitations on the validity and enforceability of the Notes, the agreements ancillary thereto and the security interests being provided for the Notes, and a summary of certain European Union and English law considerations. The description below is only a summary and does not purport to be complete or exhaustive or to discuss all of the limitations or considerations that may affect the validity and enforceability of the Notes, the agreements ancillary thereto or the security interests being provided for the Notes. You should consult your own legal advisors with respect to such limitations and considerations.

### **European Union**

The Obligors are incorporated in England & Wales which is a Member State of the European Union.

As such the Obligors are subject to Council Regulation (EC) no. 1346/2000 on insolvency proceedings (the “**EU Insolvency Regulation**”), which applies within the European Union, other than Denmark (save in relation to certain credit institutions, insurance companies, investment undertakings and collective investment undertakings), the courts of the Member State in which a company’s “centre of main interests” (as that term is used in Article 3(1) of the EU Insolvency Regulation) is situated have jurisdiction to open main insolvency proceedings. The determination of where a company has its centre of main interests is a question of fact on which the courts of the different Member States may have differing and even conflicting views.

Although there is a presumption under Article 3(1) of the EU Insolvency Regulation that a company has its centre of main interests in the Member State in which it has its registered office in the absence of proof to the contrary, Preamble 13 of the EU Insolvency Regulation states that the centre of main interests of a “debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and is therefore ascertainable by third-parties”. The courts have taken into consideration a number of factors in determining the centre of main interests of a company, including in particular where board meetings are held, the location where the company conducts the majority of its business or has its head office and the perception of the company’s creditors as regards where the centre of the company’s business operations is established. A company’s centre of main interests may change from time to time but is determined for the purposes of deciding which courts have competent jurisdiction to open insolvency proceedings at the time of the filing of the insolvency petition or analogous document commencing the proceedings.

Whilst the Obligors may currently satisfy the jurisdictional requirements in relation to their centre of main interests being in England & Wales, there is no guarantee that this will remain to be the case.

If the centre of main interests of a company is and will remain located in the state in which it has its registered office, the main insolvency proceedings in respect of the company under the EU Insolvency Regulation would be commenced in such jurisdiction and accordingly a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the EU Insolvency Regulation. In some Member States it is possible for such insolvency proceedings to be opened without a formal court order. Insolvency proceedings opened in one Member State under the EU Insolvency Regulation are to be recognised in the other EU Member States (other than Denmark), although secondary proceedings may be opened in another Member State.

If the centre of main interests of a company is in one Member State (other than Denmark) under Article 3(2) of the EU Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to open “territorial” insolvency proceedings against that company only if such company has an “establishment” in the territory of such other Member State. An “establishment” is defined to mean a place of operations where the company carries on non-transitory economic activity with human means and goods. The effects of those insolvency proceedings opened in that other Member State are restricted to the assets of the company situated in such other Member State. It should be noted that where main proceedings in the Member State in which the company has its centre of main interests have not yet been opened, territorial insolvency proceedings can only be opened in another Member State where the company has an establishment where either: (a) insolvency proceedings cannot be opened in the Member State in which the company’s centre of main interests is situated under that Member State’s law; or (b) the territorial insolvency proceedings are

opened at the request of a creditor that is domiciled, habitually resident or has its registered office in the other Member State or whose claim arises from the operation of the establishment.

Where main proceedings have been opened in the Member State in which the company has its centre of main interests, any proceedings opened subsequently in another Member State in which the company has an establishment (secondary proceedings) are limited to “winding-up proceedings” listed in Annex B of the EU Insolvency Regulation. The effect of those territorial proceedings are restricted to the assets of the debtor situated in the territory of such other Member States.

Irrespective of whether the insolvency proceedings are main or secondary insolvency proceedings, such proceedings will always, subject to certain exemptions, be governed by the *lex fori concursus*, i.e., the local insolvency law of the court that has assumed jurisdiction for the insolvency proceedings of the debtor. This includes the rules relating to voidness, voidability and enforceability.

The courts of all Member States (other than Denmark) must recognise the judgment of the court opening main proceedings and the other Member States will give effect to that judgment so long as no secondary proceedings have been opened there. The insolvency office holder appointed by a court in a Member State that has jurisdiction to open main proceedings (because the company’s centre of main interests is there) may exercise the powers conferred on him by the law of that Member State in another Member State (such as to remove assets of the company from that other Member State), subject to certain limitations, so long as no insolvency proceedings have been opened in that other Member State or any preservation measure taken to the contrary further to a request to open insolvency proceedings in that other Member State where the company has assets.

## **England and Wales**

Whilst the structure of the transaction is designed to minimise the likelihood of the Obligors becoming insolvent, there can be no guarantee that they will not become insolvent or the subject of insolvency proceedings. In such circumstances the holders of the Notes could be adversely affected. As a matter of English law, if certain insolvency proceedings are commenced, the ability to realise security may be delayed and/or the value of that security impaired. In particular, administration and company voluntary arrangements may impose a moratorium that (amongst other things) prevents secured creditors from enforcing their security. There are also defined lists of priorities which mean that certain priority creditors may rank ahead of secured creditors.

## ***Fixed and floating charges***

Fixed charge security has a number of advantages over floating charge security: (a) an insolvency officeholder may sell assets which are subject to a floating charge without permission from the court or from secured creditors, whereas a court order would usually be required for an insolvency officeholder to sell a fixed charge asset; (b) a fixed charge, even if created after the date of a floating charge, will have priority as against the floating charge over the charged assets; (c) costs and expenses (including the office holder’s remuneration) properly incurred in a winding-up or administration are generally payable out of floating charge assets to the extent the assets of the company available for unsecured creditors generally are otherwise insufficient to meet them in priority to floating charge claims; (d) until the floating charge security crystallizes, a company is entitled to deal with assets that are subject to floating charge security in the ordinary course of its business, meaning that such assets can be effectively disposed of by the charging company so as to give a third party good title to the assets free of the floating charge; (e) floating charge security is subject to certain challenges under English insolvency law (please see “—*Challenges to guarantees and security*” below); and (f) floating charge security is subject to the claims of preferential creditors (such as occupational pension scheme contributions and salaries owed to employees (subject to a cap per employee) and holiday pay owed to employees) and, where the floating charge is not a security financial collateral arrangement, to the claims of unsecured creditors in respect of a ring-fenced amount of the proceeds. An administrator, receiver (including administrative receiver) or liquidator of the company will be required to ring fence a certain percentage of the proceeds of enforcement of floating charge security for the benefit of unsecured creditors. Under current law, this applies to 50% of the first £10,000 of floating charge realizations and 20% of the remainder over £10,000, with a maximum aggregate cap of £600,000. The obligation on such insolvency officeholder to set aside the prescribed part for unsecured parties does not apply if the net floating charge realizations are less than £10,000 and the officeholder is of the view that the costs of making a distribution to unsecured parties would be disproportionate to the benefits. The prescribed part will apply to all floating charges created on or after 15 September 2003 regardless of whether they fall within one of the exceptions or not.

Therefore floating charge realizations could be reduced by the amount of expenses, preferential creditors and the Prescribed Part.

Under English law there is a possibility that a court could recharacterise as floating charges any security interests expressed to be created by a security document as fixed charges where the chargee does not have the requisite degree of

control over the relevant chargor's ability to deal with the relevant assets and the proceeds thereof or does not exercise such control in practice, as the description given to the charges in the relevant security document as fixed charges is not determinative. Where the chargor is free to deal with the secured assets without the consent of the chargee, the court is likely to hold that the security interest in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge.

### ***Moratoria***

Under English insolvency law, English courts are empowered to order the appointment of an administrator in respect of a company with its centre of main interests in England in certain circumstances. An administrator can also be appointed out of court by a company with its centre of main interests in England, its directors or the holder of a qualifying floating charge and different procedures apply according to the identity of the appointer. During the administration, in general no proceedings or other legal process may be commenced or continued against such company, or security enforced over such company's property, except with permission of the court or the consent of the administrator. This moratorium does not, however, apply to a "security financial collateral arrangement" (such as a charge over cash or financial instruments such as shares, bonds or tradable capital market debt instruments) under the Financial Collateral Arrangements (No. 2) Regulations 2003 (the "**Financial Collateral Arrangements Regulations**"). During the administration of a company, a creditor would not be able to enforce any security interest (other than valid security financial collateral arrangements) including in respect of a guarantee granted by it (although a demand for payment could be made under such guarantee) without the consent of the administrator or the permission of the court. In addition, a secured creditor cannot appoint an administrative receiver while an administrator is in office although, in certain circumstances (principally where one of the exceptions to the general prohibition on the appointment of an administrative receiver applies as set out in the Insolvency Act 1986, as amended, or pursuant to a debenture dated earlier than 15 September 2003), the holder of a floating charge can block the appointment of an administrator where it can appoint an administrative receiver.

A moratorium is also available pursuant to Schedule A1 to the Insolvency Act 1986 for "small companies" that are proposing a company voluntary arrangement with creditors, which can be for a period of up to 28 days, with the option for creditors to extend this protection for up to a further two months (although the Secretary of State may, by order, extend or reduce the duration of either period). Small companies are those which meet eligibility criteria as regards the number of employees, turnover and balance sheet total as set out in Section 382 of the Companies Act 2006. The position as to whether or not a company is a "small company" may change from financial period to financial period, depending on its financial position and average number of employees during that particular period. The Secretary of State may, by regulations, also modify the qualifications for eligibility of a company for a moratorium and may also modify the present definition of a "small company". Accordingly, the Obligors may, at any given time, come within the ambit of the "small companies" provisions, such that the Obligors may (subject to the exemptions referred to below) be eligible to seek a moratorium, in advance of a company voluntary arrangement. This moratorium is not available to companies which have entered into certain capital market arrangements (whereby the company has incurred or is expected to incur a debt of at least £10 million and the arrangement involves the issue of a capital market investment) as detailed in Schedule A1 to the Insolvency Act 1986. This moratorium is also not available to companies which have incurred a liability under an agreement of £10 million or more, as detailed in Schedule A1 to the Insolvency Act 1986.

The definitions of "capital market arrangement" and "capital market investment" are broad and are such that, in general terms, any company which is a party to an arrangement which involves at least £10 million of debt, the granting of security to a trustee, and the issue of a rated, listed or traded debt instrument, is excluded from being eligible for a moratorium. The Secretary of State for Trade and Industry may modify the criteria by reference to which a company otherwise eligible for a moratorium is excluded from being so eligible. Further, a company voluntary arrangement itself cannot bind secured creditors without their permission. Whilst it is anticipated that the Obligors should fall within the current exceptions, if the small companies' moratorium were to apply to any of the Obligors, its effects would include prohibitions on enforcement of security that are similar to those that arise upon an administration moratorium. Therefore, to the extent the small companies' moratorium applies, there would be a moratorium on legal proceedings and execution or other legal process being commenced or continued and the levy of distress, against the company or its property (except with the permission of the court). No other steps may be taken to enforce any security over the company's property except with the permission of the court. The company may dispose of charged property if the holder of the security consents or the court gives permission. Further, the company may not make any payment or disposal of its own property unless there are reasonable grounds for believing that the disposal will benefit the company and the payment or disposal is approved by the committee (if established) or, where there is no such committee, by the nominee of the company voluntary arrangement.

The Security Agent can appoint its choice of administrator by the out-of-court route or appoint an administrative receiver if it is the holder of a qualifying floating charge (as defined in paragraph 14 of Schedule B1 to the Insolvency Act 1986, as amended). The essential characteristics of a qualifying floating charge are that (a) the charge must by its terms give the holder power to appoint an administrator (or an administrative receiver) and (b) the charge (or that and other charges taken together) must relate to the whole or substantially the whole of the relevant Obligor's property. Even if the Security

Agent holds a qualifying floating charge, it can only appoint an administrative receiver if one of the exceptions to the general prohibition of appointing an administrative receiver applies. The most relevant exception to the prohibition on the appointment of an administrative receiver by the Security Agent is likely to be the ability of the Security Agent to appoint an administrative receiver under security forming part of a “capital market arrangement” (as defined in the Insolvency Act 1986, as amended), which is the case if a party incurs debt of at least £50,000,000 during the life of the arrangement and the arrangement involves the issue of a “capital markets investment” (which is defined in the Insolvency Act 1986, as amended). If an administrative receiver can be and is appointed by the Security Agent (and an administrative receiver cannot be appointed if an administrator is already in office) the company or its directors will not be able to appoint an administrator by the out-of-court route and a court will only appoint an administrator if the charge under which the administrative receiver appointed is successfully challenged or the Security Agent agrees.

### ***Challenges to guarantees and security***

There are circumstances under English insolvency law in which the granting by an English company of security and guarantees can be challenged.

The following paragraphs discuss potential grounds for challenge that may apply to guarantees and security interest.

#### ***Transaction at an undervalue***

Under English insolvency law (pursuant to Section 238 of the Insolvency Act 1986, as amended), a liquidator or an administrator of a company could apply to the court for an order to set aside a security interest (in certain cases) or a guarantee granted by the company (or give other relief) on the grounds that the creation of such security interest or guarantee constituted a transaction at an undervalue. The grant of a security interest or guarantee will only be a transaction at an undervalue if the transaction constitutes a gift or is made on terms that provide that the company receives no consideration or if the company receives consideration of significantly less value, in money or in money's worth, than the consideration given by such company. For a challenge to be made, the guarantee or security must be granted within a period of two years ending with the onset of insolvency (as defined in Section 240 of the Insolvency Act 1986, as amended). In addition the company must have been “unable to pay its debts” at the time that it granted the guarantee or security or became “unable to pay its debts” as a result. A company will be “unable to pay its debts” if a statutory demand for over £750 is served on the company and remains unsatisfied for three weeks or an execution on or other process issued on a judgment, decree or order of a court in favour of a creditor is returned unsatisfied in whole or in part or if it is proved to the court's satisfaction that the company is not able to pay its debts as they fall due or that the value of the company's assets is less than the amount of its liabilities (taking into account contingent and prospective liabilities). A court will not make an order in respect of a transaction at an undervalue if it is satisfied that the company entered into the transaction in good faith and for the purpose of carrying on its business and that, at the time it did so, there were reasonable grounds for believing the transaction would benefit the company. Subject to this, if the court determines that the transaction was a transaction at an undervalue the court can make such order as it thinks fit to restore the position to what it would have been if the transaction had not been entered into (which could include reducing payments under the guarantees or setting aside any security interests granted or guarantees although there is protection for a third party that benefits from the transaction and has acted in good faith and for value). In any challenge proceedings, it is for the administrator or liquidator to demonstrate that the English company was unable to pay its debts unless a beneficiary of the transaction was a “connected person” (as defined in the Insolvency Act 1986, as amended), in which case there is a presumption that the company was unable to pay its debts and the connected person must demonstrate that the company was not unable to pay its debts at the time of the transaction.

#### ***Preference***

Under English insolvency law (pursuant to Section 239 of the Insolvency Act 1986, as amended), a liquidator or administrator of a company could apply to the court for an order to set aside a security interest or a guarantee granted by such company (or give other relief) on the grounds such security interest or such guarantee constituted a preference. The grant of a security interest or guarantee is a preference if it has the effect of placing a creditor (or a surety or guarantor of the company) in a better position in the event of the company's insolvent liquidation than if the security interest or guarantee had not been granted. For a challenge to be made, the decision to prefer must be made within the period of six months ending with the onset of insolvency (as defined in Section 240 of the Insolvency Act 1986, as amended) if the beneficiary of the security interest or the guarantee is not a connected person or two years if the beneficiary is a connected person. In addition, the company must have been “unable to pay its debts” at the time it gave the preference or become “unable to pay its debts” as a result. A company's “inability to pay its debts” in this scenario has the same meaning as in the case of a transaction at an undervalue save that, in the case of a preference, there is no presumption of insolvency if the parties are connected. A court may not make an order in respect of a preference of a person unless it is satisfied that the company in deciding to give the preference was influenced by a desire to put that person in a better position. If the court determines that the transaction was a preference, the court can make such order as it thinks fit to restore the position to what it would have been if that preference had not been given (which could include reducing

payments under the guarantees or setting aside the security interests or guarantees). There is protection for a third party that benefits from the transaction and acted in good faith and for value. In any proceedings, it is for the administrator or liquidator to demonstrate that the company was unable to pay its debts and that the company was influenced by a desire to produce the preferential effect, unless the beneficiary of the transaction was a connected person, in which case there is a presumption that the company was influenced by a desire to produce the preferential effect and the connected person must demonstrate in such proceedings that there was no such influence.

#### *Transaction defrauding creditors*

Under English insolvency law, a liquidator or an administrator of a company, or a person who is a “victim” of the relevant transaction can apply to the court pursuant to Section 423 of the Insolvency Act 1986, as amended, for an order to set aside a security interest or guarantee granted by that company on the grounds the security interest or guarantee was a transaction defrauding creditors.

A transaction will constitute a transaction defrauding creditors if it is a transaction at an undervalue (as outlined above) and the court is satisfied the substantial purpose of a party to the transaction was to put assets beyond the reach of actual or potential claimants against it or to prejudice the interest of such persons.

If the court determines that the transaction was a transaction defrauding creditors, then it may make such order as it may deem fit to restore the position to what it was prior to the transaction or protect the victims of the transaction (including reducing payments under the guarantee or setting aside the security interest or guarantees) but there is protection for a third party acting in good faith and for value without notice of the relevant circumstances. Any “victim” of the transaction (with the permission of the court if the company is in liquidation or administration) may apply to court under this provision and not just liquidators or administrators. There is no time limit in the English insolvency legislation within which the company must enter insolvency proceedings and the relevant company does not need to have been unable to pay its debts at the time of the transaction.

#### *Grant of floating charge*

Under English insolvency law, if an English company is unable to pay its debts at the time of (or as a result of) granting a floating charge then such floating charge can be avoided on the action of a liquidator or administrator if it was granted in the period of one year ending with the onset of insolvency (as defined in Section 245 of the Insolvency Act 1986, as amended). The floating charge, however, will be validated to the extent of the value of the consideration provided for the creation of the charge in the form of money paid to, or goods or services supplied to, or any discharge or reduction of any debt of, the relevant English company at the same time as or after the creation of the floating charge plus interest payable on such amounts. Where the floating charge is granted to a “connected person”, the charge can be challenged if given within two years of the onset of insolvency and the prerequisite to challenge that the company is unable to pay its debts does not apply. However, if the floating charge qualifies as a “security financial collateral arrangement” under the Financial Collateral Arrangements Regulations, the floating charge will not be subject to challenge as described in this paragraph.



## Plan of distribution

The Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed to purchase from the Issuer, the entire principal amount of the Notes. The sale will be made pursuant to a purchase agreement between, among others, the Issuer and the several Initial Purchasers dated September 26, 2014 (the “**Purchase Agreement**”). The Initial Purchasers are J.P. Morgan Securities plc, Lloyds Bank plc and RBC Europe Limited.

The obligations of the Initial Purchasers under the Purchase Agreement, including their agreement to purchase Notes from the Issuer, are several and not joint.

The Initial Purchasers initially propose to offer the Notes for resale at the issue price that appears on the cover of this Offering Memorandum. After the initial Offering, the Initial Purchasers may change the price at which the Notes are offered and any other selling terms at any time without notice. The Initial Purchasers may offer and sell Notes through certain of their affiliates, including in respect of sales into the United States. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by their counsel and our counsel. The Purchase Agreement also provides that, if an Initial Purchaser defaults, the purchase commitments of the non-defaulting Initial Purchaser may be increased or, in some cases, the Offering may be terminated.

The Purchase Agreement provides that we will indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. During the period from the date the Purchase Agreement is executed through and including the date that is 90 days after such date, neither the Company nor any of its subsidiaries or other controlled affiliates will, without the prior written consent of the representative of the Initial Purchasers, offer, sell, contract to sell, issue or otherwise dispose of any debt securities, issued or guaranteed by the Issuer or any of the Guarantors and having a tenor of more than one year (other than the Notes and the Note Guarantees).

The Notes and the Note Guarantees have not been, and will not be, registered under the Securities Act and may not be offered or sold within the United States except to qualified institutional buyers in reliance on Rule 144A and to certain non-U.S. persons outside the United States in reliance on Regulation S. Until 40 days after the later of (i) the commencement of this Offering and (ii) the Issue Date, an offer or sale of the Notes initially sold in reliance on Regulation S within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S. Resales of the Notes are restricted as described under “*Transfer restrictions*”.

Each Initial Purchaser has represented, warranted and agreed that it:

- has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or any Guarantor; and
- has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by us or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this Offering Memorandum comes are advised to inform themselves about and to observe any restrictions relating to the Offering, the distribution of this Offering Memorandum and resale of the Notes. See “*Transfer restrictions*”.

The Issuer and the Guarantors have also agreed that they will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract

or disposition would cause the exemption afforded by Section 4(a)(2) of the Securities Act or the safe harbours of Rule 144A and Regulation S to cease to be applicable to the offer and sale of the Notes.

The Notes are a new issue of securities for which there currently is no market. We have applied, through our listing agent, to list the Notes on the Official List of the LxSE and trade the Notes on the Euro MTF.

The Initial Purchasers have advised us that they intend to make a market in the Notes as permitted by applicable law. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any market making activity may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. In addition, any such market making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, we cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop or that you will be able to sell any Notes at a particular time or at a price that will be favourable to you. See *“Risk factors—Risks related to our indebtedness and the Notes—There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited”*.

The Initial Purchasers may engage in overallotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the Exchange Act. Overallotment involves sales in excess of the offering size, which creates a short position for the relevant Initial Purchaser. Stabilizing transactions permit bidders to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker or dealer when the Notes originally sold by that broker or dealer are purchased in a stabilizing or covering transaction to cover short positions.

In connection with the Offering, the Stabilizing Managers, or persons acting on their behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Stabilizing Managers may bid for and purchase Notes in the open markets for the purpose of pegging, fixing or maintaining the price of the Notes. The Stabilizing Managers may also over allot the Offering, creating a syndicate short position, and may bid for and purchase Notes in the open market to cover the syndicate short position. In addition, the Stabilizing Managers may bid for and purchase Notes in market making transactions as permitted by applicable laws and regulations and impose penalty bids. These activities may stabilize or maintain the respective market price of the Notes above market levels that may otherwise prevail. The Stabilizing Managers are not required to engage in these activities, and may end these activities at any time. Accordingly, no assurance can be given as to the liquidity of, or trading markets for the Notes. See *“Risk factors—Risks related to our indebtedness and the Notes—There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited”*.

These stabilizing transactions, covering transactions and penalty bids may cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. These transactions may begin on or after the date on which adequate public disclosure of the terms of the Offering is made and, if commenced, may be discontinued at any time at the sole discretion of the Initial Purchasers. If these activities are commenced, they must end no later than the earlier of 30 days after the date of issuance of the Notes and 60 days after the date of the allotment of the Notes. These transactions may be effected in the over-the-counter market or otherwise.

The Initial Purchasers and their respective affiliates are full-service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Initial Purchasers or their respective affiliates have from time to time in the past provided, and may provide in the future, investment banking, financial advisory and commercial banking services to us and our affiliates in the ordinary course of business for which they have received or may receive customary fees and commissions. In particular, we have engaged an affiliate of J.P. Morgan Securities plc to advise us in connection with the Acquisition, for which they will receive customary fees and commissions.

Certain of the Initial Purchasers or their affiliates are lenders under the Existing Senior Facilities Agreement. Furthermore, Lloyds Bank plc or certain of its affiliates are shareholders of Lakeside Holdco. Pursuant to the Transactions, the proceeds of the Offering will be used to, among other things, fund the Acquisition consideration for the Acquisition by Bidco of all the issued and outstanding shares of Lakeside Holdco and repay in full all outstanding amounts and cancel all outstanding commitments under the Existing Senior Facilities Agreement. See *“Use of proceeds”* and *“Summary—The Transactions—The Acquisition Agreement”*.

Certain of the Initial Purchasers or their affiliates are acting as mandated lead arrangers, lenders or agent under the Revolving Credit Facility Agreement and the bridge facility agreement that we have entered into to provide financing for the Acquisition in the event the Offering is not consummated and, in connection therewith, such entities will receive customary fees and commissions. The Initial Purchasers or their affiliates may also receive allocations of the Notes.

We expect that the delivery of the Notes will be made against payment therefor on the date specified on the cover page of this Offering Memorandum, which will be the fifth London business day following the date of pricing of the Notes (such settlement cycle being herein referred to as “T+5”). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Notes initially will settle T+5, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Notes who wish to make such trades should consult their advisors.

## Transfer restrictions

The Notes have not been, and will not be, registered under the Securities Act or any state securities laws and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Notes offered hereby are being offered and sold only to qualified institutional buyers (as defined in Rule 144A under the Securities Act) in reliance on Rule 144A under the Securities Act and to non-U.S. persons outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

We have not registered and will not register the Notes under the Securities Act and, therefore, the Notes may not be offered or sold within the United States or to U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, we are offering and selling the Notes to the Initial Purchasers for re offer and resale only:

- in the United States to “qualified institutional buyers”, commonly referred to as “QIBs”, as defined in Rule 144A under the Securities Act in compliance with Rule 144A; and
- to non-U.S. persons outside the United States in an offshore transaction in accordance with Regulation S under the Securities Act.

We use the terms “offshore transaction”, “U.S. person” and “United States” with the meanings given to them in Regulation S under the Securities Act.

Each purchaser of the Notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with us and the Initial Purchasers as follows:

1. You understand and acknowledge that the Notes have not been registered under the Securities Act or any applicable state securities law; are being offered for resale in transactions not requiring registration under the Securities Act or any securities law, including sales pursuant to Rule 144A; and may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any applicable securities law, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraphs (4) and (5) below.
2. You are not an “affiliate” (as defined in Rule 144 under the Securities Act) or acting on our behalf and you are either:
  - a qualified institutional buyer, within the meaning of Rule 144A under the Securities Act, and are aware that any sale of the Notes to you will be made in reliance on Rule 144A under the Securities Act, and the acquisition of the Notes will be for your own account or for the account of another qualified institutional buyer; or
  - a non-U.S. person purchasing the Notes outside the United States in an offshore transaction in accordance with Regulation S under the Securities Act.
3. You acknowledge that neither we nor the Initial Purchasers, nor any person representing us or the Initial Purchasers, has made any representation to you with respect to us or the offering or sale of any Notes, other than the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to you and upon which you are relying in making your investment decision with respect to the Notes. You acknowledge that neither the Initial Purchasers nor any person representing the Initial Purchasers makes any representation or warranty as to the accuracy or completeness of the information contained in this Offering Memorandum. You have had access to such financial and other information concerning us and the Notes as you have deemed necessary in connection with your decision to purchase any of the Notes, including an opportunity to ask questions or, and request information from, us and the Initial Purchasers.
4. You are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or any state securities laws, subject to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within its or their control and subject to your or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the Securities Act.

5. You agree on your own behalf and on behalf of any investor account for which you are purchasing the Notes, and each subsequent holder of the Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes prior to the date (the “**Resale Restriction Termination Date**”) that is one year (in the case of Rule 144A Notes) or 40 days (in the case of Regulation S Notes) after the later of the date of the Issue Date, the last date on which the Issuer or any of its affiliates was the owner of such Notes (or any predecessor thereto) or the last date on which the Additional Notes were issued only (i) to the Issuer; (ii) pursuant to a registration statement that has been declared effective under the Securities Act; (iii) for so long as the Notes are eligible pursuant to Rule 144A under the Securities Act, to a person you reasonably believe is a qualified institutional buyer that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the transfer is being made in reliance on Rule 144A under the Securities Act; (iv) pursuant to offers and sales to non U.S. persons that occur outside the United States in compliance with Regulation S under the Securities Act or (v) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable state securities laws and any applicable local laws and regulations, and further subject to the Issuer’s and the Trustee’s rights prior to any such offer, sale or transfer (I) pursuant to clause (iv) or (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the other side of the security is completed and delivered by the transferor to the Trustee. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

Each purchaser acknowledges that each Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT (“**RULE 144A**”)) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN “OFFSHORE TRANSACTION” PURSUANT TO RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE “**RESALE RESTRICTION TERMINATION DATE**”) WHICH IS [IN THE CASE OF RULE 144A NOTES: ONE YEAR] [IN THE CASE OF REGULATION S NOTES: 40 DAYS] AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF, THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) OR THE LAST DATE ON WHICH ADDITIONAL NOTES WERE ISSUED ONLY (A) TO THE ISSUER, THE GUARANTORS OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER’S AND THE TRUSTEE’S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSES (D) AND (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

6. You agree that you will give to each person to whom you transfer the Notes notice of any restrictions on transfer of such Notes.
7. You acknowledge that until 40 days after the commencement of the Offering, any offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A of the Securities Act.
8. You acknowledge that the Registrar will not be required to accept for registration or transfer any Notes acquired by you except upon presentation of evidence satisfactory to us and the Registrar that the restrictions set forth therein have been complied with. You acknowledge that we, the Initial Purchasers and others will rely upon the truth and accuracy of the your acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by your purchase of the Notes are no longer accurate, you shall promptly notify the Initial Purchasers. If you are acquiring any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each such investor account and that you have full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.
9. You understand that no action has been taken in any jurisdiction (including the United States) by us or the Initial Purchasers that would result in a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to us or the Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under “*Plan of distribution*”.

### **Legal matters**

The validity of the Notes, the Note Guarantees and certain other legal matters in connection with the Offering are being passed upon for the Issuer by Simpson Thacher & Bartlett LLP as to matters of U.S. federal, New York state and English law. Certain legal matters in connection with the Offering will be passed upon for the Initial Purchasers by Cravath, Swaine & Moore LLP as to matters of U.S. federal and New York state law and by Clifford Chance LLP as to matters of English law.

### **Independent auditors**

The consolidated financial statements of Lakeside Holdco as of and for the financial years ended 31 March 2012, 2013 and 2014 included in this Offering Memorandum, have been audited by PricewaterhouseCoopers LLP, independent auditors, as stated in their reports appearing herein.

PricewaterhouseCoopers LLP's reports, in accordance with guidance issued by the Institute of Chartered Accountants in England and Wales, include the following limitations: "This report, including the opinions, has been prepared for and only for the Group's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing."



### Available information

Each purchaser of Notes from the Initial Purchasers will be furnished a copy of this Offering Memorandum and any related amendments or supplements to this Offering Memorandum. Each person receiving this Offering Memorandum and any related amendments or supplements to this Offering Memorandum acknowledges that:

- (1) such person has been afforded an opportunity to request from us and the Issuer, and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;
- (2) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and
- (3) except as provided pursuant to paragraph (1) above, no person has been authorised to give any information or to make any representation concerning the Notes or each Note Guarantee offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorised by either us, the Issuer or the Initial Purchasers.

For so long as any of the Notes remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer will, during any period in which it is neither subject to Section 13 or 15(d) under the Exchange Act nor exempt from reporting thereunder pursuant to Rule 12g3-2(b), make available to any holder or beneficial holder of a Note, or to any prospective purchaser of a Note designated by such holder or beneficial holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act upon the written request of any such holder or beneficial owner. Any such request should be directed as provided in the Indenture.

The Issuer is not currently subject to the periodic reporting and other information requirements of the Exchange Act. However, pursuant to the Indenture that will govern the Notes, the Issuer will agree to furnish certain periodic information to the holders of the Notes. See “*Description of the Notes—Reports*”. Upon request, the Issuer will provide you with copies of the Indenture, the form of the Notes and any notation of guarantee and the Intercreditor Agreement. You may request copies of such documents by contacting the Registrar.

For so long as the Notes are admitted to trading on the Euro MTF and to listing on the Official List of the LxSE and the rules and regulations of that exchange shall so require, current copies of the foregoing documents may be inspected and obtained in English, free of charge, during normal business hours at the specified office of the Listing Agent in Luxembourg, Grand Duchy of Luxembourg or, to the extent and in the manner permitted by such rules, on the official website of the LxSE ([www.bourse.lu](http://www.bourse.lu)).

## **Enforcement of civil liabilities**

The Issuer is a public limited company incorporated in England and Wales and its registered offices are located at 1 Park Row, Leeds LS1 5AB. The Guarantors of the Notes are incorporated in and have their respective principal executive offices in the United Kingdom. The directors and executive officers of the Issuer and the Guarantors are not residents of the United States, and all the assets of the Issuer and the Guarantors and such persons are located outside the United States. Although the Issuer and the Guarantors will submit to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws or under the Indenture, it may not be possible for investors to effect service of process within the United States upon the Issuer, a Guarantor or such persons or to enforce against any of them judgments obtained in U.S. federal or state courts predicated upon the civil liability provisions of the federal securities laws of the United States, and there is doubt as to the enforceability in England and Wales of civil liabilities predicated upon the federal securities laws of the United States, either in original actions or in actions for enforcement of judgments of U.S. courts.

### **England**

The United States and England currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters. Consequently, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would not automatically be recognized or enforceable in England. In order to enforce any such U.S. judgment in England, proceedings must first be initiated before a court of competent jurisdiction in England. In such an action, the English court would not generally reinvestigate the merits of the original matter decided by the U.S. court (subject to what is described below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defence to it). Recognition and enforcement of a U.S. judgment by an English court in such an action is conditional upon (among other things) the following:

- the U.S. court having had, at the time when proceedings were served, jurisdiction over the original proceedings according to English rules of international law;
- the U.S. judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it and being for a definite sum of money; and
- the U.S. judgment not being for a sum payable in respect of taxes, or other charges of a like nature or in respect of a penalty or fine or otherwise based on a U.S. law that an English court considers to relate to penal, revenue or other public law.

An English court may refuse to enforce such a judgment if the judgment debtor satisfies the court that:

- the U.S. judgment contravenes English public policy;
- the U.S. judgment has been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damages sustained, is otherwise specified in Section 5 of the Protection of Trading Interests Act 1980 or is based on measures designated by the Secretary of State under Section 1 of the Act;
- the U.S. judgment has been obtained by fraud or in breach of English principles of natural or substantial justice;
- the U.S. judgment is a judgment on a matter previously determined by an English court or another court whose judgment is entitled to recognition in England or conflicts with an earlier judgment of such court;
- the English enforcement proceedings were not commenced within the relevant limitation period; or
- the U.S. judgment was obtained contrary to an agreement for the settlement of disputes under which the dispute in question was to be settled otherwise than by proceedings in a U.S. court (to whose jurisdiction the judgment debtor did not submit).

Only subject to the foregoing may investors be able to enforce in England judgments that have been obtained from U.S. federal or state courts. Notwithstanding the preceding, we cannot assure you that those judgments will be recognized or enforceable in England. In addition, we cannot assure you whether an English court would accept jurisdiction and impose civil liability if the original action was commenced in England, instead of the United States, and predicated solely upon U.S. federal securities laws.

## **Listing and general information**

### **Listing information**

Application was made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF, in accordance with the rules of that exchange. Notice of any change of control, change in the rate of interest payable on the Notes or optional redemption of the Notes will be published in a Luxembourg newspaper of general circulation (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange, at [www.bourse.lu](http://www.bourse.lu).

For so long as the Notes are listed on the Official List of the LxSE and admitted for trading on the Euro MTF and the rules of the exchange so require, copies of the following documents (together with English translations thereof, as applicable) may be inspected and obtained free of charge at the specified office of the listing agent in Luxembourg during normal business hours on any weekday (public holidays excepted):

- this Offering Memorandum;
- the organisational documents of the Issuer;
- the organisational documents of each of the Guarantors;
- the Indenture (which includes the form of the Notes);
- the Intercreditor Agreement and the documents creating the security interests in the Collateral as contemplated by the Indenture;
- the financial statements included in this Offering Memorandum; and
- other material agreements described in this Offering Memorandum as to which we specify that copies thereof will be made available.

We accept responsibility for the information contained in this Offering Memorandum. To the best of our knowledge, the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of this Offering Memorandum.

Except as disclosed in this Offering Memorandum:

- there has been no material adverse change in Lakeside Holdco's consolidated financial position since 30 June 2014; and
- neither we nor any of our subsidiaries is a party to any litigation, administrative proceeding or arbitration relating to claims or amounts that are material in the context of the Offering, and, so far as we are aware, no such litigation, administrative proceeding or arbitration is pending or threatened.

Except as disclosed herein, there has been no material adverse change in the Company's consolidated financial position since 30 June 2014.

Neither we nor any of our subsidiaries is a party to any litigation that, in our judgment, is material in the context of the issue of the Notes, except as disclosed herein.

The Issuer will maintain a registrar and transfer agent in Luxembourg for as long as any of the Notes are listed on the Official List of the Luxembourg Stock Exchange. The Issuer reserves the right to vary such appointment and it will publish notice of such change of appointment in a newspaper having a general circulation in the Grand Duchy of Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange, at [www.bourse.lu](http://www.bourse.lu).

The Indenture includes the guarantees.

### **Clearing information**

The Notes sold pursuant to Regulation S and the Notes sold pursuant to Rule 144A in the Offering have been accepted for clearance through the facilities of Euroclear and Clearstream under common codes 110755660 and 110755694,

respectively. The international securities identification number (the “**ISIN**”) for the Notes sold pursuant to Regulation S is XS1107556604 and the ISIN for the Notes sold pursuant to Rule 144A is XS1107556943.

### **Issuer legal information**

The share capital of the Issuer is £ 50,001 divided into 50,001 ordinary shares with nominal value of £1, of which one share is fully paid up, and for the remaining shares £0.25 per share is paid up and £0.75 per share remains unpaid.

Keystone Financing PLC (Company number: 9069525), the Issuer, is incorporated as a public limited liability company under the laws of England and Wales on 3 June 2014. The registered office of the Issuer is at 1 Park Row, Leeds LS1 5AB.

The Issuer has obtained all necessary consents, approvals and authorisations in the jurisdiction of its incorporation in connection with the issuance and performance of the Notes. The creation and issuance of the Notes have been authorised by the Issuer’s board of directors on 16 September 2014.

The Issuer is a special purpose finance subsidiary that has no turnover generating operations of its own and will depend on cash from our operating companies to be able to make payments on the Notes.

### **Company legal information**

The Company was incorporated as limited company by shares under the laws of England and Wales. The registered office of the Company is at 1 Park Row, Leeds LS1 5AB.

### **Lakeside Holdco legal information**

Lakeside Holdco was incorporated as limited company by shares under the laws of England and Wales. The registered office of Lake Holdco is at The Waterfront, Lakeside Boulevard, Doncaster, South Yorkshire DN4 5PL.

The issued and fully paid up share capital of Lakeside 1 Ltd is £594,000. Please note this is made up of eight classes of share capital:

- 910,000 ordinary shares of £0.005 each;
- 117,646,815 deferred fixed dividend shares of £0.005 each;
- 5,000,000 A ordinary shares of £0.00001 each;
- 4,090,000 B ordinary shares of £0.00001 each;
- 9,500,000 A preference shares of £0.00001 each;
- 20,000,000 B preference shares of £0.00001 each;
- 20,000,000 C preference shares of £0.00001 each; and
- 500,000 Z preference shares of £0.00001 each.

### **Subsidiary Guarantor legal information**

Apollo Holdco Limited: situated in England and Wales—The Waterfront, Lakeside Boulevard, Doncaster, South Yorkshire DN4 5PL.

Apollo Support Services Group Limited: situated in England and Wales— The Waterfront, Lakeside Boulevard, Doncaster, South Yorkshire DN4 5PL.

Castle 1 Limited: situated in England and Wales—The Waterfront, Lakeside Boulevard, Doncaster, South Yorkshire DN4 5PL.

Conquest Bidco Limited: situated in England and Wales—The Waterfront, Lakeside Boulevard, Doncaster, South Yorkshire DN4 5PL.

K&A Merger Limited: situated in England and Wales—The Waterfront, Lakeside Boulevard, Doncaster, South Yorkshire DN4 5PL.

Keepmoat Homes Limited: situated in England and Wales—The Waterfront, Lakeside Boulevard, Doncaster, South Yorkshire DN4 5PL.

Keepmoat in Partnership Limited: situated in England and Wales—The Waterfront, Lakeside Boulevard, Doncaster, South Yorkshire DN4 5PL.

Keepmoat Limited: situated in England and Wales—The Waterfront, Lakeside Boulevard, Doncaster, South Yorkshire DN4 5PL.

Keepmoat Property Limited: situated in England and Wales—The Waterfront, Lakeside Boulevard, Doncaster, South Yorkshire DN4 5PL.

Keepmoat Property Services Limited: situated in England and Wales—The Waterfront, Lakeside Boulevard, Doncaster, South Yorkshire DN4 5PL.

Keepmoat Regeneration (Apollo) Limited: situated in England and Wales— The Waterfront, Lakeside Boulevard, Doncaster, South Yorkshire DN4 5PL.

Keepmoat Regeneration (Bramall) Limited: situated in England and Wales— The Waterfront, Lakeside Boulevard, Doncaster, South Yorkshire DN4 5PL.

Keepmoat Regeneration (FHM) Limited: situated in England and Wales—The Waterfront, Lakeside Boulevard, Doncaster, South Yorkshire DN4 5PL.

Keepmoat Regeneration Holdings Limited: situated in England and Wales— The Waterfront, Lakeside Boulevard, Doncaster, South Yorkshire DN4 5PL.

Keepmoat Regeneration Limited: situated in England and Wales—The Waterfront, Lakeside Boulevard, Doncaster, South Yorkshire DN4 5PL.

Toucan Holdings Limited: situated in England and Wales—The Waterfront, Lakeside Boulevard, Doncaster, South Yorkshire DN4 5PL.

#### **Guarantor field of activity**

<b>Guarantor</b>	<b>Classification</b>	<b>Trading Activity</b>
Keystone Midco Ltd	Holding	
Keystone Bidco	Financing / Holding	
Lakeside 1 Ltd	Holding	
Apollo Holdco Ltd	Holding	
Apollo Support Services Group Ltd	Holding	
Castle 1 Ltd	Holding	
Conquest Bidco Ltd	Holding	
K&A Merger Ltd	Holding	
Keepmoat Homes Ltd	Trading	Housing construction Provision of property services; mainly social housing regeneration projects within the public sector
Keepmoat in Partnership Ltd	Trading	
Keepmoat Ltd	Holding	
Keepmoat Property Ltd	Trading	Mainly holds properties on behalf of Group companies but also lets properties to third parties Provision of property services; maintenance, improvement, refurbishment and management of homes
Keepmoat Property Services Ltd	Trading	Community Regeneration, planned and responsive maintenance of homes, new build developments within the housing and education sectors
Keepmoat Regeneration (Apollo) Ltd	Trading	Community Regeneration, planned and responsive maintenance of homes, new build developments within the housing and education sectors
Keepmoat Regeneration (Bramall) Ltd	Trading	Community Regeneration, planned and responsive maintenance of homes, new build developments within the housing and education sectors
Keepmoat Regeneration (FHM) Ltd	Trading	Community Regeneration, planned and responsive maintenance of homes, new build developments within the housing and education sectors

Keepmoat Regeneration Holdings Ltd	Holding	Community Regeneration, planned and responsive maintenance of homes, new build developments within the housing and education sectors
Keepmoat Regeneration Ltd	Trading	Mainly holds properties on behalf of Group companies but also lets properties to third parties
Toucan Holdings Ltd	Trading	

### **Financial year and accounts**

Our financial year for future financial years is scheduled to begin on 1<sup>st</sup> April and end on 31<sup>st</sup> March of each year. We will prepare and publish annual audited financial statements and interim quarterly unaudited financial statements on a consolidated basis. The Issuer will not prepare separate financial statements. Any future published financial statements prepared by the Company will be available, during normal business hours, at our executive offices.

PricewaterhouseCoopers LLP are the auditors for the current fiscal year and will likely continue to be the auditors for future financial statements.

## Glossary of technical terms

The following technical terms and abbreviations when used in this Offering Memorandum have the definitions ascribed to them below, except where otherwise indicated:

Abbreviation	Definition
“Affordable Housing” .....	Low-cost housing units usually owned / bought by Local Authorities and Housing Associations and let to tenants for up to 80% of market value.
“COINS” .....	COINS is an acronym ‘construction industry solutions’, which is an integrated information system that enables companies to reassess projects and manage sales processes.
“Decent Homes” .....	A government initiative that aims to provide a minimum standard of housing conditions for public sector (Local Authority and Registered Provider) stock.
“Green Deal” .....	The Green Deal Scheme, which is a government-backed initiative which helps secure loans to meet the upfront cost of making energy saving improvements to a home.
“HCA” .....	The Homes and Communities Agency was established by the Housing and Regeneration Act 2008 to act as the UK’s national housing and regeneration delivery agency.
“Housing Association” .....	A housing association is a non-profit organisation that provides Affordable Housing.
“HRA” .....	The Housing Revenue Account is the UK government held debt account for national social housing.
“land bank” .....	Total Secured Developable Land and Secured Non-Developable Land.
“letters of credit” .....	Letter of Credit, which is a document assuring payment to a commercial counterparty provided all requirements outlined in the Letter of Credit have been met.
“Local Authority” .....	Local authorities, or regional government, within the UK.
“LTV” .....	Loan to value, which is a percentage value of a mortgage versus the total sale value of the dwelling against which it is secured.
“New Homes Bonus” .....	UK legislation aimed at increasing planning approvals through increased funding for Local Authorities. The government matches any additional council tax raised from new homes built (with additional amounts for Affordable Housing), encouraging councils to pass planning applications.
“NHBC” .....	The National House Building Council, which is a non-profit entity that offers warranties for both newly built and converted housing.
“option” .....	A contract to acquire a piece of land in the future at a specified % of the market price (usually at a discount) at the time the option is exercised.
“PFI” .....	Private finance initiatives, which are government supported schemes that enable Local Authorities to contract with private sector firms, with funding typically provided by private financiers but monitored and controlled through the LA.
“plot” .....	Unit of land on which a dwelling can be built.
“PPP” .....	Public-private partnerships, which are similar to a PFI scheme, but allow the private sector firm and financier greater flexibility through a lower level of monitoring from the LA.
“PQQ” .....	Pre-Qualification Questionnaire, which is a questionnaire often issued by governments to assess the suitability and shortlist order of bidders for a particular tender or contract.
“QMS” .....	Quality management system, which is employed by our Homes division and spans across the four phases of; land acquisition; prestart; development; and site completion.
“RMI” .....	Repairs, maintenance and improvement, which identifies types of services provided in the refurbishment market.
“ROCE” .....	Return on capital employed, calculated as the operating profit over a defined period of time divided by the average capital employed.
“Registered Provider” .....	A Registered Provider, which is a government approved organisation that provides Affordable Housing, including Housing Associations, Local Authorities and private companies (previously known as Registered Social Landlords).
“RSL” .....	A Registered Social Landlord; see “Registered Provider” above.
“Secured Developable Land” .....	Land on which we have legally completed, or signed a development agreement, and can proceed to the development phase (or the land is currently in the development phase).

<b>“Secured Non-Developable Land”</b>	Land on which we have exchanged contracts, or signed an overarching development agreement that provides exclusivity to develop a piece of land, but which we have not drawn down to develop (either because we have not agreed land value or resolved technical challenges either in the ground or in planning).
<b>“SHEQ”</b> .....	The safety, health, environmental and quality control segment of a business.



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**Lakeside 1 Limited**  
**Condensed interim financial statements**  
**for the quarter ended 30 June 2014**

Lakeside 1 Limited

Condensed profit and loss account  
for the quarter ended 30 June 2014

	Note	3 months ended 30 June 2014 £'000 Unaudited	Year ended 31 March 2014 £'000 Audited	3 months ended 30 June 2013 £'000 Unaudited
Turnover including share of joint ventures and associates ..		225,338	939,502	195,689
Less: share of joint ventures and associates .....		(1,047)	(8,885)	(1,064)
<b>Group turnover</b> .....		<b>224,291</b>	<b>930,617</b>	<b>194,625</b>
Cost of sales .....		(200,066)	(820,746)	(173,945)
<b>Gross profit</b> .....		<b>24,225</b>	<b>109,871</b>	<b>20,680</b>
Administrative expenses .....		(20,463)	(73,069)	(17,867)
Other operating income .....		85	296	22
<b>Group operating profit before exceptional items and goodwill amortisation</b> .....		<b>9,107</b>	<b>55,871</b>	<b>7,052</b>
Exceptional items .....	2	(1,090)	(2,093)	(47)
Amortisation .....		(4,170)	(16,680)	(4,170)
<b>Group operating profit before share of joint ventures and associated undertakings</b> .....		<b>3,847</b>	<b>37,098</b>	<b>2,835</b>
Share of operating loss in joint ventures and associated undertakings .....		(60)	(195)	(5)
<b>Total operating profit: Group and share of joint ventures and associated undertakings</b> .....		<b>3,787</b>	<b>36,903</b>	<b>2,830</b>
Net interest payable and similar charges .....	4	(4,797)	(20,681)	(5,314)
<b>(Loss)/profit on ordinary activities before taxation</b> .....		<b>(1,010)</b>	<b>16,222</b>	<b>(2,484)</b>
Tax on (loss)/profit on ordinary activities .....	3	(664)	(5,208)	(266)
<b>(Loss)/profit for the financial quarter/year</b> .....		<b>(1,674)</b>	<b>11,014</b>	<b>(2,750)</b>

All items presented above relate to continuing operations.

There is no difference between the results presented above and their historical cost equivalents.

**Lakeside 1 Limited**

**Condensed statement of total recognised gains and losses  
for the quarter ended 30 June 2014**

		Unaudited 3 months ended 30 June 2014 £'000	Audited year ended 31 March 2014 £'000	Unaudited 3 months ended 30 June 2013 £'000
	Note			
(Loss)/profit for the financial quarter/year.....		(1,674)	11,014	(2,750)
Actuarial (loss)/gain on pension schemes.....		(106)	90	1,330
Movement on deferred tax relating to pension schemes.....		24	(70)	(274)
<b>Total recognised (losses)/profits for the quarter/year.....</b>		<b>(1,756)</b>	<b>11,034</b>	<b>(1,694)</b>

**Lakeside 1 Limited**

**Condensed balance sheet as at 30 June 2014**

	30 June 2014 £'000 Unaudited	31 March 2014 £'000 Audited	30 June 2013 £'000 Unaudited
Note			
<b>Assets</b>			
<b>Fixed assets</b>			
Intangible assets.....	251,878	256,048	268,558
Tangible assets.....	9,728	9,856	10,566
Investments in joint ventures:			
Share of gross assets.....	2,329	1,825	1,227
Share of gross liabilities.....	(2,369)	(1,849)	(1,249)
	(40)	(24)	(22)
Investments in associates.....	(289)	(235)	(78)
Investments.....	(329)	(259)	(100)
Pension asset.....	1,098	1,002	973
	262,375	266,647	279,997
<b>Current assets</b>			
Land held for and under development.....	55,987	52,650	46,659
Work in progress.....	84,170	71,327	67,789
Debtors—amounts falling due after more than one year.....	33,996	35,352	31,929
Debtors—amounts falling due within one year.....	169,718	170,493	152,169
Cash at bank and in hand.....	22,022	47,125	14,394
	365,893	376,947	312,940
<b>Total assets</b> .....	628,268	643,594	592,937
<b>Liabilities</b>			
<b>Capital and reserves</b>			
Called up share capital.....	594	594	594
Share premium account.....	—	—	588,531
Merger reserve.....	19,904	19,904	294,006
Profit and loss account.....	(3,233)	(1,477)	(876,838)
<b>Total shareholders' funds</b> .....	17,265	19,021	6,293
<b>Minority interests</b> .....	(611)	(611)	(611)
<b>Capital employed</b> .....	16,654	18,410	5,682
<b>Provisions for liabilities</b> .....	2,340	2,392	2,144
<b>Other liabilities</b>			
Bank loans falling due after more than one year.....	283,738	282,602	304,868
Bank loans falling due within one year.....	27,909	27,909	15,000
Creditors falling due within one year.....	296,284	311,126	264,928
Pension liability.....	1,343	1,155	315
	609,274	622,792	585,111
<b>Total liabilities</b> .....	628,268	643,594	592,937

The condensed interim financial statements were approved by the Board of Directors on 12 September 2014 and are signed on its behalf by:

**James Thomson**

Director

**Lakeside 1 Limited**

**Condensed cash flow statement for the quarter ended  
30 June 2014**

		<u>Unaudited</u>	<u>Audited</u>	<u>Unaudited</u>
		<u>3 months</u>	<u>Year</u>	<u>3 months</u>
		<u>ended</u>	<u>ended</u>	<u>ended</u>
		<u>30 June 2014</u>	<u>31 March 2014</u>	<u>30 June 2013</u>
	<u>Note</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<b>Net cash (outflow)/inflow from operating activities .....</b>	<b>7</b>	<b>(18,485)</b>	54,637	(10,324)
<b>Returns on investment and servicing of finance</b>				
Interest received .....		<b>219</b>	215	75
Interest paid .....		<b>(4,476)</b>	(14,985)	(372)
Net cash outflow from returns on investment and servicing of finance .....		<b>(4,257)</b>	(14,770)	(297)
<b>Taxation</b>				
UK corporation tax paid .....		<b>(1,834)</b>	(1,917)	(142)
<b>Capital expenditure and financial investment</b>				
Purchase of tangible fixed assets .....		<b>(538)</b>	(2,382)	(541)
Sale of tangible fixed assets .....		<b>11</b>	928	69
Net cash outflow for capital expenditure and financial investment .....		<b>(527)</b>	(1,454)	(472)
<b>Financing</b>				
Increase in borrowings .....		—	—	15,000
Net cash inflow from financing .....		—	—	15,000
<b>(Decrease)/increase in cash .....</b>		<b>(25,103)</b>	36,496	3,765

## Lakeside 1 Limited

### Notes to the financial statements for the quarter ended 30 June 2014

#### 1 Basis of preparation

The unaudited condensed interim financial statements contain consolidated financial information of Lakeside 1 Limited and its subsidiary undertakings (the 'Group') for the three months ended 30 June 2014 and are prepared in accordance with the Accounting Standards Board's Reporting Statement on Half Yearly Financial reports.

The unaudited condensed interim financial statements have been prepared using consistent accounting policies, presentation and a method of computation to those applied in the latest annual audited financial statements for the year ended 31 March 2014. This financial information should be read in conjunction with the Group's financial statements for the year ended 31 March 2014, which have been prepared under United Kingdom Generally Accepted Accounting Practice (UK GAAP).

The statutory accounts for the year ended 31 March 2014 have been approved by the Board of Directors. The auditor reported on those accounts, their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

#### Going concern

The directors have considered the adequacy of the Group's financial resources through a review of the financial projections for the business, taking into account the banking facilities available to the Group following the refinancing on 23 October 2012. The directors have also considered the covenants attaching to the facilities and the likely level of headroom available. After careful consideration the directors are satisfied that the Group has adequate resources to continue in operation for the foreseeable future. For this reason the directors continue to apply the going concern basis in preparing the financial statements.

#### 2 Exceptional items

	Unaudited 3 months ended 30 June 2014 £'000	Audited Year ended 31 March 2014 £'000	Unaudited 3 months ended 30 June 2013 £'000
Strategic options review.....	1,044	1,685	—
Restructuring and associated costs.....	46	408	47
	<b>1,090</b>	<b>2,093</b>	<b>47</b>

All amounts reported as exceptional items are included within administrative expenses.

#### Strategic options review

During 2014 the Board began a strategic options review and costs of £1.6m relating to this review were charged to exceptional items in the year ended 31 March 2014. A further £1,044,000 was incurred in the quarter to 30 June 2014.

#### Restructuring and associated costs

Following the merger, the Group incurred significant restructuring costs in reorganising to deliver our business plan and strategic goals. These costs comprised redundancies and associated restructuring costs, costs in relation to vacated properties, and asset impairment following the closure of our in-house hire division, Keepmoat Site Services Limited, and disposal of assets.

#### 3 Tax

Tax on the loss for the quarter ended 30 June 2014 is based on the effective tax rate expected to apply for the full year ended 31 March 2015.

Tax for the year ended 31 March 2014 is taken from the audited consolidated financial statements of the Lakeside 1 Limited Group.

Tax on the loss for the quarter ended 30 June 2013 has been accrued using the effective tax rate for the year ended 31 March 2014.

#### 4 Net interest payable and similar charges

	Unaudited 3 months ended 30 June 2014 £'000	Audited Year ended 31 March 2014 £'000	Unaudited 3 months ended 30 June 2013 £'000
<b>Interest payable and similar charges</b>			
Interest payable on bank loans and overdrafts .....	(5,441)	(22,561)	(5,837)
Loan issue costs .....	—	(319)	—
Net return on pension scheme assets .....	(45)	—	—
Total interest payable .....	(5,486)	(22,880)	(5,837)
<b>Interest receivable and similar income</b>			
Shared equity unwind of discount .....	488	1,806	468
Net return on pension scheme assets .....	—	178	14
Other interest receivable .....	201	215	41
Total interest receivable .....	689	2,199	523
<b>Net interest payable and similar charges</b> .....	<b>(4,797)</b>	<b>(20,681)</b>	<b>(5,314)</b>

#### 5 Provisions for liabilities

	Unaudited				
	Onerous leases £'000	Redundancy £'000	Dilapidations £'000	Other £'000	Total £'000
At 1 April 2014 .....	235	52	1,421	684	2,392
Charged to the profit and loss account .....	—	—	—	—	—
Utilised during the period .....	—	(19)	(11)	(22)	(52)
<b>At 30 June 2014</b> .....	<b>235</b>	<b>33</b>	<b>1,410</b>	<b>662</b>	<b>2,340</b>
	Audited				
At 1 April 2013 .....	384	905	1,540	28	2,857
Charged to the profit and loss account .....	—	55	275	687	1,017
Utilised during the period .....	(149)	(908)	(394)	(31)	(1,482)
<b>At 31 March 2014</b> .....	<b>235</b>	<b>52</b>	<b>1,421</b>	<b>684</b>	<b>2,392</b>
	Unaudited				
At 1 April 2013 .....	384	905	1,540	28	2,857
Charged to the profit and loss account .....	—	—	—	4	4
Utilised during the period .....	—	(659)	(58)	—	(717)
<b>At 30 June 2013</b> .....	<b>384</b>	<b>246</b>	<b>1,482</b>	<b>32</b>	<b>2,144</b>

#### Dilapidations

The dilapidations provision covers all of the Group's leased estate. A full provision up to the end of each lease was established by an independent external valuer, with the element up to the date of the financial statements being recognised in the accounts on a pro-rated straight line basis.

#### Onerous leases

The onerous lease provision relates to all of the Group's leased estate. The provision is calculated on a property by property basis and is calculated up to the next available break date or end of lease, whichever is the earlier.

#### Redundancy

This relates to redundancy provisions for staff.

#### Other

Other provisions comprise legal fees in relation to claims.



## 6 Reconciliation of movements in shareholders' funds

	Unaudited	Audited	Unaudited
	3 months ended 30 June 2014 £'000	Year ended 31 March 2014 £'000	3 months ended 30 June 2013 £'000
(Loss)/profit for the financial year .....	(1,674)	11,014	(2,750)
Actuarial (loss)/gain on pension schemes .....	(106)	90	1,330
Movement on deferred tax relating to pension schemes .....	24	(70)	(274)
<b>Net change in shareholders' funds .....</b>	<b>(1,756)</b>	11,034	(1,694)
Total shareholders' funds at 1 April .....	<b>19,021</b>	7,987	7,987
<b>Total shareholders' funds at the period end.....</b>	<b>17,265</b>	19,021	6,293

**7 Reconciliation of operating profit to net cash flow from operating activities**

	Unaudited	Audited	Unaudited
	3 months	Year	3 months
	ended	ended	ended
	30 June	31 March	30 June
	2014	2014	2013
	£'000	£'000	£'000
Total operating profit: Group and share of joint ventures and associated undertakings.....	3,787	36,903	2,830
Share of loss in joint ventures and associated undertakings .....	70	195	38
Depreciation charge (net of (profit)/loss on disposals) .....	654	2,174	483
Amortisation of goodwill.....	4,170	16,680	4,170
Decrease in land held for development.....	(3,337)	(7,436)	(1,445)
Increase in work in progress .....	(12,843)	(16,779)	(13,241)
Decrease/(increase) in debtors .....	3,593	(17,736)	5,472
Decrease/increase in creditors .....	(14,647)	41,118	(7,962)
Decrease in provisions .....	(52)	(465)	(715)
Difference between pension charge and cash contributions .....	120	(17)	46
<b>Net cash (outflow)/inflow from operating activities.....</b>	<b>(18,485)</b>	54,637	(10,324)

## 8 Reconciliation of net cash flow to movement in net debt

	Unaudited	Audited	Unaudited
	3 months ended 30 June 2014 £'000	Year ended 31 March 2014 £'000	3 months ended 30 June 2013 £'000
(Decrease)/increase in cash during the period .....	(25,103)	36,496	3,765
Drawdown of loans .....	—	—	(15,000)
<b>Change in net debt resulting from cash flows</b> .....	<b>(25,103)</b>	<b>36,496</b>	<b>(11,235)</b>
Other non-cash items:			
Capitalised mezzanine interest .....	(1,136)	(7,549)	(2,068)
Net movement in debt issue costs .....	—	(281)	—
Accrual for debt finance costs .....	—	—	(119)
<b>Movement in net debt in the year</b> .....	<b>(26,239)</b>	<b>28,666</b>	<b>(13,422)</b>
Net debt at 1 April .....	<b>(263,386)</b>	<b>(292,052)</b>	<b>(292,052)</b>
<b>Net debt at the period end</b> .....	<b>(289,625)</b>	<b>(263,386)</b>	<b>(305,474)</b>

## 9 Analysis of changes in net debt

	Unaudited			
	At 1 April 2014 £'000	Cash flow £'000	Other non- cash changes £'000	At 30 June 2014 £'000
Cash at bank and in hand .....	47,125	(25,103)	—	22,022
Debt due within 1 year.....	(27,909)	—	—	(27,909)
Debt due after 1 year.....	(282,602)	—	(1,136)	(283,738)

<b>Total</b> .....	<u>(263,386)</u>	<u>(25,103)</u>	<u>(1,136)</u>	<u><b>(289,625)</b></u>
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Audited				
	At 1 April 2013 £'000	Cash flow £'000	Other non- cash changes £'000	At 31 March 2014 £'000
Cash at bank and in hand .....	10,629	36,496	—	47,125
Debt due within 1 year.....	—	—	(27,909)	(27,909)
Debt due after 1 year.....	(302,681)	—	20,079	(282,602)
<b>Total</b> .....	<u>(292,052)</u>	<u>36,496</u>	<u>(7,830)</u>	<u>(263,386)</u>

Unaudited				
	At 1 April 2013 £'000	Cash flow £'000	Other non- cash changes £'000	At 30 June 2013 £'000
Cash at bank and in hand .....	10,629	3,765	—	14,394
Debt due within 1 year.....	—	(15,000)	—	(15,000)
Debt due after 1 year.....	(302,681)	—	(2,187)	(304,868)
<b>Total</b> .....	<u>(292,052)</u>	<u>(11,235)</u>	<u>(2,187)</u>	<u>(305,474)</u>

**Lakeside 1 Limited**  
**Annual report and financial statements**  
**for the year ended 31 March 2014**

# **Lakeside 1 Limited**

## **Annual report and financial statements 2014**

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## **Lakeside 1 Limited**

### **Directors and advisers**

#### **Directors**

P Warry  
D Sheridan  
J Thomson  
A Birkett  
M Pacitti

#### **Registered office**

The Waterfront  
Lakeside Boulevard  
Doncaster  
South Yorkshire  
DN4 5PL

#### **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
1 East Parade  
Sheffield  
S1 2ET

#### **Solicitors**

Allen & Overy LLP  
One Bishops Square  
London  
E1 6AD

#### **Bankers**

Bank of Scotland  
Level Three  
New Ueberior House  
11 Grey Street  
Edinburgh  
EH3 9BN

**Lakeside 1 Limited**  
**Independent auditors' report**  
**to the members of Lakeside 1 Limited**

**Report on the financial statements**

**Our opinion**

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2014 and of the Group's profit and cash flows 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.

This opinion is to be read in the context of what we say in the remainder of this report.

**What we have audited**

The Group financial statements and Company financial statements (the "financial statements"), which are prepared by Lakeside 1 Limited, comprise:

- the balance sheets as at 31 March 2014;
- the consolidated profit and loss account and the consolidated statement of total recognised gains and losses for the year then ended;
- the consolidated cash flow statement for the year then ended;
- the statement of accounting policies; and
- the notes to the financial statements, which include other explanatory information.

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).

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

**What an audit of financial statements involves**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the 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 and financial statements (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 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.

### **Other matters on which we are required to report by exception**

#### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

### **Responsibilities for the financial statements and the audit**

#### **Our responsibilities and those of the directors**

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 ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**Ian Marsden (Senior Statutory Auditor)**  
**for and on behalf of PricewaterhouseCoopers LLP**  
Chartered Accountants and Statutory Auditors  
Sheffield  
28 July 2014

- (a) The maintenance and integrity of the Lakeside 1 Limited website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Lakeside 1 Limited**

**Consolidated profit and loss account  
for the year ended 31 March 2014**

	Note	2014 £'000	2013 £'000
Turnover including share of joint ventures and associates .....		939,502	889,571
Less: share of joint ventures and associates .....		(8,885)	(3,087)
<b>Group turnover</b> .....	1	930,617	886,484
Cost of sales .....		(820,746)	(788,090)
<b>Gross profit</b> .....		109,871	98,394
Administrative expenses .....		(73,069)	(75,002)
Other operating income .....		296	—
<b>Group operating profit before exceptional items and goodwill amortisation</b> .....		55,871	48,394
Exceptional items .....	6	(2,093)	(8,416)
Amortisation .....	9	(16,680)	(16,586)
<b>Group operating profit before share of joint ventures and associated undertakings</b> .....	4	37,098	23,392
Share of operating loss in joint ventures and associated undertakings .....	11	(195)	(9)
<b>Total operating profit: Group and share of joint ventures and associated undertakings</b> .....		36,903	23,383
Net interest payable and similar charges .....	5	(20,681)	(44,797)
<b>Profit/(loss) on ordinary activities before taxation</b> .....		16,222	(21,414)
Tax on profit/(loss) on ordinary activities .....	7	(5,208)	36
<b>Profit/(loss) for the financial year</b> .....	20	11,014	(21,378)

All items presented above relate to continuing operations.

There is no difference between the results presented above and their historical cost equivalents.



**Lakeside 1 Limited**

**Consolidated statement of total recognised gains and losses  
for the year ended 31 March 2014**

	Note	2014 £'000	2013 £'000
Profit/(loss) for the financial year.....		<b>11,014</b>	(21,378)
Actuarial gain/(loss) on pension scheme .....	27	<b>90</b>	(800)
Movement on deferred tax relating to net pension liability .....	7	<b>(70)</b>	184
<b>Total recognised gains/(losses) for the year .....</b>		<b>11,034</b>	(21,994)

# Lakeside 1 Limited

## Balance sheets as at 31 March 2014

	Note	Group		Company	
		2014 £'000	2013 £'000	2014 £'000	2013 £'000
<b>Assets</b>					
<b>Fixed assets</b>					
Intangible assets.....	9	256,048	272,728	—	—
Tangible assets.....	10	9,856	10,577	—	—
Investments in joint ventures:					
Share of gross assets.....		1,825	934	—	—
Share of gross liabilities.....		(1,849)	(960)	—	—
		(24)	(26)		
Investments in associates.....		(235)	(38)	—	—
Investments.....	11	(259)	(64)	96	96
Pension asset.....	27	1,002	573	—	—
		266,647	283,814	96	96
<b>Current assets</b>					
Land held for and under development.....	12	52,650	45,214	—	—
Work in progress.....	13	71,327	54,548	—	—
Debtors—amounts falling due after more than one year.....	14	35,352	27,976	—	—
Debtors—amounts falling due within one year.....	14	170,493	158,552	207	1,890
Cash at bank and in hand.....		47,125	10,629	4	10
		376,947	296,919	211	1,900
<b>Total assets</b> .....		643,594	580,733	307	1,996
<b>Liabilities</b>					
<b>Capital and reserves</b>					
Called up share capital.....	18	594	594	594	594
Share premium account.....	19	—	588,531	—	588,531
Merger reserve.....	21	19,904	294,006	—	—
Profit and loss account.....	20	(1,477)	(875,144)	(410)	(587,414)
<b>Total shareholders' funds</b> .....	22	19,021	7,987	184	1,711
<b>Minority interests</b> .....	28	(611)	(611)	—	—
<b>Capital employed</b> .....		18,410	7,376	184	1,711
<b>Provisions for liabilities</b> .....	17	2,392	2,857	—	—
<b>Other liabilities</b>					
Bank loans falling due after more than one year.....	16	282,602	302,681	—	—
Bank loans falling due within one year.....	16	27,909	—	—	—
Creditors falling due within one year.....	15	311,126	266,880	123	285
Pension liability.....	27	1,155	939	—	—
		622,792	570,500	123	285
<b>Total liabilities</b> .....		643,594	580,733	307	1,996

The financial statements of Lakeside 1 Limited, registered number 06338921, were approved by the Board of Directors on 28 July 2014 and were signed on its behalf by:

**James Thomson**  
Chief Financial Officer

**Lakeside 1 Limited**

**Consolidated cash flow statement for the year ended  
31 March 2014**

	<u>Note</u>	<u>2014 £'000</u>	<u>2013 £'000</u>
<b>Net cash inflow from operating activities</b> .....	<i>23</i>	<b>54,637</b>	23,275
<b>Returns on investment and servicing of finance</b>			
Interest received .....		<b>215</b>	—
Interest paid .....		<b>(14,985)</b>	(10,916)
Net cash outflow from returns on investment and servicing of finance .....		<b>(14,770)</b>	(10,916)
<b>Taxation</b>			
UK corporation tax paid .....		<b>(1,917)</b>	(552)
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets .....	<i>10</i>	<b>(2,382)</b>	(1,642)
Sale of tangible fixed assets .....		<b>928</b>	791
Net cash outflow for capital expenditure and financial investment .....		<b>(1,454)</b>	(851)
<b>Financing</b>			
Proceeds from issue of ordinary share capital .....	<i>18</i>	—	1
Decrease in borrowings .....	<i>24</i>	—	(8,823)
Net cash outflow from financing .....		—	(8,822)
<b>Increase in cash</b> .....	<i>24</i>	<b>36,496</b>	2,134

## **Lakeside 1 Limited**

### **Statement of accounting policies for the year ended 31 March 2014**

#### **Basis of accounting**

The Group financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

#### **Going concern**

The Directors have considered the adequacy of the Group's Financial Resources through a review of the financial projections for the business, taking into account the new facilities available to the Group following the refinancing on 23 October 2012. The Directors have also considered the covenants attaching to the new facilities and the likely level of headroom available to the Group. After careful consideration the Directors are satisfied that the Group and Company have adequate resources to continue in operation for the foreseeable future being at least twelve months from the date of signing the financial statements. For this reason the Directors continue to apply the going concern basis in preparing the financial statements.

#### **Basis of consolidation**

The Group profit and loss account and balance sheet include the audited financial statements of the Company and all of its subsidiaries prepared to the end of the financial year. The results of subsidiaries acquired are included in the consolidated profit and loss account from the date control passed to the Group. Uniform accounting policies have been adopted across the Group and all intra-group sales and profits are fully eliminated on consolidation.

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities are recorded at their fair values reflecting their condition at that date.

#### **Joint ventures and associates**

Joint ventures comprise investments in undertakings where the Group holds an interest on a long-term basis and jointly controls the commercial and financial policy of the venture with one or more other parties under a contractual arrangement. The Group's share of the result of its investment in joint ventures is included in the consolidated profit and loss account of the Group. In the consolidated balance sheet the investment in joint ventures is included as the Group share of net assets of the year end.

Associated undertakings are entities over which the Group has significant influence. The Group's share of the results of associated undertakings net of tax, interest and non-controlling interests is included in the consolidated profit and loss account and the Group's share of net assets is shown within investments in associates in the consolidated balance sheet.

The Group's share of the profits less losses and net assets is based on current information produced by the undertakings, adjusted to conform with the accounting policies of the Group.

Associates and joint ventures are shown in the parent company balance sheet at cost less any amounts written off for permanent diminution in value.

#### **Turnover and profit recognition:**

##### ***Private house building, property development and land sales***

Turnover and profits on these activities are included in the financial statements on legal completion. Where house sales include an equity loan provided by the Group to the customer in respect of an element of the sale value (shared equity house sales), this is recognised in turnover net of discounting using an estimated financing cost.

Turnover in respect of the sale of residential properties is recognised at the fair value of the consideration received or receivable upon legal completion. Open market sale plots are recognised at the agreed sales price, deemed to be fair value, whilst sales to Registered Providers are recognised at the fair value of the sale.

## **Contracts**

Turnover and profit on short term contracts are recognised when the contracts have been completed. Turnover on long-term contracts represents the value of work done, and excludes value added tax and trade discounts. For long term contracts attributable profits are calculated based on the Directors' estimate of total forecast value less total forecast costs and are recognised based on the proportion of cost incurred to date compared to total costs expected to be incurred.

Attributable profits are not recognised until the point at which the outcome of the contract can be assessed with reasonable certainty. Provision is made for the full loss on all long-term contracts as soon as such losses become apparent.

Claims on customers or third parties for variations to the original contract are recognised in the profit and loss account once entitlement to the claim has been established. Claims by customers or third parties in respect of work carried out are recognised in the profit and loss account once the obligation to transfer economic benefit has become virtually certain.

## **Intangible assets—goodwill**

Goodwill arising on consolidation is recorded at cost, which includes associated costs of acquisition, less the fair value of assets acquired and any amounts written off for permanent diminution in value. Goodwill is being amortised over its useful economic life, which is estimated to be 20 years.

Where relevant impairment triggers are identified an impairment review is performed and any resulting impairment charge is accounted for in the year it arises. The carrying value is the higher of value in use and recoverable value. Value in use is derived from cash flow projections discounted to net present value at an appropriate discount rate.

## **Exceptional items**

Exceptional items are material items which fall within the ordinary activities of the Group and which need to be disclosed by virtue of their size or incidence. Such items are included within operating profit unless they represent profits or losses on the sale or termination of an operation; costs of a fundamental reorganisation or restructuring having a material effect on the nature and focus of the Group's operations; profits or losses on the disposal of fixed assets; or provisions in respect of such items. In these cases, separate disclosure is provided on the face of the profit and loss account after operating profit.

## **Tangible fixed assets**

Tangible fixed assets are stated at their historic purchased cost less accumulated depreciation.

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual value, on a straight line basis over their estimated useful economic lives.

The principal annual rates used for this purpose are:

	<u>%</u>
Freehold properties .....	2
Long leasehold properties .....	Over the term of the lease
Plant, equipment, fixtures and fittings .....	<u>10 - 50</u>

No depreciation is provided on freehold land.

## **Operating leases**

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

## **Work in progress and land held for and under development**

House developments in progress are valued at the lower of cost and net realisable value. Cost comprises direct expenditure, together with an appropriate proportion of production overheads. Net realisable value represents the estimated amount at which stock could be realised after allowing for costs of completion and realisation.

Land held for and under development includes land purchase costs and costs directly attributable to enhancing land value.

Long-term contract balances are included in the balance sheet at the value of turnover less the value of progress payments certified and receivable. The value of progress payments not yet certified is treated as receivable in respect of work completed, or measurable parts thereof, and is stated after making allowance for irrecoverable amounts. Where turnover exceeds progress payments the net balance is included in debtors as amounts recoverable on contracts. Where progress payments exceed turnover, the net balance is included in current liabilities as payments on account.

### **Shared equity debtors**

Loans and receivables due from customers on 'Shared Equity' scheme sales, whereby the Group has provided a portion of the finance of a house sale, are included as debtors due after one year. These receivables are held at discounted present value less any impairment. The amount is then increased to settlement value over the settlement period through finance income.

### **Deferred taxation**

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax is not provided on timing differences arising from revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

### **Government grants**

Government grants are recognised at fair value when there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Grants related to purchase of assets are treated as deferred income and allocated to the profit and loss account over the useful lives of the related assets.

### **Investments**

Investments in subsidiaries, joint ventures and associated undertakings are shown at cost less any amounts written off for permanent diminution in value. Impairment reviews are performed by the Directors when there has been an indication of potential impairment.

### **Pension scheme arrangements**

The Group operates a hybrid group pension scheme, the Keepmoat Limited Group Pension Plan, the assets of which are held in independently administered funds. Contributions and pension costs are based on pension costs across the Group as a whole.

The Group also participates in three multi-employer schemes namely Derbyshire County Council Pension Fund ("Derbyshire"), Cambridgeshire County Council Pension Fund ("Cambridgeshire") and West Yorkshire Local Government Pension Scheme ("West Yorkshire LGPS"). The assets of all the schemes are held in independently administered funds and have been accounted for as defined benefit obligations. In respect of the multi-employer funds, the Group is responsible for funding the pension benefits for its employees only.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The increase in the present value of the liabilities of the Group's defined benefit pension scheme expected to arise from employee service in the period is charged to operating profit. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in net interest. Actuarial gains and losses are recognised in the consolidated statement of total recognised gains and losses.

Pension scheme surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet net of related deferred tax.

The Group also operates a defined contribution scheme on behalf of its eligible employees. Contributions to the scheme are charged to the profit and loss account for the year in which they are payable. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

### **Provisions**

Provisions for remedial contract provisions, vacant property obligations and restructuring costs are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise employee termination payments.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

# Lakeside 1 Limited

## Notes to the financial statements for the year ended 31 March 2014

### 1 Turnover

Turnover, as defined in the statement of accounting policies, excludes value added tax and relates wholly to operations in the United Kingdom.

The Directors regard the Group as operating in one segment, the refurbishment and construction of residential dwellings.

The share of Joint Venture and Associate turnover relates solely to joint ventures operating in the same segment.

### 2 Employee information

	2014 £'000	2013 £'000
Wages and salaries.....	100,475	111,635
Social security costs.....	10,610	11,425
Termination payments .....	279	2,264
Other pension costs.....	2,865	2,608
<b>Staff costs.....</b>	<b>114,229</b>	<b>127,932</b>

The average monthly number of full time equivalent persons employed by the Group (including executive directors) during the year, all of whom are engaged in the Group's principal activities, was as follows:

By activity	2014 Number	2013 Number
Production.....	1,952	2,564
Selling and distribution.....	71	33
Administration .....	898	574
	<b>2,921</b>	<b>3,171</b>

At 31 March 2014 the Group directly employed 3,176 people across the UK (2013: 3,077).

The Company does not have any employees.

### 3 Directors' emoluments

	2014 £'000	2013 £'000
Aggregate emoluments .....	1,449	2,965
Compensation for loss of office.....	—	1,643
Company pension contributions to money purchase scheme.....	38	84
	<b>1,487</b>	<b>4,692</b>

Retirement benefits are accruing to 2 (2013: 5) directors under a money purchase pension scheme.

Highest paid director	2014 £'000	2013 £'000
Aggregate emoluments .....	637	318
Compensation for loss of office.....	—	750
Company pension contributions to money purchase scheme.....	35	—

### 4 Operating profit

	2014 £'000	2013 £'000
Operating profit is stated after charging / (crediting):		
Depreciation of tangible fixed assets—owned asset.....	2,262	2,144
(Profit)/loss on disposal of fixed assets .....	(88)	41
Amortisation of goodwill.....	16,680	16,586



Operating lease rentals:		
—plant and machinery.....	6,817	9,027
—other.....	2,372	994
Exceptional items (note 6).....	2,093	8,416
Auditors' remuneration for:		
—audit of the company individual and consolidated accounts.....	20	20
—audit of the Company's subsidiaries.....	251	243
—audit of the Company's joint ventures.....	20	20
—Tax compliance services.....	67	49
—Tax advisory services.....	299	465
—Corporate finance services.....	—	303
—other non-audit services.....	29	58

## 5 Net interest payable and similar charges

	2014 £'000	2013 £'000
<b>Interest payable and similar charges</b>		
Interest payable on bank loans.....	(22,416)	(45,012)
Loan issue costs.....	(319)	(1,361)
Interest payable on bank overdrafts.....	(145)	(36)
Total interest payable.....	(22,880)	(46,409)
<b>Interest receivable and similar income</b>		
Shared equity unwind of discount.....	1,806	1,441
Net return on pension scheme assets (note 27).....	178	171
Other interest receivable.....	215	—
Total interest receivable.....	2,199	1,612
<b>Net interest payable and similar charges</b> .....	<b>(20,681)</b>	<b>(44,797)</b>

Interest payable on bank loans and overdrafts includes interest and charges accruing on the revolving credit facility amounting to £670,000 (2013: £604,000).

Shared equity debtor balances are assumed to be redeemed over a 7 year period. The discount rate used to reflect the time value of money is 7% representing the estimated cost to the Group of the financing arrangement.

## 6 Exceptional items

	Administrative expenses £'000	2014 Total £'000	Cost of sales £'000	Administrative expenses £'000	2013 Total £'000
Strategic options review.....	1,685	1,685	—	—	—
Restructuring and associated costs.....	408	408	—	4,804	4,804
Refinancing costs.....	—	—	—	2,924	2,924
Contract losses.....	—	—	688	—	688
	2,093	2,093	688	7,728	8,416

### Strategic options review

During 2014 the Board began a strategic options review and costs of £1.7m relating to this review were charged to exceptional items.

### Restructuring and associated costs

Following the merger, the Group incurred significant restructuring costs in reorganising to deliver our business plan and strategic goals. These costs comprised redundancies and associated restructuring costs, costs in relation to vacated properties, and asset impairment following the closure of our in-house hire division, Keepmoat Site Services Limited, and disposal of assets.

## Refinancing costs

The Group underwent a major refinancing of its debt during 2013, the costs above comprising the associated corporate, legal and due diligence fees.

## Contract losses

The exceptional contract losses related to a small number of contracts arising in the West Midlands business unit where significant issues associated with the procurement and delivery have resulted in contract losses. Whilst the majority of losses were recognised in 2012 an element of legacy costs were incurred in 2013.

## 7 Tax on profit/(loss) on ordinary activities

	2014 £'000	2013 £'000
<b>Current tax</b>		
UK corporation tax on profit/(loss) for the year at 23% (2013: 24%) .....	5,505	(81)
Adjustments to tax in respect of previous years .....	426	3
Total current tax charge/(credit) .....	5,931	(78)
<b>Deferred tax</b>		
Origination and reversal of timing differences .....	(1,558)	756
Adjustment to tax charge in respect of previous year .....	613	(804)
Change in tax rate—impact on deferred tax asset.....	222	90
Total deferred tax (credit)/charge .....	(723)	42
<b>Tax on profit/(loss) on ordinary activities.....</b>	<b>5,208</b>	<b>(36)</b>

The tax assessed for the year is higher (2013: higher) than the standard rate of corporation tax in the UK of 23% (2013: 24%). The differences are explained below:

	2014 £'000	2013 £'000
<b>Profit/(loss) on ordinary activities before tax.....</b>	<b>16,222</b>	<b>(21,414)</b>
Tax on profit/(loss) on ordinary activities at the standard rate .....	3,731	(5,139)
Effect of:		
Expenses not deductible for tax purposes .....	4,061	4,711
Adjustments to tax in respect of previous years .....	426	3
Capital allowances in excess of depreciation and other timing differences .....	(695)	105
Utilisation of tax losses.....	(1,592)	—
Deferred tax not recognised .....	—	242
<b>Current tax charge/(credit) for the year.....</b>	<b>5,931</b>	<b>(78)</b>

## Factors affecting current and future tax charges

Changes to the UK Corporation tax rates were substantively enacted as part of the Finance Bill 2013 on 2 July 2013. These include reductions to the main rate to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
<b>Deferred taxation</b>				
<b>At 1 April.....</b>	<b>(3,066)</b>	<b>(2,739)</b>	<b>—</b>	<b>—</b>
Deferred tax (credit)/charge to profit and loss account.....	(723)	42	—	—
Deferred tax charge/(credit) to statement of total recognised gains and losses .....	70	(184)	—	—
Deferred tax asset arising on acquisition of subsidiary undertaking.....	—	(185)	—	—
<b>At 31 March—asset .....</b>	<b>(3,719)</b>	<b>(3,066)</b>	<b>—</b>	<b>—</b>
<b>Deferred taxation comprises:</b>				
Depreciation in excess of capital allowances.....	(1,359)	(1,957)	—	—
Tax losses .....	(2,323)	(1,000)	—	—

<b>Deferred tax asset (note 14)</b> .....	<b>(3,682)</b>	(2,957)	—	—
Pension deferred tax asset (see overleaf) .....	<b>(288)</b>	(281)	—	—
Pension deferred tax liability (see overleaf) .....	<b>251</b>	172	—	—
<b>Deferred tax asset including pension</b> .....	<b>(3,719)</b>	(3,066)	—	—

A deferred tax asset amounting to £28,012,000 (2013: £31,847,000) in relation to certain losses within the Group has not been recognised as the Directors are of the opinion that there is doubt over its recoverability. Deferred tax assets have also not been recognised in relation to short term timing differences of £12,000 (2013: £nil).

	<b>Group</b>		<b>Company</b>	
<b>Deferred tax (asset)/liability relating to net pension liability</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 April.....	<b>(109)</b>	247	—	—
Deferred tax asset on introduction of new participating pensions schemes.....	—	(185)	—	—
Deferred tax charge to profit and loss account .....	<b>2</b>	13	—	—
Deferred tax charge/(credit) in the statement of total recognised gains and losses .....	<b>70</b>	(184)	—	—
<b>At 31 March</b> .....	<b>(37)</b>	(109)	—	—

The net deferred tax asset of £37,000 (2013: £109,000) comprises a deferred tax liability of £251,000 (2013: £172,000) in respect of pension assets and a deferred tax asset of £288,000 (2013: £281,000) in respect of pension liabilities and has been deducted in arriving at the pension asset and liability on the balance sheet (see note 27).

## 8 Profit for the financial year

As permitted by Section 408 of the Companies Act 2006, the parent Company's profit and loss account has not been included in these financial statements. The parent Company's loss for the financial year was £1,527,000 (2013: profit of £1,759,000).

## 9 Intangible assets

<b>Group</b>	<b>Goodwill</b>
<b>Cost</b>	<b>£'000</b>
<b>At 1 April 2013 and 31 March 2014</b> .....	<b>875,183</b>
<b>Accumulated amortisation</b>	
At 1 April 2013 .....	602,455
Charge for the year .....	16,680
<b>At 31 March 2014</b> .....	<b>619,135</b>
<b>Net book value</b>	
<b>At 31 March 2014</b> .....	<b>256,048</b>
At 31 March 2013 .....	272,728

Goodwill arising on acquisitions is being amortised over the Directors' estimate of its useful economic life of 20 years.

## 10 Tangible assets

Group	Long leasehold property £'000	Freehold land & property £'000	Plant, equipment, fixtures & fittings £'000	Total £'000
<b>Cost</b>				
At 1 April 2013 .....	1,165	13,070	5,341	19,576
Additions .....	22	—	2,360	2,382
Disposals .....	—	(1,341)	(373)	(1,714)
<b>At 31 March 2014.....</b>	<b>1,187</b>	<b>11,729</b>	<b>7,328</b>	<b>20,244</b>
<b>Accumulated depreciation</b>				
At 1 April 2013 .....	122	6,539	2,338	8,999
Charge for the year .....	76	375	1,811	2,262
Disposals .....	—	(635)	(238)	(873)
<b>At 31 March 2014.....</b>	<b>198</b>	<b>6,279</b>	<b>3,911</b>	<b>10,388</b>
<b>Net book amount</b>				
<b>At 31 March 2014.....</b>	<b>989</b>	<b>5,450</b>	<b>3,417</b>	<b>9,856</b>
At 31 March 2013 .....	1,043	6,531	3,003	10,577

The Company has no tangible assets at 31 March 2014 and 2013.

## 11 Investments

Company	£'000
Cost and net book value at 1 April 2013 and 31 March 2014.....	<b>96</b>

The Directors believe that the carrying value of investments is supported by their underlying net assets and future financial performance.

The following information relates to the principal subsidiary undertakings of the Group in which the Company indirectly owns 100% of the ordinary share capital (except where noted) and which are incorporated in England and Wales. In the opinion of the Directors, these companies are those whose results or financial position principally affect the results of the Group:

Name of Company	Principal activities	Shareholding
Castle 1 Limited.....	Intermediate holding company	100%
Keepmoat Limited .....	Intermediate holding company	100%
Keepmoat Regeneration Limited .....	Housing regeneration	100%
Keepmoat Regeneration (Bramall) Limited (formerly Bramall Construction Limited).....	Housing regeneration	100%
Keepmoat Regeneration (FHM) Limited (formerly Frank Haslam Milan & Company Limited .....	Housing regeneration	100%
Keepmoat Homes Limited .....	Private house building development	100%
Keepmoat Property Limited.....	Property development and the holding of property on behalf of other Group companies	100%
Keepmoat Property Services Limited (formerly Milnerbuild Limited) .....	Maintenance, improvement, refurbishment and management of homes	100%
Keepmoat Regeneration (Apollo) Limited (formerly Apollo Property Services Group Limited) .....	Housing regeneration	100%
Keepmoat in Partnership Limited (formerly Apollo in Partnership Limited) .....	Social housing regeneration projects within the public sector	100%
FWA West Limited.....	Specialist building maintenance and refurbishment contractors	100%
Keepmoat Leeds (PFI) Limited .....	Responsible for the Group's 10% minority interest in Sustainable Communities for Leeds (Holdings) Limited	100%

KGP (SHC) Limited .....	Intermediate holding company	90%
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Not all undertakings in which the Company holds an interest have been disclosed above. A complete listing of subsidiary undertakings is available from the Company's head office.

Details of operating joint venture undertakings and associates, all of which are incorporated in England and Wales (except Urban Union Limited which is incorporated in Scotland), are as follows:

Name of undertaking	Description of shares and proportion of nominal value of that class held	Proportion of voting rights held	Accounting year end
SOAR Build Limited .....	Ordinary shares of £1 each (50% held)	50%	31 March
Durham Villages Regeneration Limited .....	A class ordinary shares of £1 each (51% held)	50%	31 March
Sheffield Housing Company Limited .....	Ordinary shares of £1 each (45% held)	45%	31 March
Urban Union Limited.....	Ordinary shares of £1 each (33% held)	33%	31 March
BK Scotswood LLP .....	Members' capital (50% held)	50%	31 December
New Tyne West Development Company LLP.....	Members' capital (25% held)	25%	31 December

SOAR Build Limited is a joint venture with SOAR Enterprises Limited. Its principal activity is training local people in construction skills whilst working on major contracts as a subcontractor. The Company's registered office is: 11 Southey Hill, Sheffield, S5 8BB.

Durham Villages Regeneration Limited is a joint venture between Keepmoat and Durham County Council. Its principal activities are private housebuilding, land sales and property development. The Company's registered office is: The Waterfront, Lakeside Boulevard, Doncaster DN4 5PL.

Sheffield Housing Company Limited is an associated undertaking. Its principal activity is the building and sale of new homes in the Sheffield area. The Company's registered office is: Sheffield Town Hall, Pinstone Street, Sheffield, S1 2HH.

Urban Union Limited is a joint venture between Keepmoat Limited, McTaggart Construction Limited and Robertson Group (Holdings) Limited. Its principal activity is property construction, regeneration and investment. The Company's registered office is: Tod House, Templand Road, Dalry, Ayrshire, KA24 5EU. Keepmoat Limited disposed of its investment in Urban Union Limited on 28 April 2014. The disposal will not have a material impact on the financial statements for the year ended 31 March 2015.

BK Scotswood LLP is a joint venture between Keepmoat Limited and BDW Trading Limited. Its principal activity is to invest in a joint venture undertaking, New Tyne West Development Company LLP, with Newcastle City Council. Its principal activities are to facilitate regeneration and property development. The Company's registered office is: Barratt House, City West Business Park, Scotswood Road, Newcastle upon Tyne, NE4 7DF.

Details of transactions with these companies are set out in note 29.

Group	Joint ventures £'000	Associates £'000	Total £'000
At 1 April 2013 .....	(26)	(38)	(64)
Loss recognised in the profit and loss account .....	2	(197)	(195)
<b>As at 31 March 2014 .....</b>	<b>(24)</b>	<b>(235)</b>	<b>(259)</b>

## 12 Land held for and under development

Group	2014 £'000	2013 £'000
Land held for and under development .....	52,650	45,214

The Group carries out a detailed annual review of the net realisable value of land held for and under development both relating to plots currently in development, and land and phases of sites not yet in development.

Net realisable value for land where construction of homes had commenced at the year end or is anticipated to commence within the next 12 months was assessed by estimating selling prices and costs (including sales and marketing expenses) taking into account current market conditions.

Land where house building had not commenced at the year end and was more likely to be sold undeveloped is assessed by re-appraising the land using current selling prices and costs for the proposed development and assuming an appropriate financial return to reflect the current housing market conditions and the prevailing financing environment.

At the year end the net realisable value provision amounts to £1.5m (2013: £2.1m) with the movement of £0.6m (2013: £1.3m) in the year reflecting utilisation of provisions of £0.6m (2013: £1.3m).

This provision will be closely monitored for adequacy and appropriateness as regards under and over provision to reflect circumstances at future balance sheet dates.

The Company had no land held for and under development at 31 March 2014 (2013: £nil).

### 13 Work in progress

	2014 £'000	2013 £'000
Group		
House building developments in progress .....	71,167	54,274
Other work in progress .....	160	274
<b>Work in progress .....</b>	<b>71,327</b>	<b>54,548</b>

### 14 Debtors

	2014 £'000	2013 £'000	2014 £'000	2013 £'000
		Group		Company
<b>Amounts falling due after more than one year:</b>				
Amounts owed by associated undertakings (note 29).....	5,435	—	—	—
Shared equity debtors .....	26,235	25,019	—	—
Deferred tax (note 7).....	3,682	2,957	—	—
	<b>35,352</b>	<b>27,976</b>	<b>—</b>	<b>—</b>
<b>Amounts falling due within one year:</b>				
Trade debtors .....	76,670	77,038	—	—
Amounts recoverable on contracts.....	59,256	54,847	—	—
Amounts owed by group undertakings .....	—	—	207	1,836
Amounts owed by associated undertakings (note 29).....	1,449	3,639	—	—
Corporation tax recoverable.....	—	950	—	—
Other debtors .....	17,703	8,026	—	54
Prepayments and accrued income.....	15,415	14,052	—	—
	<b>170,493</b>	<b>158,552</b>	<b>207</b>	<b>1,890</b>

For details on the amounts owed by associated undertakings together with related interest and security, please refer to note 29.

Amounts owed by group and associated undertakings falling due within one year are unsecured, interest free and repayable on demand.

Long term debtors due under the 'Shared Equity' scheme are due for repayment at the earlier of 10 years, or the date on which there is a future sale of the related property. Interest is charged at a rate of 3% on certain debtor balances after 5 years, increasing each year thereafter in line with the Retail Prices Index plus 1%. Long term debtors are discounted to present value at a discount rate which reflects the estimated cost of finance for the loan.

## 15 Creditors

	2014 £'000	2013 £'000 Group	2014 £'000	2013 £'000 Company
<b>Creditors falling due within one year</b>				
Trade creditors .....	185,633	181,419	—	5
Payments on account .....	49,299	20,716	—	—
Amounts owed to group undertakings .....	—	—	123	280
Corporation tax .....	3,061	—	—	—
Other taxation and social security .....	12,548	12,981	—	—
Other creditors .....	3,225	3,083	—	—
Accruals and deferred income .....	57,360	48,681	—	—
	<b>311,126</b>	<b>266,880</b>	<b>123</b>	<b>285</b>

Amounts owed to group and associated undertakings are unsecured, interest free and repayable on demand.

## 16 Loans and other borrowings

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
<b>Bank loans due in under one year</b>				
Bank term loans .....	27,909	—	—	—
	<b>27,909</b>	—	—	—
<b>Bank loans due after one year</b>				
Bank term loans .....	207,091	235,000	—	—
Bank mezzanine loan .....	75,924	68,375	—	—
Unamortised issue costs .....	(413)	(694)	—	—
	<b>282,602</b>	<b>302,681</b>	—	—
Total loans and other borrowings before unamortised issue costs .....	<b>310,924</b>	<b>303,375</b>	—	—
Net loans and other borrowings .....	<b>310,511</b>	<b>302,681</b>	—	—
<b>Maturity of financial liabilities</b>				
Within one year .....	27,909	—	—	—
Between two and five years .....	207,091	37,500	—	—
After more than five years .....	75,924	265,875	—	—
	<b>310,924</b>	<b>303,375</b>	—	—

### Bank financing

Loans and other borrowings are stated net of unamortised issue costs of £413,000 (2013: £694,000). These costs are allocated to the profit and loss account over the term of the facilities. Interest costs are expensed to the profit and loss account on an accruals basis. In relation to certain debt instruments, interest costs accumulate over the life of the loan and are repaid on final repayment of the relevant loan, unless described otherwise below. The total amount of interest accrued to 31 March 2014 is £10,924,000 (2013: £3,375,000).

At 31 March 2014 there was outstanding senior debt of £235.0m and mezzanine debt of £75.9m (including £10.9m accrued interest) as detailed below:

- Term loan A of £37,500,000 bearing interest at 4.25% above LIBOR
- Term loan B1 of £151,500,000 bearing interest at 4.75% above LIBOR
- Term loan B2 £46,000,000 bearing interest at 4.75% above LIBOR
- Mezzanine loan of £65,000,000 bearing interest at 10% above LIBOR, accumulating over the life of the loan

Bank loans and overdrafts are secured by a fixed charge over freehold land and buildings and a floating charge over the other assets of the Group and are subject to cross guarantees with other companies (see note 30).

## 17 Provisions for liabilities

Group	Onerous leases £'000	Redundancy £'000	Dilapidations £'000	Other £'000	Total £'000
At 1 April 2013 .....	384	905	1,540	28	2,857
Charged to the profit and loss account.....	—	55	275	687	1,017
Utilised during year .....	(149)	(908)	(394)	(31)	(1,482)
<b>At 31 March 2014.....</b>	<b>235</b>	<b>52</b>	<b>1,421</b>	<b>684</b>	<b>2,392</b>

The Company does not have any provisions.

### Dilapidations

The dilapidations provision covers all of the Group's leased estate. A full provision up to the end of each lease was established by an independent external valuer, with the element up to the date of the financial statements being recognised in the accounts on a pro-rated straight line basis.

### Onerous leases

The onerous lease provision relates to all of the Group's leased estate. The provision is calculated on a property by property basis and is calculated up to the next available break date or end of lease, whichever is the earlier.

### Redundancy

This relates to redundancy provisions for staff which will be paid in the first six months of the 2014/15 financial year.

### Other provisions

Other provisions comprise legal fees in relation to claims.

## 18 Called up share capital

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
<b>Allotted, called up and fully paid</b>				
910,000 Ordinary shares of £0.005 each.....	5	5	5	5
117,646,815 Deferred Fixed Dividend shares of £0.005 each .....	588	588	588	588
5,000,000 A Ordinary shares of £0.00001 each.....	—	—	—	—
4,090,000 B Ordinary shares of £0.00001 each.....	—	—	—	—
9,500,000 A Preference shares of £0.00001 each..	—	—	—	—
20,000,000 B Preference shares of £0.00001 each	1	1	1	1
20,000,000 C Preference shares of £0.00001 each	—	—	—	—
500,000 Z Preference shares of £0.00001 each .....	—	—	—	—
<b>Total .....</b>	<b>594</b>	<b>594</b>	<b>594</b>	<b>594</b>



There have been no changes to the composition of any class of shares during the year.

The Ordinary shares all carry the same voting rights, and an equal share of 99.9% of any proposed distribution of profits. None of the Preference shares or Deferred Fixed Dividend shares carry any voting rights, and are entitled to an equal share of 0.1% of any proposed distribution of profits.

## 19 Share premium account

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
At 1 April.....	588,531	240,114	588,531	240,114
Premium on shares issued during the year.....	—	348,417	—	348,417
Transfer to profit and loss reserve (note 20).....	(588,531)	—	(588,531)	—
<b>At 31 March</b> .....	—	588,531	—	588,531

## 20 Profit and loss account

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
At 1 April.....	(875,144)	(853,095)	(587,414)	(240,755)
Profit/(loss) for the financial year.....	11,014	(21,378)	(1,527)	1,759
Transfer from share premium account (note 19)....	588,531	—	588,531	—
Transfer from merger reserve (note 21).....	274,102	—	—	—
Issue of new shares .....	—	—	—	(348,418)
Other movement .....	—	(55)	—	—
Actuarial gain/(loss) on pension scheme .....	90	(800)	—	—
Movement on deferred tax relating to pension liability .....	(70)	184	—	—
<b>At 31 March</b> .....	(1,477)	(875,144)	(410)	(587,414)

In March 2014, the Company transferred distributable balances from its share premium account of £588,531,000 as permitted under the Companies Act 2006. The capital reduction was undertaken by way of solvency statement special resolutions. At the same time the Group transferred £274,102,000 from the merger reserve into the profit and loss account

## 21 Merger reserve

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
At 1 April.....	294,006	294,006	—	—
Transfer to profit and loss reserve (note 20).....	(274,102)	—	—	—
<b>At 31 March</b> .....	19,904	294,006	—	—

## 22 Reconciliation of movements in shareholders' funds/(deficit)

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Profit/(loss) for the financial year.....	11,014	(21,378)	(1,527)	1,759
Actuarial gain/(loss) on pension scheme .....	90	(800)	—	—
Movement on deferred tax relating to pension scheme .....	(70)	184	—	—
Other movement .....	—	(55)	—	(1)
Issue of shares.....	—	1	—	1
Premium on shares converted from debt.....	—	348,417	—	—
<b>Net change in shareholders' funds</b> .....	11,034	326,369	(1,527)	1,759
Total shareholders' funds/(deficit) at 1 April .....	7,987	(318,382)	1,711	(48)
<b>Total shareholders' funds at 31 March</b> .....	19,021	7,987	184	1,711

## 23 Reconciliation of operating profit to net cash flow from operating activities

	2014 £'000	2013 £'000
Total operating profit: Group and share of joint ventures and associated undertakings	36,903	23,383
Share of loss in joint ventures and associated undertakings .....	195	9
Depreciation charge (net of (profit)/loss on disposals) .....	2,174	2,185
Amortisation and impairment of goodwill .....	16,680	16,586
Increase in land held for development .....	(7,436)	(18,462)
Increase in stocks and work in progress .....	(16,779)	(1,933)
(Increase)/decrease in debtors .....	(17,736)	17,306
Increase/(decrease) in creditors .....	41,118	(13,936)
Decrease in provisions .....	(465)	(2,422)
Difference between pension charge and cash contributions .....	(17)	559
<b>Net cash flow from operating activities</b> .....	<b>54,637</b>	<b>23,275</b>

## 24 Reconciliation of net cash flow to movement in net debt

	2014 £'000	2013 £'000
Increase in cash during the year .....	36,496	2,134
Repayment of loans .....	—	8,823
<b>Change in net debt resulting from cash flows</b> .....	<b>36,496</b>	<b>10,957</b>
Other non-cash items:		
Debt to equity swap .....	—	348,418
Capitalised mezzanine interest .....	(7,549)	—
Net movement of debt issue costs .....	(281)	(540)
Accrual for debt finance costs .....	—	(35,793)
<b>Movement in net debt in the year</b> .....	<b>28,666</b>	<b>323,042</b>
Net debt at 1 April .....	(292,052)	(615,094)
<b>Net debt at 31 March</b> .....	<b>(263,386)</b>	<b>(292,052)</b>

## 25 Analysis of changes in net debt

	At 1 April 2013 £'000	Cash flow £'000	Other non- cash changes £'000	At 31 March 2014 £'000
Cash at bank and in hand .....	10,629	36,496	—	47,125
Debt due within 1 year (note 16) .....	—	—	(27,909)	(27,909)
Debt due after 1 year (note 16) .....	(302,681)	—	20,079	(282,602)
<b>Total</b> .....	<b>(292,052)</b>	<b>36,496</b>	<b>(7,830)</b>	<b>(263,386)</b>

## 26 Financial commitments

At 31 March 2014 the Group had annual commitments under non-cancellable operating leases expiring as follows:

	Land and buildings		Other	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Within one year .....	290	264	640	662
Within two to five years .....	1,285	1,371	2,568	4,079
Expiring over five years .....	313	336	—	—
	<b>1,888</b>	<b>1,971</b>	<b>3,208</b>	<b>4,741</b>

The Company has no annual commitments under non-cancellable operating leases.

## 27 Pension commitments

### Hybrid group pension scheme

The Group operates a hybrid group pension scheme, the Keepmoat Limited Group Pension Plan, with assets held in independently administered funds. The scheme has been accounted for as a defined benefit pension plan.

A full actuarial valuation of the scheme was carried out at 5 April 2013 and this has been updated to 31 March 2014 by a qualified independent actuary. The scheme assets are stated at their market value at 31 March 2014.

The major assumptions used by the actuary to calculate the liabilities of the Keepmoat Limited Group Pension Plan are:

	2014 %	2013 %
Discount rate .....	4.3	4.0
Inflation rate .....	3.3	3.0
Salary increase rate .....	2.0	2.0
Increases for pension in payment .....	n/a	n/a

The mortality assumptions used were as follows:

	31 March 2014 years	31 March 2013 years
Pensioner age at 65:		
—Men .....	23.6	23.5
—Women .....	26.2	26.0
Current member age at 45:		
—Men .....	26.7	26.5
—Women .....	29.2	29.0

The assets in the Group pension plans and the expected rates of return were:

	Long-term expected rate of return 31 March 2014 %	Value 31 March 2014 £'000	Long-term expected rate of return 31 March 2013 %	Value 31 March 2013 £'000
Equities .....	6.5	4,711	6.5	5,118
Bonds .....	3.8	1,018	3.5	872
Cash .....	2.5	856	3.0	282
Total market value of assets .....		6,585		6,272
Present value of scheme liabilities .....		(5,332)		(5,527)
Pension scheme surplus .....		1,253		745
Related deferred tax liability .....		(251)		(172)
Net pension asset .....		1,002		573

#### Reconciliation of present value of scheme liabilities

	31 March 2014 £'000	31 March 2013 £'000
Opening defined benefit obligation .....	5,527	4,840
Current service cost .....	92	97
Interest cost .....	221	227
Actuarial (gains)/losses recognised in the year .....	(119)	784
Benefits paid .....	(389)	(421)
Closing defined benefit obligation .....	5,332	5,527

#### Reconciliation of fair value of scheme assets

31 March 2014 £'000	31 March 2013 £'000
---------------------------	---------------------------

Opening fair value of plan assets .....	<b>6,272</b>	5,868
Expected return on scheme assets.....	<b>370</b>	372
Actuarial gains recognised in the year .....	<b>115</b>	373
Employer contributions .....	<b>327</b>	122
Employee contributions .....	—	41
Benefits paid .....	<b>(389)</b>	(421)
Expenses paid .....	<b>(110)</b>	(83)
<b>Closing fair value of plan assets.....</b>	<b><u>6,585</u></b>	<u>6,272</u>

Scheme assets do not include any of the Group's own financial instruments, or any property occupied by Group.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed asset interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long term real rates experienced in respective markets.

#### Analysis of amounts charged to the profit and loss account:

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
<b>Operating profit</b>		
Current service cost .....	<b>92</b>	83
Expenses paid .....	<b>110</b>	97
	<b><u>202</u></b>	<b><u>180</u></b>

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
<b>Other finance income</b>		
Expected return on pension scheme assets .....	<b>370</b>	372
Interest on pension scheme liabilities .....	<b>(221)</b>	(227)
Net return (note 5) .....	<b><u>149</u></b>	<u>145</u>

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
<b>History of experience gains and losses</b>					
Defined benefit obligation .....	(5,332)	(5,527)	(4,840)	(4,679)	(4,841)
Plan assets .....	6,585	6,272	5,868	6,010	6,080
Surplus .....	1,253	745	1,028	1,331	1,239
Experience adjustments on plan assets .....	115	373	(368)	72	1,396
Experience adjustment on plan liabilities .....	119	(242)	(32)	(233)	(380)
Total actuarial gains and losses recognised in the statement of recognised gains and losses .....	234	(411)	(377)	52	366

### Multi-employer schemes

The Group participates in three multi-employer schemes namely Derbyshire County Council Pension Fund (“Derbyshire”), Cambridgeshire County Council Pension Fund (“Cambridgeshire”) and West Yorkshire Local Government Pension Scheme (“West Yorkshire LGPS”). The assets of all the schemes are held in independently administered funds and have been accounted for as defined benefit obligations. The Group is responsible for funding the pension benefits for its employees only.

The Group achieved Admitted Body status to the West Yorkshire LGPS during the current financial year whilst obligations arising from the Derbyshire and Cambridgeshire schemes were first recognised in the year ending 31 March 2013 following the acquisition of the Apollo Group in March 2012.

The most recent full actuarial valuations of all three of the multi-employer schemes were at 31 March 2013 and these have been similarly updated to 31 March 2014 by qualified independent actuaries. The scheme assets on each of the schemes are stated at their market value at 31 March 2014.

The ranges of major assumptions used by actuaries to calculate the liabilities of the defined benefit plans are:

	2014 %	2013 %
Discount rate .....	4.3 - 4.4	4.2 - 4.5
Inflation rate .....	2.8 - 3.4	2.4 - 2.8
Salary increase rate .....	3.6 - 4.7	4.1 - 5.1
Increases for pension in payment .....	2.4 - 2.9	2.4 - 2.8

The ranges on mortality assumptions used on the different schemes were as follows:

	31 March 2014 Years	31 March 2013 Years
Pensioner age at 65:		
—Men .....	22.0 - 22.5	21.0 - 22.2
—Women .....	24.2 - 25.4	23.8 - 24.8
Current member age at 45:		
—Men .....	24.1 - 24.7	22.9 - 24.0
—Women .....	26.6 - 27.7	25.7 - 26.8

The assets in the multi-employer pension plans and the weighted average expected rates of return were:

	Long-term expected rate of return 31 March 2014 %	Value 31 March 2014 £'000	Long-term expected rate of return 31 March 2013 %	Value 31 March 2013 £'000
Equities .....	6.7	5,359	6.5	5,362
Bonds .....	3.7	1,309	3.2	1,356
Property .....	4.8	393	4.9	490
Cash .....	3.7	299	0.9	465
Total market value of assets .....		7,360		7,673
Present value of scheme liabilities .....		(8,803)		(8,893)
Pension scheme deficit .....		(1,443)		(1,220)
Related deferred tax asset .....		288		281
Net pension liability .....		(1,155)		(939)

#### Reconciliation of present value of scheme liabilities

	31 March 2014 £'000	31 March 2013 £'000
Opening defined benefit obligation .....	8,893	—
Business combinations .....	—	7,074
On admittance to schemes .....	152	—
Current service cost .....	304	402
Interest cost .....	392	467
Actuarial (gains)/losses recognised in the year .....	(952)	900
Employee contributions .....	80	128
Benefits paid .....	(66)	(78)
<b>Closing defined benefit obligation .....</b>	<b>8,803</b>	<b>8,893</b>

#### Reconciliation of fair value of scheme assets

	31 March 2014 £'000	31 March 2013 £'000
Opening fair value of plan assets .....	7,673	—
Business combinations .....	—	6,302
On admittance to schemes .....	129	—
Expected return on scheme assets .....	421	493
Actuarial (losses)/gains recognised in the year .....	(1,073)	511
Employer contributions .....	196	317
Employee contributions .....	80	128
Benefits paid .....	(66)	(78)
<b>Closing fair value of plan assets .....</b>	<b>7,360</b>	<b>7,673</b>

Scheme assets do not include any of the Group's own financial instruments, or any property occupied by Group.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed asset interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long term real rates experienced in respective markets.

#### Analysis of amounts charged to the profit and loss account:

	2014 £'000	2013 £'000
Operating profit .....	304	402

	2014 £'000	2013 £'000
<b>Other finance income</b>		
Expected return on pension scheme assets .....	421	493
Interest on pension scheme liabilities .....	(392)	(467)
Net return (note 5) .....	29	26

	2014 £'000	2013 £'000
<b>History of experience gains and losses</b>		
Defined benefit obligation .....	(8,803)	(8,893)
Plan assets.....	7,360	7,673
Deficit .....	(1,443)	(1,220)
Experience adjustments on plan assets .....	(1,073)	511
Experience adjustment on plan liabilities .....	952	(900)
Total actuarial gains and losses recognised in the statement of recognised gains and losses.....	(144)	(389)

### Defined contribution schemes

The pension cost charged to the profit and loss account in respect of the defined contribution scheme was £2,359,000 (2013: £2,026,000) representing contributions payable in the period. Contributions due to the Keepmoat Group Pension Plan at year end were £278,000 (2013: £212,000).

## 28 Minority interests

	2014 £'000	2013 £'000
<b>At 1 April and 31 March .....</b>	<b>611</b>	<b>611</b>

Minority interests relate to Evolve Built for Life Limited, which is the maximum amount of funding that will be provided by the minority partner under the joint agreement and therefore is not a share of liabilities on percentage ownership.

There was no minority interest relating to KGP (SHC) Limited in the current year (2013: £nil).

## 29 Related party disclosures

The Company has 50% of the voting rights in the following companies, except where indicated. Details of its significant transactions are summarised as follows:

### (a) Durham Villages Regeneration Limited

Under agreements between Keepmoat Homes Limited, Durham Villages Regeneration Limited and Durham City Council (on 1 April 2010 Durham City Council merged into the Unitary Authority of Durham County Council), Keepmoat Homes Limited has a license to build on land owned by Durham Villages Regeneration Limited. Keepmoat Homes is a wholly owned subsidiary of Keepmoat Limited. Durham Villages Regeneration Limited is a company in which Keepmoat Limited holds a 50% interest. During the year the value of services provided by Keepmoat Homes Limited under this arrangement to Durham Villages Regeneration Limited amounted to £104,000 (2013: £332,000). At 31 March 2014, the amounts owed by Durham Villages Regeneration Limited amounted to £60,000 (2013: £299,000).

Castle 1 Limited (the holding company of Keepmoat Limited) surrendered losses by way of consortium relief to Durham Villages Regeneration Limited. The total amount owed to Castle 1 Limited under these arrangements at 31 March 2014 was £47,000 (2013: £25,000).

### (b) SOAR Build Limited

SOAR Build Limited is a company which Keepmoat Limited holds a 50% interest in. During the year, SOAR Build Limited provided services to Keepmoat Regeneration (FHM) Limited and Keepmoat Regeneration (Bramall) Limited. Amounts charged by SOAR Build Limited to the Group during the year were £1,583,000 (2013: £1,098,000). Keepmoat Regeneration Limited, Keepmoat Regeneration (FHM) Limited and Keepmoat Regeneration (Bramall) Limited also

charged SOAR Build Limited for services during the year amounting to £489,000 (2013: £411,000). At the balance sheet date SOAR Build Limited owed the Group £249,000 (2013: £250,000).

#### **(c) Thurston Group Limited**

Evolve Built for Life Limited, a company which Keepmoat Limited holds 55% interest in, charged management fees amounting to £nil to Thurston Group Limited, a 45% shareholder in Evolve Built for Life Limited (2013: £nil). At 31 March 2014 Evolve Built for Life Limited owed £637,361 to Thurston Group Limited (2013: £637,361).

#### **(d) Sheffield Housing Company Limited (“SHC”)**

Sheffield Housing Company Limited is an entity in which Keepmoat Limited holds a 45% interest. At 31 March 2014 SHC owed £2,933,000 (2013: £3,065,000) to KGP (SHC) Limited, a 90% owned subsidiary of the Group. Interest of £205,000 was charged on this loan at a fixed rate of 7% and these balances are included in debtors at the Balance Sheet date. The loan is secured by a first charge on the assets of SHC. Keepmoat Homes Limited undertook build work to the value of £9,057,000 for SHC during the year (2013: £2,867,000) and had a balance due from SHC of £1,058,000 at 31 March 2014 (2013: £772,000).

#### **(e) BK Scotswood LLP and New Tyne West Development Company LLP**

BK Scotswood LLP is an entity in which Keepmoat Limited holds a 50% interest. At 31 March 2014 BK Scotswood LLP owed £1,439,000 to Keepmoat Limited (2013: £nil). The loan is non-interest bearing.

#### **(f) Sustainable Communities for Leeds (Holdings) Limited (“SC4L”)**

Keepmoat Leeds PFI Limited has subscribed for a fixed rate, subordinated, unsecured loan note from SC4L, a company in which Keepmoat Leeds PFI Limited holds a 10% interest. The balance receivable by Keepmoat Leeds PFI Limited on the loan note at 31 March 2014 was £1,268,000 (2013: £nil). The loan note is redeemable in 2032 and will accrue interest at a fixed rate of 11.75%.

### **30 Contingent liabilities**

The Group has entered into performance guarantees in the normal course of business which, at 31 March 2014, amounted to £52,869,000 (2013: £19,668,000). In the opinion of the Directors, no loss will arise in respect of these guarantees.

The Company has given guarantees in respect of the bank borrowings of its subsidiary companies in addition to performance and other guarantees. At 31 March 2014 borrowings covered by the guarantees amounted to £310,924,000 (2013: £303,375,000) whilst performance and other guarantees provided under the revolving credit facility amounted to £28,141,000 (2013: £20,532,000). The guarantees are in the form of a fixed charge over freehold land and buildings and floating charges over the assets of certain group companies.

At 31 March 2014 the Group had a Revolving Credit Facility with a maximum facility of £95,100,000 (2013: £125,000,000) of which the overdraft is capped at £20,000,000 (2013: £20,000,000). At 31 March 2014 and at 31 March 2013 the Group was in a net cash position.

### **31 Ultimate controlling party**

The Directors do not believe there to be one ultimate controlling party.



**Lakeside 1 Limited**  
**Annual report and financial statements**  
**for the year ended 31 March 2013**

# **Lakeside 1 Limited**

## **Annual report and financial statements 2013**

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## **Lakeside 1 Limited**

### **Directors and advisers for the year ended 31 March 2013**

#### **Directors**

P Warry  
D Sheridan  
J Thomson (Appointed 15 May 2012)  
A Birkett (Appointed 29 August 2012)  
D Bridges (Appointed 15 May 2012; Resigned 8 March 2013)  
D Blunt (Resigned 10 July 2012)  
P Hindley (Resigned 22 October 2012)  
N McCallum (Resigned 22 October 2012)  
N Scragg (Resigned 22 October 2012)  
I Sutcliffe (Resigned 22 October 2012)  
J Thirlwall (Resigned 22 October 2012)

#### **Registered office**

The Waterfront  
Lakeside Boulevard  
Doncaster  
South Yorkshire  
DN4 5PL

#### **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
1 East Parade  
Sheffield  
S1 2ET

#### **Solicitors**

Allen & Overy LLP  
One Bishops Square  
London  
E1 6AD

#### **Bankers**

Bank of Scotland  
Level Three  
New Ueberior House  
11 Grey Street  
Edinburgh  
EH3 9BN

## **Lakeside 1 Limited**

### **Independent auditors' report to the members of Lakeside 1 Limited**

We have audited the group and parent company financial statements (the “financial statements”) of Lakeside 1 Limited for the year ended 31 March 2013 which comprise the consolidated profit and loss account, the statement of group total recognised gains and losses, group and parent company balance sheets, the consolidated cash flow statement, the statement of accounting policies and the related notes. 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).

#### **Respective responsibilities of directors and auditors**

As explained more fully in the statement of directors' responsibilities set out on page 24 and 25 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### **Scope of the audit of the financial statements**

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

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2013 and of the group's loss and cash flows 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 matters 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 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.

**Ian Marsden (Senior Statutory Auditor)**

**For and on behalf of PricewaterhouseCoopers LLP**

Chartered Accountants and Statutory Auditors

Sheffield

18 July 2013

**Lakeside 1 Limited**

**Consolidated profit and loss account  
for the year ended 31 March 2013**

	Note	2013 £'000	2012 £'000
Turnover including share of joint ventures and associates .....		889,571	676,077
Less: share of joint ventures and associates .....		(3,087)	—
<b>Group turnover</b> .....	1	886,484	676,077
Cost of sales .....		(788,090)	(625,805)
<b>Gross profit</b> .....		98,394	50,272
Administration expenses .....		(75,002)	(422,466)
<b>Group operating profit before exceptional items and goodwill amortisation</b> .....		48,394	32,243
Exceptional items .....	6	(8,416)	(373,936)
Amortisation .....	9	(16,586)	(30,501)
<b>Group operating profit/(loss)</b> .....	4	23,392	(372,194)
Share of operating loss in joint ventures and associated undertakings .....		(9)	(3)
<b>Total operating profit/(loss): group and share of associated undertakings</b> .		23,383	(372,197)
Net interest payable* .....	5	(44,797)	(100,375)
<b>Loss on ordinary activities before taxation</b> .....		(21,414)	(472,572)
Tax on loss on ordinary activities .....	7	36	962
<b>Loss on ordinary activities after taxation</b> .....		(21,378)	(471,610)
Equity minority interests .....	28	—	—
<b>Loss for the financial year</b> .....	20	(21,378)	(471,610)

\* Included in net interest payable is £32.5m of interest payable on bank loans which was capitalised into equity as part of the refinancing on 23 October 2012. Without this interest the Group would have reported a profit on ordinary activities before taxation of £11.1m

All items dealt with in arriving at operating profit/(loss) above related to continuing operations.

There is no difference between the loss on ordinary activities and the retained loss for the year stated above and their historical cost equivalents.

**Lakeside 1 Limited**

**Statement of group total recognised gains and losses  
for the year ended 31 March 2013**

	<u>Note</u>	<u>2013 £'000</u>	<u>2012 £'000</u>
Loss for the financial year .....		<b>(21,378)</b>	(471,610)
Actuarial loss on pension scheme .....	27	<b>(800)</b>	(377)
Movement on deferred tax relating to pension asset.....	7	<b>184</b>	90
<b>Total recognised losses for the year</b> .....	<b>20</b>	<b>(21,994)</b>	(471,897)

**Lakeside 1 Limited**

**Balance sheets as at 31 March 2013**

	Note	2013 £'000	2012 restated £'000 Group	2013 £'000	2012 £'000 Company
<b>Assets</b>					
<b>Fixed assets</b>					
Intangible assets.....	9	272,728	287,522	—	—
Tangible assets.....	10	10,577	12,746	—	—
Investments in joint ventures:					
Share of gross assets .....		934	—		
Share of gross liabilities...		(960)	—		
		(26)	—		
Investments in associates .....		(38)	—		
Investments .....	11	(64)	—	96	96
Pension asset.....	27	573	781	—	—
		283,814	301,049	96	96
<b>Current assets</b>					
Land held for and under development.....	12	45,214	26,752	—	—
Work in progress.....	13	54,548	52,615	—	—
Debtors—amounts falling due after more than one year .....	14	27,976	23,833	—	—
Debtors—amounts falling due within one year .....	14	158,552	179,146	1,890	1,916
Cash at bank and in hand .....		10,629	8,495	10	2
		296,919	290,841	1,900	1,918
<b>Total assets .....</b>		<b>580,733</b>	<b>591,890</b>	<b>1,996</b>	<b>2,014</b>
<b>Liabilities</b>					
<b>Capital and reserves</b>					
Called up share capital.....	18	594	593	594	593
Share premium account .....	19	588,531	240,114	588,531	240,114
Merger reserve .....	21	294,006	294,006	—	—
Profit and loss reserve.....	20	(875,144)	(853,095)	(587,414)	(240,755)
<b>Total shareholders' funds/(deficit) .....</b>	22	<b>7,987</b>	<b>(318,382)</b>	<b>1,711</b>	<b>(48)</b>
<b>Minority interests.....</b>	28	<b>(611)</b>	<b>(611)</b>	<b>—</b>	<b>—</b>
<b>Capital employed .....</b>		<b>7,376</b>	<b>(318,993)</b>	<b>1,711</b>	<b>(48)</b>
<b>Other liabilities</b>					
Bank loans due after one year..	16	302,681	614,766	—	—
Shareholders financing due after one year .....	16	—	—	—	—
Other creditors falling due in under one year.....	15	266,880	290,838	285	2,062
Pension liability .....	27	939	—	—	—
		570,500	905,604	285	2,062
<b>Provisions for liabilities .....</b>	17	<b>2,857</b>	<b>5,279</b>	<b>—</b>	<b>—</b>
<b>Total liabilities.....</b>		<b>580,733</b>	<b>591,890</b>	<b>1,996</b>	<b>2,014</b>

The financial statements on pages 28 to 73 were approved by the board of directors on 18 July 2013 and were signed on its behalf by:

**James Thomson**  
*Chief Financial Officer*



**Lakeside 1 Limited**

**Consolidated cash flow statement for the year ended  
31 March 2013**

	Note	2013 £'000	2012 £'000
<b>Net cash inflow from operating activities</b> .....	23	23,275	23,107
<b>Returns on investment and servicing of finance</b>			
Interest received .....		—	55
Interest paid .....		(10,916)	(31,945)
Net cash inflow/(outflow) from returns on investment and servicing of finance .....		(10,916)	(31,890)
<b>Taxation</b>			
UK corporation tax (paid)/refund .....		(552)	596
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets .....	10	(1,642)	(1,290)
Sale of tangible fixed assets .....		791	—
Net cash outflow for capital expenditure and financial investment .....		(851)	(1,290)
<b>Acquisitions</b>			
Purchase of subsidiary undertakings .....	32	—	(1,984)
Net cash acquired with subsidiary undertakings .....	32	—	13,269
Net cash inflow for acquisitions .....		—	11,285
<b>Financing</b>			
Proceeds from issue of ordinary share capital .....	18	1	329
Decrease in borrowings .....	24	(8,823)	(1,501)
Net cash outflow from financing .....		(8,822)	(1,172)
<b>Increase in cash</b> .....	24	2,134	636

## **Lakeside 1 Limited**

### **Statement of accounting policies**

#### **Basis of accounting**

The group financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

#### **Going concern**

The Directors have considered the adequacy of the Group's Financial Resources through a review of the financial projections for the business, taking into account the new facilities available to the Group following the refinancing on 23 October 2012. The Directors have also considered the covenants attaching to the new facilities and the likely level of headroom available to the Group. After careful consideration the Directors are satisfied that the Group and company have adequate resources to continue in operation for the foreseeable future. For this reason the Directors continue to apply the going concern basis in preparing the accounts.

#### **Basis of consolidation**

The Group profit and loss account and balance sheet include the audited financial statements of the company and all of its subsidiaries prepared to the end of the financial year. The results of subsidiaries acquired are included in the consolidated profit and loss account from the date control passed to the Group. Uniform accounting policies have been adopted across the group and all intra-group sales and profits are fully eliminated on consolidation.

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities are recorded at their fair values reflecting their condition at that date.

Any interest rate derivatives held by the acquired subsidiary are also recorded at fair value using the provider's valuation on the date of acquisition. In-the-money derivatives are carried as a financial asset in the balance sheet, while out-of-the-money derivatives are carried as a financial liability.

#### **Joint ventures and associates**

Joint ventures compromise investments in undertakings where the group holds an interest on a long-term basis and jointly controls the commercial and financial policy of the venture with one or more other parties under a contractual arrangement. The Group's share of the result of its investment in joint ventures is included in the consolidated profit and loss account of the Group. In the consolidated balance sheet the investment in joint ventures is included as the group share of net assets of the year end.

Associated undertakings are entities over which the group has significant influence. The group's share of the profits less losses of associated undertakings net of tax, interest and non-controlling interests is included in the consolidated profit and loss account and the group's share of net assets is shown within investments in Associates in the consolidated balance sheet. The group's share of associates with net liabilities are shown within other provisions.

The group's share of the profits less losses and net assets is based on current information produced by the undertakings, adjusted to conform with the accounting policies of the group.

Associates and joint ventures are shown in the parent company balance sheet at cost less any amounts written off for permanent diminution in value.

#### **Turnover and profit recognition:**

##### ***Private house building, property development and land sales***

Turnover and profits on private house building developments and land sales are included in the financial statements on legal completion. Where house sales include an interest free loan provided by the group to the customer in respect of an element of the sale value (shared equity house sales), this is recognised in turnover net of discounting using an estimated financing cost.

## **Contracts**

Turnover and profit on short term contracts are recognised when the contracts have been completed. Turnover on long-term contracts represents the value of work done, and excludes value added tax and trade discounts. For long term contracts attributable profits are calculated based on the Directors' estimate of total forecast value less total forecast costs and are recognised based on the proportion of cost incurred to date compared to total costs expected to be incurred.

Attributable profits are not recognised until the point at which the outcome of the contract can be assessed with reasonable certainty. Provision is made for losses on all long-term contracts as soon as such losses become apparent.

Claims on customers or third parties for variations to the original contract are recognised in the profit and loss account once entitlement to the claim has been established. Claims by customers or third parties in respect of work carried out are recognised in the profit and loss account once the obligation to transfer economic benefit has become probable.

## **Intangible assets—goodwill**

Goodwill arising on consolidation is recorded at cost, which includes associated costs of acquisition, less the fair value of assets acquired and any amounts written off for permanent diminution in value. Goodwill is being amortised over its useful economic life, which is estimated to be 20 years.

Where relevant impairment triggers are identified an impairment review is performed and any resulting impairment charge is accounted for in the year it arises. The carrying value is the higher of value in use and recoverable value. Value in use is derived from cash flow projections discounted to net present value at an appropriate discount rate.

## **Exceptional items**

Exceptional items are material items which fall within the ordinary activities of the Group and which need to be disclosed by virtue of their size or incidence. Such items are included within operating profit unless they represent profits or losses on the sale or termination of an operation; costs of a fundamental reorganisation or restructuring having a material effect on the nature and focus of the Group's operations; profits or losses on the disposal of fixed assets; or provisions in respect of such items. In these cases, separate disclosure is provided on the face of the profit and loss account after operating profit.

## **Tangible fixed assets**

Tangible fixed assets are stated at their historic purchased cost less accumulated depreciation.

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual value, on a straight line basis over their estimated useful economic lives. The principal annual rates used for this purpose are:

	<u>%</u>
Freehold properties .....	2
Long leasehold properties .....	Over the term of the lease
Equipment, plant and vehicles .....	10 - 25
Fixtures, fittings and office equipment .....	10 - 33

No depreciation is provided on freehold land.

## **Operating leases**

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

## **Work in progress and land held for and under development**

House developments in progress are valued at the lower of cost and net realisable value. Cost comprises direct expenditure, together with an appropriate proportion of production overheads. Net realisable value represents the estimated amount at which stock could be realised after allowing for costs of completion and realisation.

Land held for and under development includes land purchase costs and costs directly attributable to enhancing land value.

Long-term contract balances are included in the balance sheet at the value of turnover less the value of progress payments certified and receivable. The value of progress payments not yet certified is treated as receivable in respect of work completed, or measurable parts thereof, and is stated after making allowance for irrecoverable amounts. Where turnover exceeds progress payments the net balance is included in debtors as amounts recoverable on contracts.

### **Shared equity debtors**

Loans and receivables due from customers on 'Shared Equity' scheme sales, whereby the group has provided a portion of the finance of a house sale, are included as debtors due after one year. These receivables are held at discounted present value less any impairment. The amount is then increased to settlement value over the settlement period via finance income.

### **Deferred taxation**

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax is not provided on timing differences arising from revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

### **Government grants**

Government grants are recognised at fair value when there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Grants related to purchase of assets are treated as deferred income and allocated to the profit and loss account over the useful lives of the related assets while grants related to expenses are treated as other income in the income statement.

### **Investments**

Investments in subsidiaries and associated undertakings are shown at cost less any amounts written off for permanent diminution in value. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

### **Pension scheme arrangements**

The group operates a hybrid group pension scheme, the Keepmoat Limited Group Pension Plan, the assets of which are held in independently administered funds. Contributions and pension costs are based on pension costs across the group as a whole.

The Group also participates in the Derbyshire County Council Pension Fund defined benefit pension scheme and Cambridgeshire County Council Pension Fund defined benefit pension scheme, as certain employees were transferred to the group on the winning of particular contracts. The funds are multi-employer funds and the Group is responsible for funding pension benefits for its employees only. Assets are held in independently administered funds.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The increase in the present value of the liabilities of the group's defined benefit pension scheme expected to arise from employee service in the period is charged to operating profit. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in net interest. Actuarial gains and losses are recognised in the consolidated statement of total recognised gains and losses. Pension scheme surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet net of related deferred tax.

### **Provisions**

Provisions for remedial contract provisions, vacant property obligations and restructuring costs are recognised when: the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

# Lakeside 1 Limited

## Notes to the financial statements for the year ended 31 March 2013

### 1 Turnover

Turnover, as defined in the statement of accounting policies, excludes value added tax and relates wholly to operations in the United Kingdom.

The directors regard the group as operating in one segment, the refurbishment and construction of residential dwellings.

The share of Joint Venture and Associate turnover relates solely to joint ventures operating in the same segment.

### 2 Employee information

	2013 £'000	2012 £'000
Wages and salaries.....	111,635	79,246
Social security costs.....	11,425	8,814
Termination payments .....	2,264	5,325
Pensions costs .....	2,608	1,929
<b>Staff costs</b> .....	<b>127,932</b>	<b>95,314</b>

The average monthly number of persons employed by the group (including executive directors) during the year, all of whom are engaged in the group's principal activities, was as follows:

	2013 Number	2012 Number
<b>By activity</b>		
Production.....	2,564	1,714
Selling and distribution.....	33	57
Administration .....	574	902
	<b>3,171</b>	<b>2,673</b>

At 31 March 2013 the Group directly employed 2,935 people across the UK (2012: 3,200).

The company does not have any employees.

### 3 Directors' emoluments

	2013 £'000	2012 £'000
Aggregate emoluments .....	2,965	1,925
Compensation for loss of office.....	1,643	886
Company pension contributions to money purchase scheme.....	84	62
	<b>4,692</b>	<b>2,873</b>

Retirement benefits are accruing to 5 (2012: 4) directors under a money purchase pension scheme.

	2013 £'000	2012 £'000
<b>Highest paid director</b>		
Aggregate emoluments .....	318	627
Compensation for loss of office.....	750	426
Company pension contributions to money purchase scheme.....	—	19

### 4 Operating profit/(loss)

	2013 £'000	2012 £'000
Operating profit/(loss) is stated after charging / (crediting):		
Depreciation of tangible fixed assets—owned asset .....	2,144	1,901
Loss on disposal of fixed assets .....	41	90
Amortisation of goodwill .....	16,586	30,501
Operating lease rentals:		
—plant and machinery .....	9,027	8,691
—other .....	994	1,527
Exceptional items (note 6) .....	8,416	373,936
Auditors' remuneration for:		
—audit of the company individual and consolidated accounts .....	20	20
—audit of the company's subsidiaries .....	280	235
—Tax compliance services .....	49	45
—Tax advisory services .....	465	122
—Corporate finance services .....	303	1,213
—other non-audit services .....	58	84

## 5 Net interest payable and similar charges

	2013 £'000	2012 £'000
<b>Interest payable</b>		
Interest accruing on shareholder financing .....	—	(55,876)
Interest payable on bank loans .....	(45,012)	(33,734)
Amortisation of loan issue costs .....	(1,361)	(8,702)
Shared equity re-discounting .....	—	(2,768)
Interest payable on bank overdrafts .....	(36)	(18)
Interest payable on financial instrument .....	—	(192)
Total interest payable .....	(46,409)	(101,290)
<b>Interest receivable</b>		
Shared equity unwind of discount .....	1,441	717
Net return on pension scheme assets .....	171	143
Other interest receivable .....	—	55
Total interest receivable .....	1,612	915
<b>Net interest payable and similar charges</b> .....	<b>(44,797)</b>	<b>(100,375)</b>

Interest payable on bank loans and overdrafts includes interest accruing and repayable on maturity debt instruments amounting to £604,000 (2012: £2,264,000).

Interest payable includes £nil (2012: £2,768,000) arising from a reassessment of the expected repayment date of and discount rate associated with shared equity debtor balances brought forward as at 1 April 2011. Shared equity debtor balances which had previously been assumed to be redeemed over an average 5 year period, are now assumed to be redeemed over a 7 year period. In addition the discount rate used to reflect the time value of money was increased to 7% representing the estimated cost to the Group of the financing arrangement.

As part of the recapitalisation on 23 October 2012 £32,500,000 of the total interest payable of £46,400,000 was converted into term debt (see note 16).

## 6 Exceptional items

	Cost of sales £'000	Administrative expenses £'000	2013 Total £'000	Cost of sales £'000	Administrative expenses £'000	2012 Total £'000
Contract losses .....	688	—	688	16,988	—	16,988
Land impairment (see note 12) .....	—	—	—	1,713	—	1,713
Evolve Built for Life Limited .....	—	—	—	1,286	—	1,286
Restructuring and associated costs....	—	4,804	4,804	1,049	6,639	7,688
Refinancing costs .....	—	2,924	2,924	—	—	—
Property impairment .....	—	—	—	—	4,678	4,678
Other .....	—	—	—	—	838	838

	<b>688</b>	<b>7,728</b>	<b>8,416</b>	21,036	12,155	33,191
Goodwill impairment (see note 9) ....	—	—	—	—	340,745	340,745
	<b>688</b>	<b>7,728</b>	<b>8,416</b>	21,036	352,900	373,936

### **Contract losses**

The exceptional contract losses relate to a small number of contracts arising in the West Midlands business unit where significant issues associated with the procurement and delivery have resulted in contract losses of such significance that they warrant a separate presentation as exceptional items. While the majority of losses were recognised in 2012 an element of legacy costs were incurred in 2013.

### **Land impairment**

A review undertaken at the year end concluded that no further impairment (2012: £1.7m) was required in respect of the carrying value of land assets held for and under development (see note 12).

### **Evolve built for life limited**

During 2011, the Group ceased operations in Evolve, its joint venture off- site modular unit manufacturing division. While most of the costs associated with this closure were incurred in the year end 31 March 2011, £1.3m of legacy costs were incurred in 2012.

### **Restructuring and associated costs**

Following the merger, the Group incurred significant restructuring costs in reorganising to deliver our business plan and strategic goals. These costs comprised, redundancies and associated restructuring costs, costs in relation to vacated properties, and asset impairment following the closure of our in- house hire division, Keepmoat Site Services Limited, and disposal of assets.

### **Property impairment**

Due to prevailing market conditions in the prior year it was considered prudent to perform impairment reviews on the properties owned within the group. Following the review several properties were impaired by a total of £4.7m. Current market conditions are not thought to have any further material effect on the property valuations, and so no impairment has been recorded in the current year.

### **Refinancing costs**

The Group underwent a major refinancing of its debt during the year, the costs above comprising the associated corporate, legal and due diligence fees.

### **Goodwill impairment**

The Group carried out an impairment review of the goodwill held in the balance sheet at 31 March 2012. The goodwill was assessed by reference to the Group's five year business plan, using a discounted cash flow valuation. The key assumptions used in the impairment review by management were a post-tax discount rate of 12% and a long term growth assumption of 1.5%. As a result, goodwill was impaired to a fair value of £287.5m as at 31 March 2012.

### **Other**

Other exceptional items include a dilapidations provision which covers all of Keepmoat's leased estate. The provision is determined based on the expected dilapidations cost per property up to the end of lease, and providing for the element up to the date of the financial statements, pro-rated on a straight line basis.

In the prior year, the Group also incurred exceptional costs in dismantling its photovoltaic installation business which was no longer considered viable following the Government's decision, at short notice, to bring forward the commencement date for reductions in the feed-in tariffs from March 2012 to December 2011.

## **7 Tax on loss on ordinary activities**



	2013 £'000	2012 £'000
<b>Current tax</b>		
UK corporation tax on loss for the year at 24% (2012: 26%).....	(81)	—
Adjustments to tax in respect of previous periods .....	3	(119)
Total current tax credit.....	(78)	(119)
<b>Deferred tax</b>		
Origination and reversal of timing differences .....	756	(1,045)
Adjustment to tax charge in respect of previous period.....	(804)	—
Change in tax rate—impact on deferred tax asset.....	90	202
Pension cost credit in excess of pension cost relief .....	—	—
Total deferred tax charge/(credit) .....	42	(843)
<b>Tax on loss on ordinary activities</b> .....	(36)	(962)

The tax assessed for the period is higher (2012: higher) than the standard rate of corporation tax in the UK of 24% (2012: 26%). The differences are explained below:

	2013 £'000	2012 £'000
<b>Loss on ordinary activities before tax</b> .....	(21,414)	(472,572)
Loss on ordinary activities multiplied by the standard rate in the UK 24% (2012: 26%) .....	(5,139)	(122,868)
Effects of:		
Expenses not deductible for tax purposes .....	4,711	98,126
Adjustments to tax in respect of previous periods .....	3	(119)
Depreciation in excess of capital allowances and other timing differences .....	105	2,275
Deferred tax not recognised .....	242	22,467
<b>Current tax credit for the year</b> .....	(78)	(119)

#### *Factors affecting current and future tax charges*

The finance Act 2012 received Royal Assent on 17 July 2012, and provided for a reduction in the UK main rate of corporation tax from 24% to 23% from 1 April 2013. Accordingly, the relevant deferred tax balances have been re-measured at 23%, being the rate at which they are set to reverse.

A further reduction to the main rate to 21% by 1 April 2014, and 20% by 1 April 2015, was proposed in the March 2013 budget, and are expected to be enacted separately. As these rate reductions had not been substantively enacted at the balance sheet date they are not included in these financial statements. The impact of proposed changes is not expected to be material.

	2013 £'000	2012 £'000	2013 £'000	2012 £'000
<b>Deferred taxation</b>				
		<b>Group</b>		<b>Company</b>
<b>At 1 April</b> .....	(2,739)	(1,681)	—	—
Deferred tax charge/(credit) to profit and loss account.....	42	(843)	—	—
Deferred tax (credit) to statement of total recognised gains and losses .....	(184)	(90)	—	—
Deferred tax asset arising on acquisition of subsidiary undertaking (note 24) .....	(185)	(125)	—	—
<b>At 31 March—asset</b> .....	(3,066)	(2,739)	—	—
<b>Deferred taxation comprises:</b>				
Depreciation in excess of capital allowances.....	(1,957)	(1,739)	—	—
Other timing differences .....	(1,000)	(1,247)	—	—
<b>Deferred tax asset (note 14)</b> .....	(2,957)	(2,986)	—	—
Pension deferred tax(asset)/liability (see below) ...	(109)	247	—	—
<b>Deferred tax asset including pension</b> .....	(3,066)	(2,739)	—	—

No provision has been made for deferred tax on gains recognised on the revaluation of property at its fair value by certain subsidiaries in prior years. Such tax would become payable only if the property was sold without it being possible to claim rollover relief. The total amount not provided for is £300,000 (2012: £313,000).

A deferred tax asset amounting to £31,847,000 (2012: £26,829,000) in relation to certain losses within the group has not been recognised as the directors are of the opinion that there is doubt over its recoverability.

Deferred tax (asset)/liability relating to pension liability/asset	2013 £'000	2012 £'000	2013 £'000	2012 £'000
		Group		Company
At 1 April.....	247	346	—	—
Deferred tax asset on introduction of new participating pensions schemes (note 24) .....	(185)	—	—	—
Deferred tax charge/(credit) to profit and loss account.....	13	(9)	—	—
Deferred tax credit in the statement of total recognised gains and losses .....	(184)	(90)	—	—
<b>At 31 March .....</b>	<b>(109)</b>	<b>247</b>	<b>—</b>	<b>—</b>

The deferred tax asset of £109,000 (2012: liability of £247,000) has been deducted in arriving at the net pension liability on the balance sheet.

## 8 Profit for the financial year

As permitted by Section 408 of the Companies Act 2006, the parent company's profit and loss account has not been included in these financial statements. The parent company's profit for the financial year was £1,759,000 (2012: loss of £151,409,000).

## 9 Intangible assets

Group	Goodwill £'000
<b>Cost</b>	
At 1 April 2012.....	873,391
Additions (note 32).....	1,792
<b>At 31 March 2013.....</b>	<b>875,183</b>
<b>Accumulated amortisation/impairment</b>	
At 1 April 2012.....	585,869
Charge for the year .....	16,586
<b>At 31 March 2013.....</b>	<b>602,455</b>
<b>Net book value</b>	
<b>At 31 March 2013.....</b>	<b>272,728</b>
At 31 March 2012.....	287,522

Goodwill arising on acquisitions is being amortised over the directors' estimate of its useful economic life of 20 years.

## 10 Tangible assets

Group	Long leasehold property £'000	Freehold land & property £'000	Plant, equipment, fixtures & fittings £'000	Total £'000
<b>Cost</b>				
At 1 April 2012.....	1,093	13,905	10,378	25,376
Acquisition adjustment (note 32).....	—	(835)	—	(835)
Additions .....	85	—	1,557	1,642
Disposals.....	(13)	—	(6,594)	(6,607)
<b>At 31 March 2013.....</b>	<b>1,165</b>	<b>13,070</b>	<b>5,341</b>	<b>19,576</b>
<b>Accumulated depreciation</b>				
At 1 April 2012.....	36	6,164	6,430	12,630
Charge for the year .....	88	375	1,681	2,144
Disposals.....	(2)	—	(5,773)	(5,775)
<b>At 31 March 2013.....</b>	<b>122</b>	<b>6,539</b>	<b>2,338</b>	<b>8,999</b>
<b>Net book amount</b>				
<b>At 31 March 2013.....</b>	<b>1,043</b>	<b>6,531</b>	<b>3,003</b>	<b>10,577</b>
At 31 March 2012.....	1,057	7,741	3,948	12,746

The company has no tangible assets at 31 March 2013 and 2012.

## 11 Investments

Company	£'000
Cost and net book value at 1 April 2012.....	96
Additions .....	—
Cost and net book value at 31 March 2013.....	<b>96</b>

The directors believe that the carrying value of investments is supported by their underlying net assets.

The following information relates to those subsidiary undertakings of which the Lakeside Group owns 100% of the ordinary share capital (except where noted) and incorporated in Great Britain whose results or financial position, in the opinion of the directors, principally affect the figures of the Group:

Name of Company	Principal activities	Shareholding
Castle 1 Limited.....	Intermediate holding company	100%
Bramall Construction Limited .....	Housing regeneration	100%
Frank Haslam, Milan & Company Limited .....	Housing regeneration	100%
Keepmoat Homes Limited .....	Private house building development	100%
Keepmoat Site Services Limited.....	Hire of site accommodation and motor vehicles for other Group companies	100%
Keepmoat Property Limited.....	Property development and the holding of property on behalf of other Group companies	100%
Keepmoat Property Services (formerly Milnerbuild Limited) .....	Maintenance, improvement, refurbishment and management of homes	100%
Evolve Built for Life Limited .....	Manufacture of modular units	55%
Apollo Property Services Group Limited .....	Property services mainly in housing regeneration, social housing development and school improvement works	100%
Apollo in Partnership Limited .....	Social housing regeneration projects within the public sector	100%
FWA West Limited.....	Specialist building maintenance and refurbishment contractors	100%

Details of operating joint venture undertakings and associates, all of which are incorporated in Great Britain, are as follows:

Name of undertaking	Description of shares and proportion of nominal value of that class held	Proportion of voting rights held	Accounting year end
---------------------	--	----------------------------------	---------------------

**Trading**

SOAR Build Limited .....	Ordinary shares of £1 each (50% held)	50%	31 March
Durham Villages Regeneration Limited .....	A class ordinary shares of £1 each (51% held)	50%	31 March
Sheffield Housing Company Limited .....	Ordinary shares of £1 each (45% held)	45%	31 March
Urban Union Limited.....	Ordinary shares of £1 each (33% held)	33%	31 March
BKY LLP.....	Members' capital (33% held)	33%	31 December

Durham Villages Regeneration Limited is a joint venture between Keepmoat and Durham County Council. Its principal activities are private housebuilding, land sales and property development. The Company's registered office is: The Waterfront, Lakeside Boulevard, Doncaster DN4 5PL.

SOAR Build Limited is a joint venture with SOAR Enterprises Limited. Its principal activity is training local people in construction skills whilst working for major contracts as a subcontractor. The Company's registered office is: 11 Southey Hill, Sheffield, S5 8BB.

Sheffield Housing Company Limited is an associated undertaking. Its principal activity is the building of new homes in the Sheffield area. The Company's registered office is: Sheffield Town Hall, Pinstone Street, Sheffield, S1 2HH.

Urban Union Limited is a joint venture between Keepmoat, McTaggart Construction Limited and Robertson Group (Holdings) Limited. Its principal activity is property construction, regeneration and investment. The Company's registered office is: Tod House, Templand Road, Dalry, Ayrshire, KA24 5EU.

BKY LLP is a joint venture between Keepmoat, BDW Trading limited and Cecil M Yuill Limited. Its principal activity is to invest in a joint venture undertaking, New Tyne West Development Company LLP, with Newcastle City Council. Its principal activities are to facilitate regeneration and property development. The Company's registered office is: Barratt House, City West Business Park, Scotswood Road, Newcastle upon Tyne, NE4 7DF.

Details of transactions with these companies are set out in note 29.

Group	Joint ventures £'000	Associates £'000	Total £'000
At 1 April.....	—	—	—
Other movement .....	(52)	(3)	(55)
Loss recognised in the Profit and loss account .....	26	(35)	(9)
<b>As at 31 March 2013 .....</b>	<b>(26)</b>	<b>(38)</b>	<b>(64)</b>

**12 Land held for and under development**

Group	2013 £'000	2012 £'000
Land held for and under development .....	<b>45,214</b>	26,752

The Group has undertaken a detailed review of the net realisable value of land held for and under development both relating to plots currently in development, and land and phases of sites not yet in development. This review recognises the impact of lower selling prices and reduced activity levels being experienced across the business in recent years.

Net realisable value for land where construction of homes had commenced at the year end or is anticipated to commence within the next 12 months was assessed by estimating selling prices and costs (including sales and marketing expenses) taking into account current market conditions.

Land where house building had not commenced at the year end and was more likely to be sold undeveloped is assessed by re-appraising the land using current selling prices and costs for the proposed development and assuming an appropriate financial return to reflect the current housing market conditions and the prevailing financing environment.

At the year end the net realisable value provision amounts to £2.1m (2012: £3.4m) with the movement of £1.3m (2012: £4.5m) in the year reflecting utilisation of provisions of £1.3m (2012: £6.2m) and the creation of a further provision of £nil (2012: £1.7m) which has been reflected through cost of sales as an exceptional item.

This provision will be closely monitored for adequacy and appropriateness as regards under and over provision to reflect circumstances at future balance sheet dates. Any material change to the underlying provision will be reflected through cost of sales as an exceptional item.

The company had no land held for and under development at 31 March 2013 (2012: £nil).

### 13 Work in progress

	2013 £'000	2012 restated £'000
<b>Group</b>		
House building developments in progress .....	54,274	52,615
Work in progress.....	274	—
Work in progress.....	54,548	52,615

Prior year work in progress of £3,255,000 has been restated to amounts recoverable on contracts (note 14) to be consistent with the current year and accounting policy.

The company had no stocks or work in progress at 31 March 2013 and 2012.

### 14 Debtors

	<b>Group</b>		<b>Company</b>	
	2013 £'000	2012 restated £'000	2013 £'000	2012 £'000
<b>Amounts falling due after more than one year:</b>				
Amounts owed by associated undertakings (note 29)....	—	1,243	—	—
Shared equity debtors .....	25,019	19,604	—	—
Deferred tax (note 7).....	2,957	2,986	—	—
	27,976	23,833	—	—
<b>Amounts falling due within one year:</b>				
Trade debtors .....	77,038	137,549	—	—
Amounts recoverable on contracts.....	54,847	31,084	—	—
Amounts owed by group undertakings .....	—	—	1,836	1,883
Amounts owed by associated undertakings (note 29)....	3,639	665	—	—
Corporation tax recoverable.....	950	636	—	—
Other debtors .....	8,026	5,695	54	33
Prepayments and accrued income.....	14,052	3,517	—	—
	158,552	179,146	1,890	1,916

Amounts owed by associated undertakings falling due after more than one year are unsecured and carry a rate of interest 1% above the Bank of England base rate.

Amounts owed by group, parent and associated undertakings falling due within one year are unsecured, interest free and repayable on demand.

Long term debtors due under the 'Shared Equity' scheme are due for repayment at the earlier of 10 years, or the date on which there is a future sale of the related property. Interest is charged at a rate of 3% on certain debtor balances after 5 years, increasing each year thereafter in line with the Retail Prices Index plus 1%. Long term debtors are discounted to present value at a discount rate which reflects the estimated cost of finance for the loan.

Prior year work in progress (note 13) of £3,255,000 has been restated to amounts recoverable on contracts to be consistent with the current year and accounting policy.

## 15 Other creditors falling due in under one year

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Bank loans (note 16) .....	—	8,823	—	—
Trade creditors .....	181,419	195,410	5	144
Payments on account .....	20,716	33,538	—	—
Amounts owed to group undertakings .....	—	—	280	—
Amounts owed to associated undertakings (note 29) .....	—	1,225	—	—
Other taxation and social security .....	12,981	12,943	—	—
Other creditors .....	3,083	3,817	—	—
Accruals and deferred income .....	48,681	35,082	—	1,918
	<b>266,880</b>	<b>290,838</b>	<b>285</b>	<b>2,062</b>

Amounts owed to group and associated undertakings are unsecured, interest free and repayable on demand.

## 16 Loans and other borrowings falling due after one year

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
<b>Bank loans</b>				
Bank term loans .....	235,000	581,064	—	—
Revolving credit facility .....	—	8,823	—	—
Derivatives .....	—	34,936	—	—
Bank mezzanine loan .....	68,375	—	—	—
Unamortised issue costs .....	(694)	(1,234)	—	—
	<b>302,681</b>	<b>623,589</b>	<b>—</b>	<b>—</b>
Total loans and other borrowings before unamortised issue costs .....	<b>303,375</b>	<b>624,823</b>	<b>—</b>	<b>—</b>
Net loans and other borrowings .....	<b>302,681</b>	<b>623,589</b>	<b>—</b>	<b>—</b>
<b>Maturity of financial liabilities</b>				
Within one year .....	—	8,823	—	—
Between two and five years .....	303,375	616,000	—	—
In more than five years .....	—	—	—	—

### Bank financing

Loans and other borrowings are stated net of unamortised issue costs of £694,000 (2012: £1,234,000). These costs are allocated to the profit and loss account over the term of the facilities. Interest costs are expensed to the profit and loss account on an accruals basis. In relation to certain debt instruments, interest costs accumulate over the life of the loan and are repaid on final repayment of the relevant loan, unless described otherwise below. The total amount of interest accrued to 31 March 2013 is £3,375,000 (2012: £764,000).

At 31 March 2012 there was an outstanding term debt facility of £457,310,000, bearing interest at 5% above LIBOR. A further outstanding facility of £123,754,000, bearing interest at 5% above LIBOR, was also drawn down. The nature of these loans was to act as bridging loans following the merger on 23 March 2012 until a full refinancing had been undertaken. This was successfully achieved on 23 October 2012 and new facilities replaced the ones outstanding at 31 March 2012.

Senior debt of £581.0m, interest rate swaps with a mark-to-market valuation of £34.5m, together with accrued interest of £32.5m were replaced with senior debt of £235.0m and mezzanine debt of £65.0m. The new facilities benefit from substantially increased term with facilities maturing in 2018/19 as well as a reduced margin as detailed below:

- Term loan A £37,500,000 bearing interest at 4.25% above LIBOR
- Term loan B1 £151,500,000 bearing interest at 4.75% above LIBOR
- Term loan B2 £46,000,000 bearing interest at 4.75% above LIBOR

- Mezzanine £65,000,000 bearing interest at 12% above LIBOR accumulating over the life of the loan.

The remaining debt obligation of £348.4m owed to Bank of Scotland was converted into equity as part of the recapitalisation (see notes 18 and 19). At the same time, the Group's Revolving Credit Facility of £75.0m was increased to £125.0m which will allow the Group to take advantage of market opportunities.

Bank loans and overdrafts are secured by a fixed charge over freehold land and buildings and a floating charge over the other assets of the group and are subject to cross guarantees with other companies (see note 15).

## 17 Provisions

Group	Onerous leases £'000	Redundancy £'000	Dilapidations £'000	Other £'000	Total £'000
At 1 April 2012.....	649	3,375	1,227	28	5,279
Charged to the profit and loss account.....	—	671	313	—	984
Utilised during year					
—Existing.....	(265)	(3,141)	—	—	(3,406)
—Acquired .....	—	—	—	—	—
At 31 March 2013.....	384	905	1,540	28	2,857

The company does not have any provisions.

### Dilapidations

The dilapidations provision covers all of the group's leased estate. A full provision up to the end of each lease was established by an independent external valuer, with the element up to the date of the financial statements being recognised in the accounts on a pro-rated straight line basis.

### Onerous lease

The onerous lease provision relates to all of the group's leased estate that was unused as at 31 March 2012. The provision is calculated on a property by property basis and is calculated up to the next available break date or end of lease, whichever is the earlier.

### Redundancy

This relates to redundancy provisions for staff which will be paid in the first six months of the 2013/14 financial year.

### Other provisions

Other provisions relate to Keepmoat Property Services Limited (formerly Milnerbuild Limited) provisions.

## 18 Called up share capital

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
<b>Allotted, called up and fully paid</b>				
910,000 Ordinary shares of £0.005 each.....	5	5	5	5
117,646,815 Deferred Fixed Dividend shares of £0.005 each .....	588	588	588	588
5,000,000 A Ordinary shares of £0.00001 each.....	—	—	—	—
4,090,000 B Ordinary shares of £0.00001 each.....	—	—	—	—
9,500,000 A Preference shares of £0.00001 each..	—	—	—	—
20,000,000 B Preference shares of £0.00001 each	1	—	1	—
20,000,000 C Preference shares of £0.00001 each	—	—	—	—
500,000 Z Preference shares of £0.00001 each .....	—	—	—	—
<b>Total .....</b>	<b>594</b>	<b>593</b>	<b>594</b>	<b>593</b>

Following the refinancing of the Company's debt on 23 October 2012 (see note 16) £348,418,000 of debt was converted into equity, being:

- 5,000,000 A Ordinary shares of £0.00001 each;
- 8,550,000 A Preference shares of £0.00001 each;
- 17,850,000 B preference shares of £0.00001 each;
- 18,000,000 C Preference shares of £0.00001 each.

The shares were fully paid and the conversion resulted in a share premium arising of £348,417,000 (see note 19). On the same date the following shares were newly issued at par:

- 4,090,000 B Ordinary shares of £0.00001 each;
- 950,000 A Preference shares of £0.00001 each;
- 2,150,000 B preference shares of £0.00001 each;
- 2,000,000 C Preference shares of £0.00001 each;
- 500,000 Z Preference shares of £0.00001 each.

The Ordinary shares all carry the same voting rights, and an equal share of 99.9% of any proposed distribution of profits. None of the Preference shares or Deferred Fixed Dividend shares carry any voting rights, and are entitled to an equal share of 0.1% of any proposed distribution of profits.

## 19 Share premium account

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 April.....	<b>240,114</b>	229,950	<b>240,114</b>	229,950
Premium on shares issued during the period (note 18).....	<b>348,417</b>	10,164	<b>348,417</b>	10,164
<b>At 31 March .....</b>	<b>588,531</b>	240,114	<b>588,531</b>	240,114

## 20 Profit and loss reserve

	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>Group</b>		<b>Company</b>	
At 1 April.....	<b>(853,095)</b>	(381,198)	<b>(240,755)</b>	(89,346)
Loss for the financial period .....	<b>(21,378)</b>	(471,610)	<b>1,759</b>	(151,409)
Issue of new shares (note 18).....	—	—	<b>(348,418)</b>	—
Other movement .....	<b>(55)</b>	—	—	—
Actuarial (loss) / gain on pension scheme .....	<b>(800)</b>	(377)	—	—
Movement on deferred tax relating to pension scheme .....	<b>184</b>	90	—	—
<b>At 31 March .....</b>	<b>(875,144)</b>	(853,095)	<b>(587,414)</b>	(240,755)

## 21 Merger reserve

	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>Group</b>		<b>Company</b>	
<b>At 1 April and at 31 March.....</b>	<b>294,006</b>	294,006	—	—



## 22 Reconciliation of movements in shareholders' funds/(deficit)

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Loss for the financial period .....	(21,378)	(471,610)	1,759	(151,409)
Actuarial loss on pension scheme .....	(800)	(377)	—	—
Movement on deferred tax relating to pension scheme .....	184	90	—	—
Other movement .....	(55)	—	(1)	—
Issue of shares (note 18) .....	1	329	1	329
Movement on merger reserve (note 21) .....	—	294,006	—	—
Premium on shares converted from debt (note 19) .....	348,417	10,164	—	10,164
<b>Net change in shareholders' funds/(deficit) .....</b>	<b>326,369</b>	<b>(167,398)</b>	<b>1,759</b>	<b>(140,916)</b>
Shareholders' (deficit)/funds at 1 April .....	(318,382)	(150,984)	(48)	140,868
<b>Shareholders' funds/(deficit) at 31 March .....</b>	<b>7,987</b>	<b>(318,382)</b>	<b>1,711</b>	<b>(48)</b>

## 23 Reconciliation of operating profit/(loss) to net cash flow from operating activities

	2013 £'000	2012 £'000
Operating profit/(loss) .....	23,392	(372,194)
Share of loss in associated undertakings .....	(9)	(3)
Depreciation charge (net of loss/ (profit) on disposals) and impairment of tangible fixed assets .....	2,185	7,719
Amortisation and impairment of goodwill .....	16,586	371,246
(Increase)/Decrease in land held for development .....	(18,462)	4,855
Decrease/(Increase) in stocks and work in progress .....	(1,933)	(8,414)
Decrease in debtors .....	17,306	4,225
(Decrease)/Increase in creditors .....	(13,927)	12,569
(Decrease)/Increase in provisions .....	(2,422)	3,035
Difference between pension charge and cash contributions .....	559	69
<b>Net cash flow from operating activities .....</b>	<b>23,275</b>	<b>23,107</b>

## 24 Reconciliation of net cash flow to movement in net debt

	2013 £'000	2012 £'000
Increase in cash during the period .....	2,134	636
Repayment of loans .....	8,823	1,501
<b>Change in net debt resulting from cash flows .....</b>	<b>10,957</b>	<b>2,137</b>
Other non cash items:		
Acquisition of subsidiary .....	—	(158,689)
Debt to equity swap (note 18) .....	348,418	304,170
Net movement of debt issue costs .....	(540)	(8,701)
Accrual for debt finance costs .....	(35,793)	(55,876)
<b>Movement in net debt in the year .....</b>	<b>323,042</b>	<b>83,041</b>
Net debt at 1 April .....	(615,094)	(698,135)
<b>Net debt at 31 March .....</b>	<b>(292,052)</b>	<b>(615,094)</b>

## 25 Analysis of changes in net debt

	At 1 April 2012 £'000	Cash flow £'000	Other non cash changes £'000	At 31 March 2013 £'000
Cash at bank and in hand .....	8,495	2,134	—	10,629
Debt due within 1 year .....	(8,823)	8,823	—	—
Debt due after 1 year .....	(614,766)	—	312,085	(302,681)
<b>Total .....</b>	<b>(615,094)</b>	<b>10,957</b>	<b>312,085</b>	<b>(292,052)</b>



## 26 Financial commitments

At 31 March 2013 the Group had annual commitments under non-cancellable operating leases expiring as follows:

	Land and buildings		Other	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Within one year.....	264	307	662	788
Within two to five years.....	1,371	1,075	4,079	4,105
Expiring over five years.....	336	411	—	66
	<b>1,971</b>	<b>1,793</b>	<b>4,741</b>	<b>4,959</b>

The company has no annual commitments under non-cancellable operating leases.

## 27 Pension commitments

The group operates a hybrid group pension scheme, the Keepmoat Limited Group Pension Plan, with assets held in independently administered funds.

A full actuarial valuation of the defined benefit scheme was carried out at 5 April 2010 and this has been updated to 31 March 2013 by a qualified independent actuary. The scheme assets are stated at their market value at 31 March 2013. The major assumptions used by the actuary to calculate the liabilities of the Keepmoat Group Pension Plan are:

	2013 %	2012 %
Discount rate.....	4.0	4.7
Inflation rate.....	3.0	3.0
Salary increase rate.....	2.0	2.0
Increases for pension in payment.....	n/a	n/a

The mortality assumptions used were as follows:

	31 March 2013 years	31 March 2012 years
Pensioner age at 65:		
—Men.....	23.5	22.3
—Women.....	26.0	25.1
Current member age at 45:		
—Men.....	26.5	23.2
—Women.....	29.0	26.0

The assets in the Keepmoat Group Pension Plan and the expected rates of return were:

	Long-term expected rate of return 31 March 2013 %	Value 31 March 2013 £'000	Long-term expected rate of return 31 March 2012 %	Value 31 March 2012 £'000
Equities.....	6.5	5,118	7.0	4,706
Bonds.....	3.5	872	4.0	804
Cash.....	3.0	282	3.0	358
Total market value of assets.....		6,272		5,868
Present value of scheme liabilities.....		(5,527)		(4,840)
Pension scheme surplus.....		745		1,028
Related deferred tax liability.....		(172)		(247)
Net pension asset.....		573		781

## Reconciliation of present value of scheme liabilities

	31 March 2013 £'000	31 March 2012 £'000
Opening defined benefit obligation .....	4,840	4,679
Current service cost .....	97	77
Interest cost .....	227	257
Actuarial losses recognised in the year .....	784	9
Benefits paid .....	(421)	(182)
<b>Closing defined benefit obligation .....</b>	<b>5,527</b>	<b>4,840</b>

## Reconciliation of fair value of scheme assets

	31 March 2013 £'000	31 March 2012 £'000
Opening fair value of plan assets .....	5,868	6,010
Expected return on scheme assets .....	372	400
Actuarial gains/(losses) recognised in the year .....	373	(368)
Employer contributions .....	122	126
Employee contributions .....	41	49
Benefits paid .....	(421)	(182)
Expenses paid .....	(83)	(167)
<b>Closing fair value of plan assets .....</b>	<b>6,272</b>	<b>5,868</b>

Scheme assets do not include any of Group's Limited own financial instruments, or any property occupied by group.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed asset interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long term real rates experienced in respective markets.

## Analysis of amounts charged to the profit and loss account:

	2013 £'000	2012 £'000
<b>Operating profit</b>		
Expenses paid .....	83	167
Current service cost .....	97	77
	<b>180</b>	<b>244</b>

	2013 £'000	2012 £'000
<b>Other finance income</b>		
Expected return on pension scheme assets .....	372	400
Interest on pension scheme liabilities .....	(227)	(257)
Net return .....	<b>145</b>	<b>143</b>

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
<b>History of experience gains and losses</b>					
Defined benefit obligation .....	(5,527)	(4,840)	(4,679)	(4,841)	(38,150)
Plan assets .....	6,272	5,868	6,010	6,080	4,516
Surplus .....	745	1,028	1,331	1,239	701
Experience adjustments on plan assets .....	373	(368)	72	1,396	(1,449)
Experience adjustment on plan liabilities .....	(242)	(32)	(233)	(380)	615
Total actuarial gains and losses recognised in the statement of recognised gains and losses .....	<b>(411)</b>	<b>(377)</b>	<b>52</b>	<b>366</b>	<b>(382)</b>

The pension cost charged to the profit and loss account in respect of the defined contribution scheme was £2,608,000 (2012: £1,860,000) representing contributions payable in the period. Contributions due to the Keepmoat Group Pension Plan at year end were £212,000 (2012: £239,063).

Following the merger with Apollo the Group also participates in the Derbyshire County Council Pension Fund defined benefit pension scheme as certain employees were transferred to the group on the winning of a particular contract. The fund is a multi-employer fund and the Group is responsible for funding pension benefits for its employees only. Assets are held in independently administered funds.

A full actuarial valuation of the defined benefit scheme was last carried out at 31 March 2010 and this has been updated to 31 March 2013 by a qualified independent actuary. The scheme assets are stated at their market value at 31 March 2013. The major assumptions used by the actuary to calculate the liabilities of pension fund are:

	2013 %	On acquisition %
Discount rate .....	4.2	4.9
Inflation rate .....	2.4	2.5
Salary increase rate .....	4.15	4.25
Increases for pension in payment.....	2.4	2.5

The mortality assumptions used were as follows:

	31 March 2013 years	On acquisition years
Pensioner age at 65:		
—Men .....	22.2	21.8
—Women.....	24.8	24.4
Current member age at 45:		
—Men .....	24.0	23.2
—Women.....	26.8	26.0

The assets in the pension fund and the expected rates of return were:

	Long-term expected rate of return 31 March 2013 %	Value 31 March 2013 £'000	Long-term expected rate of return on acquisition %	Value on acquisition £'000
Equities .....	7.0	3,104	7.0	2,605
Bonds .....	3.4	940	3.6	892
Other .....	5.7	282	6.0	260
Cash .....	0.5	376	0.5	296
Total market value of assets.....		4,702		4,053
Present value of scheme liabilities.....		(5,753)		(4,745)
Pension scheme deficit.....		(1,051)		(692)
Related deferred tax asset .....		242		166
Net pension liability .....		(809)		(526)

#### Reconciliation of present value of scheme liabilities

	31 March 2013 £'000
1 April .....	—
Business combinations (note 32) .....	4,745
Current service cost.....	150
Interest cost .....	234
Actuarial losses recognised in the year .....	651
Member contributions .....	51
Benefits paid .....	(78)

<b>31 March</b> .....	<b>5,753</b>
-----------------------	--------------

#### Reconciliation of fair value of scheme assets

	31 March 2013 £'000
1 April .....	—
Business combinations (note 32) .....	4,053
Expected return on scheme assets .....	226
Actuarial gains recognised in the year .....	329
Employer contributions .....	121
Employee contributions .....	51
Benefits paid .....	(78)
<b>31 March</b> .....	<b>4,702</b>

Scheme assets do not include any of the Group's own financial instruments, or any property occupied by group.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed asset interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long term real rate experienced in respective markets.

#### Analysis of amounts charged to the profit and loss account:

	2013 £'000
<b>Operating profit</b> .....	<b>150</b>
Current service cost .....	150

	2013 £'000
<b>Other finance expense</b> .....	<b>226</b>
Expected return on pension scheme assets .....	(234)
Interest on pension scheme liabilities .....	(8)
Net expense .....	(8)

	2013 £'000
<b>History of experience gains and losses</b> .....	<b>(5,753)</b>
Defined benefit obligation .....	4,702
Plan assets .....	(1,051)
Deficit .....	329
Experience adjustments on plan assets .....	(651)
Experience adjustment on plan liabilities .....	(322)
Total actuarial gains and losses recognised in the statement of recognised gains and losses .....	(322)

Following the merger with Apollo the Group also participates in the Cambridgeshire County Council Pension Fund defined benefit pension scheme as certain employees were transferred to the group on the winning of a particular contract. The fund is a multi-employer fund and the Group is responsible for funding pension benefits for its employees only. Assets are held in independently administered funds.

A full actuarial valuation of the defined benefit scheme was last carried out at 31 March 2010 and this has been updated to 31 March 2013 by a qualified independent actuary. The scheme assets are stated at their market value at 31 March 2013. The major assumptions used by the actuary to calculate the liabilities of pension fund are:

	2013 %	On acquisition %
Discount rate .....	4.5	5.4
Salary increase rate .....	5.1*	5.1*
Increases for pension in payment .....	2.8	2.8

\* Salary increases are assumed to be 1% pa until 31 March 2016 reverting to the long term assumption thereafter.

The mortality assumptions used were as follows:

	31 March 2013 years	On acquisition years
Pensioner age at 65:		
—Men.....	21.0	21.0
—Women.....	23.8	23.8
Current member age at 45:		
—Men.....	22.9	22.9
—Women.....	25.7	25.7

The assets in the pension fund and the expected rates of return were:

	Long-term expected rate of return 31 March 2013 %	Value 31 March 2013 £'000	Long-term expected rate of return on acquisition %	Value on acquisition £'000
Equities .....	5.8	2,258	7.1	1,710
Bonds .....	2.9	416	4.0	292
Other .....	3.9	208	5.1	180
Cash .....	3.0	89	4.2	67
Total market value of assets.....		2,971		2,249
Present value of scheme liabilities.....		(3,140)		(2,329)
Pension scheme deficit.....		(169)		(80)
Related deferred tax asset.....		39		19
Net pension liability.....		(130)		(61)

#### Reconciliation of present value of scheme liabilities

	31 March 2013 £'000
1 April .....	—
Business combinations (note 32) .....	2,329
Current service cost.....	252
Interest cost .....	233
Actuarial losses recognised in the year .....	249
Member contributions .....	77
<b>31 March</b> .....	<b>3,140</b>

#### Reconciliation of fair value of scheme assets

	31 March 2013 £'000
1 April .....	—
Business combinations (note 32) .....	2,249
Expected return on scheme assets.....	267
Actuarial gains recognised in the year .....	182
Employer contributions.....	196
Employee contributions .....	77
<b>31 March</b> .....	<b>2,971</b>

Scheme assets do not include any of the Group's own financial instruments, or any property occupied by group.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed asset interest investments are based on gross

redemption yields as at the balance sheet date. Expected returns on equity investments reflect long term real rate experienced in respective markets.

#### Analysis of amounts charged to the profit and loss account:

	2013 £'000
<b>Operating profit</b>	<b>252</b>
Current service cost .....	<b>252</b>

	2013 £'000
<b>Other finance income</b>	<b>267</b>
Expected return on pension scheme assets .....	<b>(233)</b>
Interest on pension scheme liabilities .....	<b>34</b>
Net income .....	<b>34</b>

	2013 £'000
<b>History of experience gains and losses</b>	<b>(3,140)</b>
Defined benefit obligation .....	<b>2,971</b>
Plan assets .....	<b>(169)</b>
Deficit .....	<b>182</b>
Experience adjustments on plan assets .....	<b>(249)</b>
Experience adjustment on plan liabilities .....	<b>(67)</b>
Total actuarial gains and losses recognised in the statement of recognised gains and losses .....	<b>(67)</b>

#### 28 Minority interests

	2013 £'000	2012 £'000
<b>At 1 April and 31 March</b> .....	<b>611</b>	611

Minority interests relate to Evolve Built for Life Limited, which is the maximum amount of funding that will be provided by the minority partner under the joint agreement and therefore is not a share of liabilities on percentage ownership.

There was no minority interest relating to KGP (SHC) Limited in the current year (2012: £nil).

#### 29 Related party disclosures

The Company has 50% of the voting rights in the following companies, except where indicated. Details of its significant transactions are summarised as follows:

##### (a) Durham Villages Regeneration Limited

Under agreements between Keepmoat Homes Limited, Durham Villages Regeneration Limited and Durham City Council (on 1 April 2010 Durham City Council merged into the Unitary Authority of Durham County Council), Keepmoat Homes Limited has a license to build on land owned by Durham Villages Regeneration Limited. Keepmoat Homes is a wholly owned subsidiary of Keepmoat Limited. Durham Villages Regeneration Limited is a company in which Keepmoat Limited holds a 50% interest. During year the value of services provided under this arrangement to Durham Villages Regeneration Limited amounted to £332,000 (2012: £389,000). At 31 March 2013, the amounts owed by Durham Villages Regeneration Limited amounted to £299,000 (2012: £404,000).

Keepmoat Limited provided a medium term loan to Durham Villages Regeneration Limited for a principal sum of £7,887,088. At 31 March 2013 the amount due from Durham Villages Regeneration Limited, which includes accrued interest, was £nil (2012: £1,242,816). Interest is accruing at 1% above the Bank of England base rate. Interest charged for the year was £4,388 (2012: £40,560). Keepmoat Limited also provided certain other services in the year totalling £8,000 (2012: £10,000).

Castle 1 Limited (the holding company of Keepmoat Limited) surrendered losses by way of consortium relief to Durham Villages Regeneration Limited. The total amount owed to Castle 1 Limited under these arrangements at 31 March 2013 was £25,000 (2012: £53,000).



## **(b) SOAR Build Limited**

SOAR Build Limited is a company which Keepmoat Limited holds a 50% interest in. During the year, SOAR Build Limited provided services to Frank Haslam Milan & Company Limited and Bramall Construction Limited. Amounts charged by SOAR Build Limited to the Group during the year were £1,098,000 (2012: £1,141,000). Frank Haslam Milan & Company and Bramall Construction Limited also charged SOAR Build Limited for services during the year amounting to £411,000 (2012: £324,000). At the balance sheet date SOAR Build Limited owed the group £250,000 (2012: £90,000). Keepmoat Limited also provided certain other services in the year totalling £nil (2012: £24,000).

## **(c) Thurston Group Limited**

Evolve Built for Life Limited, a company which Keepmoat Limited holds 55% interest in, charged management fees amounting to £nil to Thurston Group Limited, a 45% shareholder in Evolve Built for Life Limited (2012: £679,500). At 31 March 2013 Evolve Built for Life Limited owed £637,361 to Thurston Group Limited (2012: £637,361).

## **(d) Sheffield Housing Company Limited**

Sheffield Housing Company Limited is an entity in which Keepmoat Limited holds a 45% interest. At 31 March 2013 Sheffield Housing Company Limited owed £3,065,000 (2012: £507,000) to KGP (SHC) Limited, a 90% owned subsidiary of the Group.

## **30 Contingent liabilities**

The Group has entered into performance guarantees in the normal course of business which, at 31 March 2013, amounted to £27,141,000 (2012: £34,041,000). In the opinion of the directors, no loss will arise in respect of these guarantees.

The company has given guarantees in respect of the bank borrowings of its subsidiary companies. At 31 March 2013 borrowings covered by the guarantees amounted to £303,375,000 (2012: £624,823,000). The guarantees are in the form of a fixed charge over freehold land and building and floating charges over the assets of the certain group companies.

At 31 March 2013 the Group had a Revolving Credit Facility with a maximum facility of £125,000,000 (2012: £75,000,000) of which the overdraft is capped at £20,000,000 (2012: £19,890,000). At 31 March 2013 and at 31 March 2012 the group was in a net cash position.

## **31 Ultimate controlling party**

The directors do not believe there to be one ultimate controlling party.

## **32 Acquisition**

Keepmoat Limited, a subsidiary of the company, acquired Conquest Bidco Limited and its subsidiaries on 23 March 2012 for £1,984,000 inclusive of transaction related expenses. The results of the companies acquired are included in the consolidated balance sheet and profit and loss account from this date.

In calculating the goodwill arising on acquisition, the previous fair value of the net assets of Conquest Bidco Limited and its subsidiaries has been revised during the year. Details of the previous and revised amounts are summarised in the following table:

	Previous fair value £'000	Fair value adjustments £'000	Revised fair value £'000
<b>Conquest Bidco Limited acquisition</b>			
Tangible fixed assets (note 10) .....	4,069	(835)	<b>3,234</b>
Stock .....	3,591	—	<b>3,591</b>
Debtors.....	72,327	—	<b>72,327</b>
Cash .....	13,269	—	<b>13,269</b>
Creditors .....	(92,421)	(370)	<b>(92,791)</b>
Loans and derivatives .....	(158,689)	—	<b>(158,689)</b>
Provisions .....	(384)	—	<b>(384)</b>
Pension scheme liability .....	—	(587)	<b>(587)</b>
Net liabilities acquired .....	<b>(158,238)</b>	<b>(1,792)</b>	<b>(160,030)</b>

The revision of £1,792,000 to previous fair value relates to: further impairment to the value of property held at the date of acquisition; IT costs that related to the acquisition but weren't accrued; and defined benefit pension schemes that were transferred on commencement of contracts.

This is recorded as an adjustment to the Group's goodwill arising on consolidation.

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# **Lakeside 1 Limited**

**Annual report and financial statements  
for the year ended 31 March 2012**

**Lakeside 1 Limited**

**Annual report and financial statements  
for the year ended 31 March 2012**

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## **Lakeside 1 Limited**

### **Directors and advisers for the year ended 31 March 2012**

#### **Directors**

T Allison (Resigned 23 March 2012)  
A Birkett (Appointed 29 August 2012)  
D Blunt (Resigned 10 July 2012)  
C Bovis (Resigned 23 March 2012)  
D Bridges (Appointed 15 May 2012)  
D Cowie (Resigned 23 March 2012)  
A Hickling (Resigned 23 March 2012)  
P Hindley (Resigned 22 October 2012)  
N McCallum (Appointed 23 March 2012; Resigned 22 October 2012)  
N Scragg (Appointed 23 March 2012; Resigned 22 October 2012)  
D Sheridan (Appointed 23 March 2012)  
I Sutcliffe (Appointed 10 January 2012; Resigned 22 October 2012)  
J Thirlwall (Resigned 22 October 2012)  
J Thomson (Appointed 15 May 2012)  
P Warry (Appointed 23 March 2012)

#### **Registered office**

The Waterfront  
Lakeside Boulevard  
Doncaster  
South Yorkshire  
DN4 5PL

#### **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
1 East Parade  
Sheffield  
S1 2ET

#### **Solicitors**

Allen & Overy LLP  
One Bishops Square  
London  
E1 6AD

#### **Bankers**

Bank of Scotland  
Level Three  
New Ueberior House  
11 Grey Street  
Edinburgh  
EH3 9BN

## **Lakeside 1 Limited**

### **Independent auditors' report to the members of Lakeside 1 Limited**

We have audited the group and parent company financial statements (the “financial statements”) of Lakeside 1 Limited for the year ended 31 March 2012 which comprise the consolidated profit and loss account, the statement of group total recognised gains and losses, group and parent company balance sheets, the consolidated cash flow statement, the statement of accounting policies and the related notes. 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).

#### **Respective responsibilities of directors and auditors**

As explained more fully in the statement of directors' responsibilities set out on page 24 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### **Scope of the audit of the financial statements**

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

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2012 and of the group's loss and cash flows 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 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.

**Ian Marsden (Senior Statutory Auditor)**

**For and on behalf of PricewaterhouseCoopers LLP**

Chartered Accountants and Statutory Auditors

Sheffield

1 November 2012



**Lakeside 1 Limited**

**Consolidated profit and loss account  
for the year ended 31 March 2012**

	Note	2012 £'000	2011 £'000
Turnover			
—Continuing operations .....		663,486	677,103
—Acquisitions .....		12,591	—
<b>Group turnover</b> .....	1	676,077	677,103
Cost of sales .....		(625,805)	(572,216)
<b>Gross profit</b> .....		50,272	104,887
Administration expenses .....		(422,466)	(73,157)
<b>Group operating profit before exceptional items and goodwill amortisation</b> .....		32,243	67,230
Exceptional items .....	6	(373,936)	(5,175)
Amortisation .....	9	(30,501)	(30,325)
Operating (loss) / profit			
—Continuing operations .....		(341,815)	31,730
—Acquisitions .....		(30,379)	—
<b>Group operating (loss) / profit</b> .....	4	(372,194)	31,730
Share of operating loss in associated undertakings .....		(3)	—
<b>Total operating (loss) / profit: group and share of associated undertakings</b> .....		(372,197)	31,730
Net interest payable .....	5	(100,375)	(117,709)
<b>Loss on ordinary activities before taxation</b> .....		(472,572)	(85,979)
Tax on loss on ordinary activities .....	7	962	(2,912)
<b>Loss on ordinary activities after taxation</b> .....		(471,610)	(88,891)
Equity minority interests .....	28	—	611
<b>Loss for the financial year</b> .....	20	(471,610)	(88,280)

There is no difference between the profit on ordinary activities and the retained loss for the year stated above and their historical cost equivalents.

**Lakeside 1 Limited**

**Statement of group total recognised gains and losses  
for the year ended 31 March 2012**

	<b>Note</b>	<b>2012 £'000</b>	<b>2011 £'000</b>
Loss for the financial year .....		<b>(471,610)</b>	(88,280)
Actuarial (loss) / gain on pension scheme .....	27	<b>(377)</b>	52
Movement on deferred tax relating to pension asset.....	7	<b>90</b>	(14)
<b>Total recognised losses for the year</b> .....	<b>20</b>	<b>(471,897)</b>	(88,242)

**Lakeside 1 Limited**

**Balance sheets as at 31 March 2012**

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Assets</b>					
<b>Fixed assets</b>					
Intangible assets.....	9	287,522	498,473	—	—
Tangible assets.....	10	12,746	15,105	—	—
Investments.....	11	—	—	96	—
Pension asset.....	27	781	985	—	—
		<b>301,049</b>	<b>514,563</b>	<b>96</b>	<b>—</b>
<b>Current assets</b>					
Land held for and under development .....	12	26,752	31,607	—	—
Stocks and work in progress .....	13	55,870	43,865	—	—
Debtors—amounts falling due after more than one year.....	14	23,833	23,055	—	—
Debtors—amounts falling due within one year .....	14	175,891	110,014	1,916	155,374
Cash at bank and in hand .....		8,495	7,859	2	14
		<b>290,841</b>	<b>216,400</b>	<b>1,918</b>	<b>155,388</b>
<b>Total assets</b> .....		<b>591,890</b>	<b>730,963</b>	<b>2,014</b>	<b>155,388</b>
<b>Liabilities</b>					
<b>Capital and reserves</b>					
Called up share capital.....	18	593	264	593	264
Share premium account .....	19	240,114	229,950	240,114	229,950
Merger reserve.....	21	294,006	—	—	—
Profit and loss reserve.....	20	(853,095)	(381,198)	(240,755)	(89,346)
<b>Total shareholders' (deficit) / funds</b> .....	22	<b>(318,382)</b>	<b>(150,984)</b>	<b>(48)</b>	<b>140,868</b>
<b>Minority interests</b> .....	28	<b>(611)</b>	<b>(611)</b>	<b>—</b>	<b>—</b>
<b>Capital employed</b> .....		<b>(318,993)</b>	<b>(151,595)</b>	<b>(48)</b>	<b>140,868</b>
<b>Other liabilities</b>					
Bank loans due after one year.....	16	614,766	446,266	—	—
Shareholders financing due after one year.	16	—	259,728	—	13,896
Other creditors falling due in under one year .....	15	290,838	174,704	2,062	624
		<b>905,604</b>	<b>880,698</b>	<b>2,062</b>	<b>14,520</b>
<b>Provisions for liabilities</b> .....	17	<b>5,279</b>	<b>1,860</b>	<b>—</b>	<b>—</b>
<b>Total liabilities</b> .....		<b>591,890</b>	<b>730,963</b>	<b>2,014</b>	<b>155,388</b>

The financial statements on pages 28 to 68 were approved by the board of directors on 1 November 2012 and were signed on its behalf by:

**J Thomson**

*Group Chief Financial Officer*

**Lakeside 1 Limited**

**Consolidated cash flow statement for the year ended  
31 March 2012**

	Note	2012 £'000	2011 £'000
<b>Net cash inflow from operating activities</b> .....	23	<b>23,107</b>	46,660
<b>Returns on investment and servicing of finance</b>			
Interest received .....		55	—
Interest paid .....		<b>(31,945)</b>	(41,220)
Net cash outflow from returns on investment and servicing of finance .....		<b>(31,890)</b>	(41,220)
<b>Taxation</b>			
UK corporation tax refund / (paid) .....		596	(188)
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets .....	10	<b>(1,290)</b>	(2,603)
Sale of tangible fixed assets .....		—	65
Net cash outflow for capital expenditure and financial investment .....		<b>(1,290)</b>	(2,538)
<b>Acquisitions</b>			
Purchase of subsidiary undertakings .....	33	<b>(1,984)</b>	—
Net cash acquired with subsidiary undertakings .....	33	<b>13,269</b>	—
Net cash inflow for acquisitions .....		<b>11,285</b>	—
<b>Financing</b>			
Proceeds from issue of ordinary share capital .....	18	329	—
Decrease in borrowings .....	24	<b>(1,501)</b>	(6,267)
Net cash outflow from financing .....		<b>(1,172)</b>	(6,267)
<b>Increase / (decrease) in cash</b> .....	24	<b>636</b>	(3,553)

## **Lakeside 1 Limited**

### **Statement of accounting policies**

#### **Basis of accounting**

The group financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

#### **Going concern**

The Directors have considered the adequacy of the Group's Financial Resources through a review of the financial projections for the business, taking into account the new facilities available to the Group following the refinancing on 23 October 2012. The Directors have also considered the covenants attaching to the new facilities and the likely level of headroom available to the Group. After careful consideration the Directors are satisfied that the Group and company have adequate resources to continue in operation for the foreseeable future. For this reason the Directors continue to apply the going concern basis in preparing the accounts.

#### **Basis of consolidation**

The group profit and loss account and balance sheet include the audited financial statements of the company and all of its subsidiaries prepared to the end of the financial year. The results of subsidiaries acquired are included in the consolidated profit and loss account from the date control passed to the group. Uniform accounting policies have been adopted across the group and all intra-group sales and profits are fully eliminated on consolidation.

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities are recorded at their fair values reflecting their condition at that date.

Any interest rate derivatives held by the acquired subsidiary are also recorded at fair value using the provider's valuation on the date of acquisition. In-the-money derivatives are carried as a financial asset in the balance sheet, while out-of-the-money derivatives are carried as a financial liability.

#### **Joint ventures and associates**

Joint ventures compromise investments in undertakings where the group holds an interest on a long-term basis and jointly controls the commercial and financial policy of the venture with one or more other ventures under a contractual arrangement. The group's share of the result of its investment in joint ventures is included in the consolidated profit and loss account if material to the group. In the consolidated balance sheet the investment in joint ventures is included as the group share of net assets of the year end.

Associated undertakings are entities over which the group has significant influence. The group's share of the profits less losses of associated undertakings net of tax, interest and non-controlling interests is included in the consolidated profit and loss account and the group's share of net assets is shown within interests in associates in the consolidated balance sheet. The group's share of associates with net liabilities are shown within other provisions.

The group's share of the profits less losses and net assets is based on current information produced by the undertakings, adjusted to conform with the accounting policies of the group.

Associates and joint ventures are shown in the parent company balance sheet at cost less any amounts written off for permanent diminution in value.

#### **Turnover and profit recognition:**

##### ***Private house building, property development and land sales***

Turnover and profits on private house building developments and land sales are included in the financial statements on legal completion. Where house sales include an interest free loan provided by the group to the customer in respect of an element of the sale value (shared equity house sales), this is recognised in turnover net of discounting using an estimated financing cost.

## **Contracts**

Turnover and profit on short term contracts are recognised when the contracts have been completed. Turnover on long-term contracts represents the value of work done, and excludes value added tax and trade discounts. For long term contracts attributable profits are calculated based on the Directors' estimate of total forecast value less total forecast costs and are recognised based on the proportion of cost incurred to date compared to total costs expected to be incurred.

Attributable profits are not recognised until the point at which the outcome of the contract can be assessed with reasonable certainty. Provision is made for losses on all long-term contracts as soon as such losses become apparent.

Claims on customers or third parties for variations to the original contract are recognised in the profit and loss account once entitlement to the claim has been established. Claims by customers or third parties in respect of work carried out are recognised in the profit and loss account once the obligation to transfer economic benefit has become probable.

## **Intangible assets—goodwill**

Goodwill arising on consolidation is recorded at cost, which includes associated costs of acquisition, less the fair value of assets acquired and any amounts written off for permanent diminution in value. Goodwill is being amortised over its useful economic life, which is estimated to be 20 years.

Where relevant impairment triggers are identified an impairment review is performed and any resulting impairment charge is accounted for in the year it arises. The carrying value is the higher of value in use and recoverable value. Value in use is derived from cash flow projections discounted to net present value at an appropriate discount rate.

## **Exceptional items**

Exceptional items are material items which fall within the ordinary activities of the Group and which need to be disclosed by virtue of their size or incidence. Such items are included within operating profit unless they represent profits or losses on the sale or termination of an operation; costs of a fundamental reorganisation or restructuring having a material effect on the nature and focus of the Group's operations; profits or losses on the disposal of fixed assets; or provisions in respect of such items. In these cases, separate disclosure is provided on the face of the profit and loss account after operating profit.

## **Tangible fixed assets and depreciation**

Tangible fixed assets are stated at their historic purchased cost less accumulated depreciation.

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual value, on a straight line basis over their estimated useful economic lives. The principal annual rates used for this purpose are:

	<u>%</u>
Freehold properties .....	2
Long leasehold properties .....	Over the term of the lease
Equipment, plant and vehicles .....	10 - 25
Fixtures, fittings and office equipment .....	10 - 33

No depreciation is provided on freehold land.

## **Operating leases**

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

## **Stocks, work in progress and land held for and under development**

House developments in progress are valued at the lower of cost and net realisable value. Cost comprises direct expenditure, together with an appropriate proportion of production overheads. Net realisable value represents the estimated amount at which stock could be realised after allowing for costs of completion and realisation.

Land held for and under development includes land purchase costs and costs directly attributable to enhancing land value.

Long-term contract balances are included in the balance sheet at the value of turnover less the value of progress payments certified and receivable. The value of progress payments not yet certified is treated as receivable in respect of work completed, or measurable parts thereof, and is stated after making allowance for irrecoverable amounts. Where turnover exceeds progress payments the net balance is included in debtors as amounts recoverable on contracts

### **Shared equity debtors**

Loans and receivables due from customers on 'Shared Equity' scheme sales, whereby the group has provided a portion of the finance of a house sale, are included as debtors due after one year. These receivables are held at discounted present value less any impairment. The amount is then increased to settlement value over the settlement period via finance income.

### **Deferred taxation**

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax is not provided on timing differences arising from revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

### **Government grants**

Government grants are recognised at fair value when there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Grants related to purchase of assets are treated as deferred income and allocated to the profit and loss account over the useful lives of the related assets while grants related to expenses are treated as other income in the income statement.

### **Investments**

Investments in subsidiaries and associated undertakings are shown at cost less any amounts written off for permanent diminution in value. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

### **Pension scheme arrangements**

The group operates a hybrid group pension scheme, the Keepmoat Limited Group Pension Plan, the assets of which are held in independently administered funds. Contributions and pension costs are based on pension costs across the group as a whole.

The group has applied the multi-employer exemption provisions of FRS17. The scheme is accounted for as a defined contribution scheme, charging contributions to the scheme when they become payable.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The increase in the present value of the liabilities of the group's defined benefit pension scheme expected to arise from employee service in the period is charged to operating profit. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in net interest. Actuarial gains and losses are recognised in the consolidated statement of total recognised gains and losses. Pension scheme surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet net of related deferred tax.

### **Provisions**

Provisions for remedial contract provisions, vacant property obligations and restructuring costs are recognised when: the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.



# Lakeside 1 Limited

## Notes to the financial statements for the year ended 31 March 2012

### 1 Turnover

Turnover, as defined in the statement of accounting policies, excludes value added tax and relates wholly to operations in the United Kingdom.

The directors regard the group as operating in one segment, the refurbishment and construction of residential dwellings.

### 2 Employee information

	2012 £'000	2011 £'000
Wages and salaries.....	84,571	94,462
Social security costs.....	8,814	9,142
Pensions costs .....	1,929	1,780
<b>Staff costs</b> .....	<b>95,314</b>	<b>105,384</b>

The average monthly number of persons employed by the group (including executive directors) during the year, all of whom are engaged in the group's principal activities, was as follows:

	2012 Number	2011 Number
<b>By activity</b>		
Production.....	1,714	1,997
Selling and distribution.....	57	47
Administration .....	902	873
	<b>2,673</b>	<b>2,917</b>

At 31 March 2012 the Group directly employed 3,200 people across the UK (2011: 2,900).

The company does not have any employees.

### 3 Directors' emoluments

	2012 £'000	2011 £'000
Aggregate emoluments .....	1,925	2,153
Compensation for loss of office.....	886	—
Company pension contributions to money purchase scheme.....	62	73
	<b>2,873</b>	<b>2,226</b>

Retirement benefits are accruing to four (2011: five) directors under a money purchase pension scheme.

	2012 £'000	2011 £'000
<b>Highest paid director</b>		
Aggregate emoluments .....	627	584
Compensation for loss of office.....	426	—
Company pension contributions to money purchase scheme.....	19	25

### 4 Operating (loss) / profit

	2012 £'000	2011 £'000
--	---------------	---------------

Operating (loss) / profit is stated after charging / (crediting):

Depreciation of tangible fixed assets—owned asset.....	<b>1,901</b>	2,384
Loss / (profit) on disposal of fixed assets .....	<b>90</b>	(56)
Amortisation of goodwill.....	<b>30,501</b>	30,325
Operating lease rentals:		
– plant and machinery	<b>8,691</b>	7,938
– other	<b>1,527</b>	1,590
Exceptional items (note 6) .....	<b>373,936</b>	5,175
Auditors' remuneration for:		
– audit of the company and consolidated accounts	<b>20</b>	10
– audit of subsidiaries of the company	<b>235</b>	190
– services relating to taxation	<b>167</b>	224
– services relating to corporate finance	<b>1,213</b>	—
– other services to the company and its subsidiaries	<b>84</b>	56

## 5 Net interest payable and similar charges

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
<b>Interest payable</b>		
Interest accruing on shareholder financing .....	<b>(55,876)</b>	(69,807)
Interest payable on bank loans.....	<b>(33,734)</b>	(45,246)
Amortisation of loan issue costs .....	<b>(8,702)</b>	(3,249)
Shared equity re-discounting .....	<b>(2,768)</b>	—
Interest payable on bank overdrafts .....	<b>(18)</b>	(127)
Interest payable on financial instrument .....	<b>(192)</b>	—
Total interest payable.....	<b>(101,290)</b>	(118,429)
<b>Interest receivable</b>		
Shared equity unwind of discount.....	<b>717</b>	598
Net return on pension scheme assets .....	<b>143</b>	122
Other interest receivable .....	<b>55</b>	—
Total interest receivable.....	<b>915</b>	720
<b>Net interest payable and similar charges</b> .....	<b>(100,375)</b>	(117,709)

Interest accruing on shareholder financing is payable on maturity of the related debt instrument. Interest payable on bank loans and overdrafts includes interest accruing and repayable on maturity debt instruments amounting to £2,264,000 (2011: £4,153,000).

Interest payable includes £2,768,000 arising from a reassessment of the expected repayment date of and discount rate associated with shared equity debtor balances brought forward as at 1 April 2011. Shared equity debtor balances which had previously been assumed to be redeemed over an average 5 year period, are now assumed to be redeemed over a 7 year period. In addition the discount rate used to reflect the time value of money has been increased to 7% (2011: 5%) representing the estimated cost to the Group of the financing arrangement.

## 6 Exceptional items

	<b>Cost of sales</b>		<b>2012</b>	<b>Cost of sales</b>	<b>Administrative</b>	<b>2011</b>
	<b>£'000</b>	<b>Administrative expenses £'000</b>	<b>Total £'000</b>	<b>£'000</b>	<b>expenses £'000</b>	<b>Total £'000</b>
Contract losses .....	16,988	—	<b>16,988</b>	—	—	—
Land impairment (see note 12).....	1,713	—	<b>1,713</b>	—	—	—
Evolve Built for Life Limited.....	1,286	—	<b>1,286</b>	1,371	1,786	3,157
Restructuring and associated costs (see note 10).....	1,049	6,639	<b>7,688</b>	—	2,018	2,018
Property impairment (see note 10).....	—	4,678	<b>4,678</b>	—	—	—
Other .....	—	838	<b>838</b>	—	—	—
	<b>21,036</b>	<b>12,155</b>	<b>33,191</b>	1,371	3,804	5,175

Goodwill impairment (see note 9).....	—	340,745	<b>340,745</b>	—	—	—
	<b>21,036</b>	<b>352,900</b>	<b>373,936</b>	1,371	3,804	5,175

### Contract losses

The exceptional contract losses relate to a small number of contracts arising in the West Midlands business unit where significant issues associated with the procurement and delivery have resulted in contract losses of such significance that they warrant a separate presentation as exceptional items.

### Land impairment

A review undertaken at the year end concluded that a further impairment was required in respect of the carrying value of land assets held for and under development (see note 12).

### Evolve Built for Life Limited

During the previous year, the Group ceased operations in Evolve, its joint venture off-site modular unit manufacturing division. While most of the costs associated with this closure were incurred in the year end 31 March 2011, £1.3m of legacy costs were incurred in 2012.

### Restructuring & associated costs

Following the merger, the Group incurred significant restructuring costs in reorganising to deliver our business plan and strategic goals. These costs comprised, redundancies and associated restructuring costs, costs in relation to vacated properties, and asset impairment following the closure of our in-house hire division Keepmoat Site Services Limited and disposal of assets.

### Property impairment

Due to prevailing market conditions it was considered prudent to perform impairment reviews on the properties owned within the group. Following the review several properties were impaired by a total of £4.7m.

### Goodwill impairment

The Group has carried out an impairment review of the goodwill held in the balance sheet. The goodwill was assessed by reference to the Group's five year business plan, using a discounted cash flow valuation. The key assumptions used in the impairment review by management were a post-tax discount rate of 12% and a long term growth assumption of 1.5%. As a result, goodwill was impaired to a fair value of £287.5m as at 31 March 2012.

### Other

Other exceptional items includes a dilapidations provision which covers all of Keepmoat's leased estate. The provision is determined based on the expected dilapidations cost per property up to the end of lease, and providing for the element up to the date of the financial statements, pro-rated on a straight line basis.

The Group also incurred exceptional costs in dismantling its photovoltaic installation business which was no longer considered viable following the Government's decision, at short notice, to bring forward the commencement date for reductions in the feed-in tariffs from March 2012 to December 2011.

## 7 Tax on loss on ordinary activities

	2012 £'000	2011 £'000
<b>Current tax</b>		
UK corporation tax on loss for the year at 26% (2011: 28%).....	—	(149)
Adjustments to tax in respect of previous periods .....	<b>(119)</b>	(99)
Total current tax credit.....	<b>(119)</b>	(248)
<b>Deferred tax</b>		
Origination and reversal of timing differences .....	<b>(1,045)</b>	2,614
Adjustment to tax charge in respect of previous period.....	—	176

Change in tax rate—impact on deferred tax asset.....	202	384
Pension cost credit in excess of pension cost relief .....	—	(14)
Total deferred tax (credit) / charge .....	(843)	3,160
<b>Tax on loss on ordinary activities</b> .....	<b>(962)</b>	<b>2,912</b>

The tax assessed for the period is higher (2011: higher) than the standard rate of corporation tax in the UK of 26% (2011: 28%). The differences are explained below:

	2012 £'000	2011 £'000
<b>Loss on ordinary activities before tax</b> .....	<b>(472,572)</b>	<b>(85,979)</b>
Loss on ordinary activities multiplied by the standard rate in the UK 26% (2011: 28%).....	(122,868)	(24,074)
Effects of:		
Expenses not deductible for tax purposes .....	98,126	16,642
Adjustments to tax in respect of previous periods .....	(119)	(99)
Depreciation in excess of capital allowances and other timing differences .....	2,275	(2,586)
Deferred tax not recognised .....	22,467	9,869
<b>Current tax credit for the year</b> .....	<b>(119)</b>	<b>(248)</b>

#### *Factors affecting current and future tax charges*

During the year, as a result of changes in the UK main corporation tax rate from 26% to 24% that was substantively enacted on 26 March 2012 and that will be effective from 1 April 2012, the relevant deferred tax balances have been re-measured at 24%.

Further reductions to the main rate are proposed in the March 2012 budget, these are expected to be enacted separately each year and propose to reduce the rate by 1% per annum to 22% by 1 April 2014. None of these rate reductions had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. The impact of proposed changes is not expected to be material.

	2012 £'000	2011 £'000	2012 £'000	2011 £'000
<b>Deferred taxation</b>				
	<b>Group</b>		<b>Company</b>	
<b>At 1 April</b> .....	<b>(1,681)</b>	(4,855)	—	—
Deferred tax (credit) / charge to profit and loss account.....	(843)	3,160	—	—
Deferred tax (credit) / charge to statement of total recognised gains and losses .....	(90)	14	—	—
Deferred tax asset arising on acquisition of subsidiary undertaking.....	(125)	—	—	—
<b>At 31 March—asset</b> .....	<b>(2,739)</b>	(1,681)	—	—
<b>Deferred taxation comprises:</b>				
Depreciation in excess of capital allowances.....	(1,739)	(1,299)	—	—
Other timing differences .....	(1,247)	(728)	—	—
<b>Deferred tax asset (note 14)</b> .....	<b>(2,986)</b>	(2,027)	—	—
Pension deferred tax liability (see below).....	247	346	—	—
<b>Deferred tax asset including pension</b> .....	<b>(2,739)</b>	(1,681)	—	—

No provision has been made for deferred tax on gains recognised on the revaluation of property at its fair value by certain subsidiaries in prior years. Such tax would become payable only if the property was sold without it being possible to claim rollover relief. The total amount not provided for is £313,000 (2011: £339,000).

A deferred tax asset amounting to £26,829,000 (2011: £18,474,000) in relation to certain losses within the group has not been recognised as the directors are of the opinion that there is doubt over its recoverability. Certain losses brought forward from the previous year have also been extinguished following changes in the ownership structure of the group.

	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Deferred tax liability relating to pension asset				

	<b>Group</b>		<b>Company</b>	
At 1 April 2011 .....	<b>346</b>	346	—	—
Deferred tax credit to profit and loss account .....	<b>(9)</b>	(14)	—	—
Deferred tax (credit) / charge in the statement of total recognised gains and losses .....	<b>(90)</b>	14	—	—
<b>At 31 March 2012</b> .....	<b>247</b>	346	—	—

The deferred tax liability of £247,000 (2011: £346,000) has been deducted in arriving at the net pension asset on the balance sheet.

## **8 Profit for the financial year**

As permitted by Section 408 of the Companies Act 2006, the parent company's profit and loss account has not been included in these financial statements. The parent company's loss for the financial year was £151,409,000 (2011: £28,092,000).

## 9 Intangible assets

	Goodwill £'000
<b>Group</b>	
<b>Cost</b>	
At 1 April 2011 .....	713,096
Additions (note 33) .....	160,295
<b>At 31 March 2012.....</b>	<b>873,391</b>
<b>Accumulated amortisation</b>	
At 1 April 2011 .....	214,623
Charge for the year .....	30,501
Impairment (note 6) .....	340,745
<b>At 31 March 2012.....</b>	<b>585,869</b>
<b>Net book value</b>	
<b>At 31 March 2012.....</b>	<b>287,522</b>
At 31 March 2011 .....	498,473

Goodwill arising on acquisitions is being amortised over the directors' estimate of its useful economic life of 20 years.

Following the refinancing and reorganisation undertaken during the year, management performed an impairment review at 31 March 2012. Based on a value in use calculation using a discount rate of 12% an impairment of £340,745,000 was made to the carrying value of goodwill and recognised as an exceptional item.

## 10 Tangible assets

	Freehold land & property £'000	Long leasehold property £'000	Plant, equipment, fixtures & fittings £'000	Total £'000
<b>Group</b>				
<b>Cost</b>				
At 1 April 2011 .....	11,033	612	9,616	21,261
Acquisition (note 33) .....	2,872	481	716	4,069
Additions .....	—	—	1,290	1,290
Disposals.....	—	—	(1,244)	(1,244)
<b>At 31 March 2012.....</b>	<b>13,905</b>	<b>1,093</b>	<b>10,378</b>	<b>25,376</b>
<b>Accumulated depreciation</b>				
At 1 April 2011 .....	1,113	36	5,007	6,156
Charge for the year .....	373	—	1,528	1,901
Impairment (note 6) .....	4,678	—	1,049	5,727
Disposals.....	—	—	(1,154)	(1,154)
<b>At 31 March 2012.....</b>	<b>6,164</b>	<b>36</b>	<b>6,430</b>	<b>12,630</b>
<b>Net book amount</b>				
<b>At 31 March 2012.....</b>	<b>7,741</b>	<b>1,057</b>	<b>3,948</b>	<b>12,746</b>
At 31 March 2011 .....	9,920	576	4,609	15,105

The company has no tangible assets at 31 March 2012 and 2011.

As part of the reorganisation undertaken during the year, management have taken the decision to wind down the activities of Keepmoat Site Services Limited. Consequently an impairment of £1,049,000 has been made to the carrying value of plant and equipment to reflect the recoverable amount of certain Keepmoat Site Services Limited assets.

A review was also undertaken of the value of the group freehold land and property as at 31 March 2012 using independent qualified valuers. This identified an impairment to the carrying value of the group's freehold property of £4,678,000 (see note 6).

## 11 Investments

	£'000
<b>Company</b>	
Cost and net book value at 1 April 2011 .....	—
Additions .....	96

The directors believe that the carrying value of investments is supported by their underlying net assets.

On 23 March 2012 the company increased its investment in its subsidiary Castle 1 Limited by £95,499. Full details of the restructuring can be found in note 18.

The company also acquired 100% of the share capital of K&A Merger Limited for £1. On 23 March 2012 the company transferred its investment in Castle 1 Limited to K&A Merger Limited for consideration of a further 1 ordinary share in K&A Merger Limited.

The following information relates to those subsidiary undertakings of which the Lakeside Group owns 100% of the ordinary share capital (except where noted) and incorporated in Great Britain whose results or financial position, in the opinion of the directors, principally affect the figures of the Group:

<b>Name of Company</b>	<b>Principal activities</b>	<b>Shareholding</b>
Castle 1 Limited.....	Intermediate holding company	100%
Bramall Construction Limited .....	Housing regeneration	100%
Frank Haslam, Milan & Company Limited .....	Housing regeneration	100%
Keepmoat Homes Limited .....	Private house building development	100%
Keepmoat Site Services Limited.....	Hire of site accommodation and motor vehicles for other Group companies	100%
Keepmoat Property Limited.....	Property development and the holding of property on behalf of other Group companies	100%
Milnerbuild Limited.....	Maintenance, improvement, refurbishment and management of homes	97%
Evolve Built for Life Limited .....	Manufacture of modular units	55%
Apollo Property Services Group Ltd .....	Property services mainly in housing regeneration, social housing development and school improvement works	100%
Apollo in Partnership Limited .....	Social housing regeneration projects within the public sector	100%
FWA West Ltd.....	Specialist building maintenance and refurbishment contractors	100%

Details of operating joint venture undertakings, all of which are incorporated in Great Britain, are as follows:

<b>Name of undertaking</b>	<b>Description of shares and proportion of nominal value of that class held</b>	<b>Proportion of voting rights held</b>	<b>Accounting year end</b>
<b>Trading</b>			
SOAR Build Limited .....	Ordinary shares of £1 each (50% held)	50%	31 March
Durham Villages Regeneration Limited ..	A class ordinary shares of £1 each (51% held)	50%	31 March
Sheffield Housing Company Limited .....	Ordinary shares of £1 each (45% held)	45%	31 March

Durham Villages Regeneration Limited is a joint venture between Keepmoat and Durham County Council. Its principal activities are private housebuilding, land sales and property development. The Company's registered office is: The Waterfront, Lakeside Boulevard, Doncaster DN4 5PL.

SOAR Build Limited is a joint venture with SOAR Enterprises Limited. Its principal activity is training local people in construction skills whilst working for major contracts as a subcontractor. The Company's registered office is: 11 Southey Hill, Sheffield, S5 8BB.

Sheffield Housing Company Limited is an associated undertaking. Its principal activity is the building of new homes in the Sheffield area. The Company's registered office is: Sheffield Town Hall, Pinstone Street, Sheffield, S1 2HH.

Details of transactions with these companies are set out in note 29.

## 12 Land held for and under development

Group	2012 £'000	2011 £'000
Land held for and under development .....	<b>26,752</b>	31,607

The Group has undertaken a detailed review of the net realisable value of land held for and under development both relating to plots currently in development, and land and phases of sites not yet in development. This review recognises the impact of lower selling prices and reduced activity levels being experienced across the business in recent years.

Net realisable value for land where construction of homes had commenced at the year end or is anticipated to commence within the next 12 months was assessed by estimating selling prices and costs (including sales and marketing expenses) taking into account current market conditions.

Land where house building had not commenced at the year end and was more likely to be sold undeveloped is assessed by re-appraising the land using current selling prices and costs for the proposed development and assuming an appropriate financial return to reflect the current housing market conditions and the prevailing financing environment.

At the year end the net realisable value provision amounts to £3.4m (2011: £7.9m) with the movement of £4.5m in the year reflecting utilisation of provisions of £6.2m and the creation of a further provision of £1.7m which has been reflected through cost of sales as an exceptional item.

This provision will be closely monitored for adequacy and appropriateness as regards under and over provision to reflect circumstances at future balance sheet dates. Any material change to the underlying provision will be reflected through cost of sales as an exceptional item.

The company had no land held for and under development at 31 March 2012 (2011: £nil)

## 13 Stocks and work in progress

Group	2012 £'000	2011 £'000
House building developments in progress .....	<b>52,615</b>	43,865
Work in progress.....	<b>3,255</b>	—
	<b>55,870</b>	43,865

The company had no stocks or work in progress at 31 March 2012 and 2011.

## 14 Debtors

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
<b>Amounts falling due after more than one year:</b>				
Amounts owed by associated undertakings				
(note 29).....	<b>1,243</b>	7,146	—	—
Shared equity debtors .....	<b>19,604</b>	13,882	—	—
Deferred tax (note 7).....	<b>2,986</b>	2,027	—	—
	<b>23,833</b>	23,055	—	—
<b>Amounts falling due within one year:</b>				
Trade debtors .....	<b>137,549</b>	87,266	—	—
Amounts recoverable on contracts.....	<b>27,829</b>	12,978	—	—
Amounts owed by group undertakings .....	—	—	<b>1,883</b>	155,362
Amounts owed by associated undertakings				
(note 29).....	<b>665</b>	123	—	—
Corporation tax recoverable.....	<b>636</b>	475	—	—
Other debtors .....	<b>5,695</b>	5,345	<b>33</b>	12
Prepayments and accrued income.....	<b>3,517</b>	3,827	—	—
	<b>175,891</b>	110,014	<b>1,916</b>	155,374

Amounts owed by associated undertakings falling due after more than one year are unsecured and carry a rate of interest 1% above the Bank of England base rate.



Amounts owed by group, parent and associated undertakings falling due within one year are unsecured, interest free and repayable on demand. At 31 March 2012 the company has impaired its amounts owed by Castle 1 Limited of £154,556,000 due to uncertainty on the ability of Castle 1 Limited to repay its debt to the company.

Long term debtors due under the 'Shared Equity' scheme are due for repayment at the earlier of 10 years, or the date on which there is a future sale of the related property. Interest is charged at a rate of 3% on certain debtor balances after 5 years, increasing each year thereafter in line with the Retail Prices Index plus 1%. Long term debtors are discounted to present value at a discount rate which reflects the estimated cost of finance for the loan.

## 15 Other creditors falling due in under one year

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Bank loans (note 16) .....	8,823	—	—	—
Trade creditors .....	195,410	112,663	144	52
Payments on account .....	33,538	29,741	—	—
Amounts owed to group undertakings .....	—	—	—	548
Amounts owed to associated undertakings (note 29) .....	1,225	305	—	—
Other taxation and social security .....	12,943	7,804	—	—
Other creditors .....	3,817	841	—	—
Accruals and deferred income .....	35,082	23,350	1,918	24
	<b>290,838</b>	<b>174,704</b>	<b>2,062</b>	<b>624</b>

Amounts owed to group and associated undertakings are unsecured, interest free and repayable on demand.

## 16 Loans and other borrowings

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
<b>Bank loans</b>				
Bank term loans .....	581,064	371,999	—	—
Revolving credit facility .....	8,823	—	—	—
Derivatives .....	34,936	—	—	—
Bank mezzanine loan .....	—	80,976	—	—
Unamortised issue costs .....	(1,234)	(6,709)	—	—
	<b>623,589</b>	<b>446,266</b>	<b>—</b>	<b>—</b>
<b>Shareholders' financing</b>				
Bank subordinated loans .....	—	251,932	—	4,108
Management loan notes .....	—	9,788	—	9,788
Unamortised issue costs .....	—	(1,992)	—	—
	<b>—</b>	<b>259,728</b>	<b>—</b>	<b>13,896</b>
Total loans and other borrowings before unamortised issue costs .....	<b>624,823</b>	<b>714,695</b>	<b>—</b>	<b>13,896</b>
Net loans and other borrowings .....	<b>623,589</b>	<b>705,994</b>	<b>—</b>	<b>13,896</b>
<b>Maturity of financial liabilities</b>				
Within one year .....	8,823	—	—	—
Between two and five years .....	616,000	452,975	—	—
In more than five years .....	—	261,720	—	13,896

### Bank financing

Loans and other borrowings are stated net of unamortised issue costs of £1,234,000 (2011: £8,701,000). These costs are allocated to the profit and loss account over the term of the facilities. Interest costs are expensed to the profit and loss account on an accruals basis. In relation to certain debt instruments, interest costs accumulate over the life of the loan and are repaid on final repayment of the relevant loan, unless described otherwise below. The total amount of interest accrued to 31 March 2012 is £764,000 (2011: £198,069,000).

On 23 March 2012 the Group had outstanding bank term loans of £457,310,000 analysed as follows:

- Term loan A £158,099,000 (2011: £158,099,000) bearing interest at 3% above LIBOR;
- Term loan B, £158,099,000 (2011: £158,099,000) bearing interest at 3.5% above LIBOR;
- Second lien term loan, £55,800,000 (2011: £55,800,000) bearing interest at 5% above LIBOR;
- Mezzanine, £85,312,000 (2011: £80,976,000) bearing cash interest at 3.5% above LIBOR, and interest of 5.25% which accumulated over the life of the loan.

The above loans were converted into a new term debt facility of £457,310,000, bearing interest at 5% above LIBOR. A further outstanding facility of £123,754,000, bearing interest at 5% above LIBOR, was also drawn down. The nature of these loans was to act as bridging loans until a full refinancing had been undertaken. This was successfully achieved on 23 October and new facilities replaced the ones outstanding at the year end (see note 32).

Bank loans and overdrafts are secured by a fixed charge over freehold land and buildings and a floating charge over the other assets of the group and are subject to cross guarantees with other companies (see note 15).

### Shareholders financing

At 23 March 2012 the Junior Subordinated Loan A of £294,006,000 (2011: £247,824,000) including accumulated interest of £169,006,000, was converted into 4,500 £1 shares in Castle 1 Limited, a wholly owned subsidiary of Lakeside 1 Limited (par value £4,500, share premium £294,001,500). These shares were subsequently contributed to Lakeside 1 Limited in exchange for 4,500 £0.005 Ordinary Shares (note 18).

At 23 March 2012 Junior Subordinated Loan B notes had an accumulated value of £4,620,000 (2011: £4,108,000) being capital of £4,108,000 and accrued interest of £512,000. Of the capital, £328,000 was repaid, £3,780,000 was converted into shares (see note 18), and the interest of £512,000 was waived, and written back to the profit and loss account.

At 23 March 2012 Management loan notes had an accumulated value of £11,005,000 (2011: £4,108,000) being capital of £6,384,000 and accrued interest of £4,622,000. The whole capital element was converted into shares (see note 18), and the interest was waived, and written back to the profit and loss account.

The Keepmoat Group completed a significant recapitalisation on 23 October 2012 (see note 32).

### 17 Provisions

Group	Onerous leases £'000	Redundancy £'000	Dilapidations £'000	Other £'000	Total £'000
At 1 April 2011 .....	—	—	—	1,860	<b>1,860</b>
On acquisition .....	—	—	384	—	<b>384</b>
Charged to the profit and loss account .....	649	4,240	843	28	<b>5,760</b>
Unutilised amounts credited to the profit and loss account .....	—	—	—	(1,860)	<b>(1,860)</b>
Utilised during year					
—Existing .....	—	(865)	—	—	<b>(865)</b>
—Acquired .....	—	—	—	—	<b>—</b>
<b>At 31 March 2012 .....</b>	<b>649</b>	<b>3,375</b>	<b>1,227</b>	<b>28</b>	<b>5,279</b>

The company does not have any provisions.

## Dilapidations

The dilapidations provision covers all of the group's leased estate. A full provision up to the end of each lease was established by an independent external valuer, with the element up to the date of the financial statements being recognised in the accounts on a pro-rated straight line basis.

## Onerous lease

The onerous lease provision relates to all of the group's leased estate that was unused as at 31 March 2012. The provision is calculated on a property by property basis and is calculated up to the next available break date or end of lease, whichever is the earlier.

## Redundancy

This relates to redundancy provisions for staff which will be paid in the first six months of the 2012/ 13 financial year.

## Other provisions

Other provisions relate to the Group's share in the net liabilities of associated undertakings and Milnerbuild provisions. Other provisions brought forward related to long term incentive plans.

## 18 Called up share capital

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
<b>Allotted, called up and fully paid</b>				
910,000 (2011: 13,468,837) Ordinary shares of £0.005 (2011: £0.01) each .....	5	135	5	135
117,646,815 (2011: none) Deferred Fixed Dividend shares of £0.005 each .....	588	—	588	—
3,987,100 A ordinary shares of £0.005 each.....	—	20	—	20
2,958,450 B ordinary shares of £0.005 each.....	—	15	—	15
2,244,806 C ordinary shares of £0.005 each.....	—	11	—	11
13,700,000 D ordinary shares of £0.005 each.....	—	68	—	68
1,531,163 E ordinary shares of £0.01 each.....	—	15	—	15
<b>Total .....</b>	<b>593</b>	<b>264</b>	<b>593</b>	<b>264</b>

On 23 March 2012 Cavendish Square Partners Limited Partnership (Cavendish) exercised its option to subscribe for 65,601,895 A ordinary shares of £0.005 each for £328,000, bringing the total A ordinary shares in issue to 69,588,995.

Immediately following this transaction the entire share capital in Lakeside was subsequently redesignated as follows:

13,468,837 ordinary shares of £0.01 each were sub-divided and redesignated as 26,937,674 Deferred Fixed Dividend shares of £0.005 each. The deferred fixed dividend shares hold no voting rights and in aggregate entitle the holders to an annual fixed dividend of £100 payable annually in arrears from 31 March 2013. The shares have been classified as equity as the liability element of the shares is considered immaterial;

845,436 A ordinary shares of £0.005 each were redesignated as 845,436 new ordinary shares of £0.005 each, with the remaining 68,743,559 A ordinary shares being redesignated as 68,743,559 Deferred Fixed Dividend shares of £0.005 each;

2,958,450 B ordinary Shares of £0.005 each were redesignated as 2,958,450 Deferred Fixed Dividend shares of £0.005 each;

2,244,806 C ordinary Shares of £0.005 each were redesignated as 2,244,806 Deferred Fixed Dividend shares of £0.005 each;

13,700,000 D ordinary Shares of £0.005 each were redesignated as 13,700,000 Deferred Fixed Dividend shares of £0.005 each;

1,531,163 E ordinary Shares of £0.01 each were sub-divided and redesignated as 3,062,326 Deferred Fixed Dividend shares of £0.005 each.

Following the redesignation of the existing share capital in Lakeside, 59,900 new ordinary shares of £0.005 each were issued to management. Management loan notes of £6,384,000 (see note 16) were also converted into 100 new ordinary shares of £0.005 each (par value £0.50, share premium of £6,383,578.50).

On 23 March 2012 Junior Subordinated Loan B notes of £3,780,000 (see note 16) were also converted into 64 new ordinary shares of £0.005 each (par value £0.32, share premium of £3,780,475.68).

On 23 March 2012 Bank of Scotland converted its Junior Subordinated Loan A notes of £125,000,000 (see note 16) in Castle 1 Limited, a 100% owned subsidiary of Lakeside 1 Limited, into 4,500 ordinary shares of £1 each. Under the terms of a total return swap in place between Bank of Scotland and Cavendish these 4,500 ordinary shares were immediately transferred from Bank of Scotland to Cavendish. Cavendish subsequently contributed its shareholding in Castle 1 Limited to Lakeside 1 Limited in exchange for 4,500 new ordinary shares of £0.005 each in Lakeside 1 Limited creating a merger reserve of £294,006,000.

The Keepmoat Group completed a significant recapitalisation on 23 October 2012 (see note 32).

## 19 Share premium account

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
At 1 April.....	229,950	1,944	229,950	1,944
Premium on shares issued during the period (note 18).....	10,164	228,006	10,164	228,006
<b>At 31 March .....</b>	<b>240,114</b>	<b>229,950</b>	<b>240,114</b>	<b>229,950</b>

## 20 Profit and loss reserve

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
At 1 April.....	(381,198)	(292,956)	(89,346)	(61,254)
Loss for the financial period .....	(471,610)	(88,280)	(151,409)	(28,092)
Actuarial (loss) / gain on pension scheme .....	(377)	52	—	—
Movement on deferred tax relating to pension scheme .....	90	(14)	—	—
<b>At 31 March .....</b>	<b>(853,095)</b>	<b>(381,198)</b>	<b>(240,755)</b>	<b>(89,346)</b>

## 21 Merger reserve

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
At 1 April.....	—	—	—	—
Arising on capital transactions during the year (note 18).....	294,006	—	—	—
<b>At 31 March .....</b>	<b>294,006</b>	<b>—</b>	<b>—</b>	<b>—</b>

## 22 Reconciliation of movements in shareholders' (deficit) / funds

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Loss for the financial period .....	(471,610)	(88,280)	(151,409)	(28,092)
Actuarial (loss) / gain on pension scheme .....	(377)	52	—	—
Movement on deferred tax relating to pension scheme .....	90	(14)	—	—
Issue of shares (note 18) .....	329	—	329	—
Shares converted from debt (note 18).....	—	68	—	68
Movement on merger reserve (note 21).....	294,006	—	—	—

Premium on shares converted from debt (note 19) ..	<b>10,164</b>	228,006	<b>10,164</b>	228,006
<b>Net change in shareholders' (deficit) / funds .....</b>	<b>(167,398)</b>	139,832	<b>(140,916)</b>	199,982
Shareholders' (deficit)/funds at 1 April .....	<b>(150,984)</b>	(290,816)	<b>140,868</b>	(59,114)
<b>Shareholders' (deficit) / funds at 31 March .....</b>	<b>(318,382)</b>	(150,984)	<b>(48)</b>	140,868

## 23 Reconciliation of operating profit to net cash flow from operating activities

	2012 £'000	2011 £'000
Operating (loss) / profit .....	<b>(372,194)</b>	31,730
Share of loss in associated undertakings .....	<b>(3)</b>	—
Depreciation charge (net of loss/ (profit) on disposals) and impairment of tangible fixed assets .....	<b>7,719</b>	2,328
Amortisation and impairment of goodwill .....	<b>371,246</b>	30,325
Decrease in land held for development .....	<b>4,855</b>	5,208
Increase in stocks and work in progress .....	<b>(8,414)</b>	(16,784)
Decrease / (increase) in debtors .....	<b>4,225</b>	(22,876)
Increase in creditors .....	<b>12,569</b>	14,187
Increase in provisions .....	<b>3,035</b>	1,860
Difference between pension charge and cash contributions .....	<b>69</b>	82
<b>Net cash flow from operating activities .....</b>	<b>23,107</b>	46,660

## 24 Reconciliation of net cash flow to movement in net debt

	2012 £'000	2011 £'000
Increase / (decrease) in cash during the period .....	<b>636</b>	(3,553)
Repayment of loans .....	<b>1,501</b>	6,267
<b>Change in net debt resulting from cash flows .....</b>	<b>2,137</b>	2,714
Other non cash items:		
Acquisition of subsidiary .....	<b>(158,689)</b>	—
Debt to equity swap .....	<b>304,170</b>	228,074
Amortisation of debt issue costs .....	<b>(8,701)</b>	(3,249)
Accrual for debt finance costs .....	<b>(55,876)</b>	(73,960)
<b>Movement in net debt in the year .....</b>	<b>83,041</b>	153,579
Net debt at 1 April .....	<b>(698,135)</b>	(851,714)
<b>Net debt at 31 March .....</b>	<b>(615,094)</b>	(698,135)

## 25 Analysis of changes in net debt

	At 1 April 2011 £'000	Cash flow £'000	Other non cash changes £'000	At 31 March 2012 £'000
Cash at bank and in hand .....	7,859	636	—	<b>8,495</b>
Debt due within 1 year .....	—	(8,823)	—	<b>(8,823)</b>
Debt due after 1 year .....	<b>(705,994)</b>	10,324	80,904	<b>(614,766)</b>
<b>Total .....</b>	<b>(698,135)</b>	2,137	80,904	<b>(615,094)</b>

## 26 Financial commitments

At 31 March 2012 the Group had annual commitments under non-cancellable operating leases expiring as follows:

	Land and buildings		Other	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Within one year .....	<b>307</b>	295	<b>788</b>	374
Within two to five years .....	<b>1,075</b>	1,060	<b>4,105</b>	1,154
Expiring over five years .....	<b>411</b>	352	<b>66</b>	—
	<b>1,793</b>	1,707	<b>4,959</b>	1,528

The company has no annual commitments under non-cancellable operating leases.

## 27 Pension commitments

The group operates a hybrid group pension scheme, the Keepmoat Limited Group Pension Plan, with assets held in independently administered funds.

A full actuarial valuation of the defined benefit scheme was carried out at 5 April 2010 and this has been updated to 31 March 2012 by a qualified independent actuary. The scheme assets are stated at their market value at 31 March 2012. The major assumptions used by the actuary to calculate the liabilities of the Keepmoat Group Pension Plan are:

	2012 %	2011 %
Discount rate .....	4.7	5.5
Inflation rate .....	3.0	3.5
Salary increase rate .....	2.0	2.0
Increases for pension in payment.....	0.0	0.0

The mortality assumptions used were as follows:

	31 March 2012 years	31 March 2011 years
Pensioner age at 65:		
—Men .....	22.3	22.2
—Women.....	25.1	25.1
Current member age at 45:		
—Men .....	23.2	23.2
—Women.....	26.0	26.0

The assets in the Keepmoat Group Pension Plan and the expected rates of return were:

	Long-term expected rate of return 31 March 2012 %	Value 31 March 2012 £'000	Long-term expected rate of return 31 March 2011%	Value 31 March 2011 £'000
Equities .....	7.0	4,706	7.0	5,174
Bonds .....	4.0	804	4.5	723
Cash .....	3.0	358	3.5	113
Total market value of assets .....		5,868		6,010
Present value of scheme liabilities .....		(4,840)		(4,679)
Pension scheme surplus .....		1,028		1,331
Related deferred tax liability .....		(247)		(346)
Net pension asset .....		781		985

### Reconciliation of present value of scheme liabilities

	31 March 2012 £'000	31 March 2011 £'000
Opening defined benefit obligation .....	4,679	4,841
Current service cost .....	77	104
Interest cost .....	257	259
Actuarial losses recognised in the year .....	9	20
Benefits paid .....	(182)	(545)
Closing defined benefit obligation .....	4,840	4,679

### Reconciliation of fair value of scheme assets

	31 March 2012 £'000	31 March 2011 £'000
Opening fair value of plan assets .....	6,010	6,080

Expected return on scheme assets.....	<b>400</b>	381
Actuarial (losses) / gains recognised in the year.....	<b>(368)</b>	72
Employer contributions.....	<b>126</b>	126
Employee contributions.....	<b>49</b>	49
Benefits paid.....	<b>(182)</b>	(545)
Expenses paid.....	<b>(167)</b>	(153)
<b>Closing fair value of plan assets.....</b>	<b>5,868</b>	6,010

Scheme assets do not include any of Group's Limited own financial instruments, or any property occupied by group.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed asset interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long term real rate experienced in respective markets.

#### Analysis of amounts charged to the profit and loss account:

	<b>2012 £'000</b>	<b>2011 £'000</b>
<b>Operating profit</b>		
Expenses paid.....	<b>167</b>	153
Current service cost.....	<b>77</b>	104
	<b>244</b>	257

	<b>2012 £'000</b>	<b>2011 £'000</b>
<b>Other finance income</b>		
Expected return on pension scheme assets.....	<b>400</b>	381
Interest on pension scheme liabilities.....	<b>(257)</b>	(259)
Net return.....	<b>143</b>	122

	<b>2012 £'000</b>	<b>2011 £'000</b>	<b>2010 £'000</b>	<b>2009 £'000</b>	<b>2008 £'000</b>
<b>History of experience gains and losses</b>					
Defined benefit obligation.....	<b>(4,840)</b>	(4,679)	(4,841)	(38,150)	(5,516)
Plan assets.....	<b>5,868</b>	6,010	6,080	4,516	6,422
Surplus.....	<b>1,028</b>	1,331	1,239	701	906
Experience adjustments on plan assets.....	<b>(368)</b>	72	1,396	(1,449)	(442)
Experience adjustment on plan liabilities.....	<b>(32)</b>	(233)	(380)	615	418
Total actuarial gains and losses recognised in the statement of recognised gains and losses.....	<b>(377)</b>	52	366	(382)	341

The pension cost charged to the profit and loss account in respect of the defined contribution scheme was £1,860,000 (2011: £1,698,000) representing contributions payable in the period. Contributions due to the Keepmoat Group Pension Plan at year end were £239,063 (2011: £224,537).

## 28 Minority interests

	<b>2012 £'000</b>	<b>2011 £'000</b>
At 1 April.....	<b>611</b>	—
Loss on ordinary activities after taxation.....	<b>—</b>	611
<b>At 31 March.....</b>	<b>611</b>	611

Minority interests relate to Evolve Built for Life Limited, which is the maximum amount of funding that will be provided by the minority partner under the joint agreement and therefore is not a share of liabilities on percentage ownership.

## 29 Related party disclosures

The Company has 50% of the voting rights in the following companies, except where indicated. Details of its significant transactions are summarised as follows:

#### **(a) Durham Villages Regeneration Limited**

Under agreements between Keepmoat Homes Limited, Durham Villages Regeneration Limited and Durham City Council (on 1 April 2010 Durham City Council merged into the Unitary Authority of Durham County Council), Keepmoat Homes Limited has a license to build on land owned by Durham Villages Regeneration Limited. Keepmoat Homes is a wholly owned subsidiary of Keepmoat Limited. Durham Villages Regeneration Limited is a company in which Keepmoat Limited holds a 50% interest. During year the value of services provided under this arrangement to Durham Villages Regeneration Limited amounted to £389,247 (2011: £747,276). At 31 March 2012, the amounts owed to Durham Villages Regeneration Limited amounted to £587,802 (2011: £209,178).

Keepmoat Limited provided a medium term loan to Durham Villages Regeneration Limited for a principal sum of £7,887,088. At 31 March 2012 the amount due from Durham Villages Regeneration Limited, which includes accrued interest, was £1,242,816 (2011: £7,146,251). Interest is accruing at 1% above the Bank of England base rate. Interest charged for the year was £40,560 (2011: £95,508). Keepmoat Limited also provided certain other services in the year totalling £10,000 (2011: £10,000).

Castle 1 Limited (the holding company of Keepmoat Limited) surrendered losses by way of consortium relief to Durham Villages Regeneration Limited. The total amount owed to Castle 1 Limited under these arrangements at 31 March 2012 was £53,031 (2011: £96,068).

#### **(b) SOAR Build Limited**

SOAR Build Limited is a company which Keepmoat Limited holds a 50% interest in. During the year, SOAR Build Limited provided services to Frank Haslam Milan & Company Limited and Bramall Construction Limited. Amounts charged by SOAR Build Limited to the Group during the year were £1,141,504 (2011: £1,496,502). Frank Haslam Milan & Company and Bramall Construction Limited also charged SOAR Build Limited for services during the year amounting to £323,573 (2011: £420,989). At the balance sheet date SOAR Build Limited owed the group £90,284 (2011: £31,657). Keepmoat Limited also provided certain other services in the year totalling £24,000 (2011: £nil).

#### **(c) Thurston Group Limited**

Evolve Built for Life Limited a company which Keepmoat Limited holds 55% interest in charged management fees amounting to £679,500 to Thurston Group Limited, a 45% shareholder in Evolve Built for Life Limited (2011: £nil). At 31 March 2012 Evolve Built for Life Limited owed £637,361 to Thurston Group Limited (2011: £nil).

#### **(d) Sheffield Housing Company Limited**

Sheffield Housing Company Limited is an entity in which Keepmoat Limited holds a 45% interest. At 31 March 2012 Sheffield Housing Company Limited owed £522,000 to KGP (SHC) Limited, a 90% owned subsidiary of the Group.

#### **(e) Other related party transactions**

##### **Show home sales**

During the year the company sold 1 property (2011: 19) to James and Philip Blunt (the sons of David Blunt, who was a director of Lakeside 1 Limited, the ultimate parent company) for £110,000 (2011: £1,046,000 relating to 19 show homes sold).

Under the terms of the show home sales in previous years, the show homes are leased back to the company for an unspecified period of time at a cost of £68,000 (2011: £122,000) per annum. On the sale of each show home, the sales price achieved over and above the original purchase price will be shared equally between the company and either James or Philip Blunt, provided that the company sell the property within 4 weeks of the termination of the lease agreement. Any losses are borne in full by the purchaser. In the current year 5 show homes (2011: 2 show homes) were sold under the above arrangement which resulted in the company receiving additional consideration of £79,000 (2011: £31,000), representing its share of profit. At 31 March 2012 an amount of £8,164 (2011: £nil) was due from David, James and Philip Blunt.

##### **Director house sale**

During the financial year ended 31 March 2010 the company sold a property to J Thirlwall, a director of the company, for £65,000. The purchase was made under the company's shared equity scheme with 15% of the purchase price being



financed by the company. The gross balance owing to the company at the year end amounts to £9,750 (2011: £9,750), which is included within shared equity debtors at its discounted net present value of £8,360 (2011: £7,940).

### 36 Westbourne Gardens Limited

During the previous year Keepmoat Limited provided £40,548 of building services to 36 Westbourne Gardens Limited, with an amount of £4,421 remaining unpaid at year end (2011: £40,548). D Blunt (a former director of Keepmoat Limited) is the sole director of 36 Westbourne Gardens Limited, owning 33% of the share capital.

### 30 Contingent liabilities

The Group has entered into performance guarantees in the normal course of business which, at 31 March 2012, amounted to £34,041,000 (2011: £14,948,000). In the opinion of the directors, no loss will arise in respect of these guarantees.

The Company has given guarantees in respect of the bank borrowings of Castle 1 Limited and Keepmoat Homes Limited, its subsidiary companies. At 31 March 2012 borrowings covered by both these guarantees amounted to £624,823,000 (2011: £705,994,000). The guarantees are in the form of a fixed charge over freehold land and building and floating charges over the assets of the certain group companies.

The Group has a Revolving Credit Facility with a maximum facility of £75.0m of which the overdraft is capped at £19,890,000. At 31 March 2012 the group was in a net cash position.

### 31 Ultimate controlling party

At 31 March 2012 the directors considered Cavendish to be the ultimate controlling party of the group. Subsequent to the year end following the recapitalisation on 23 October 2012, the directors do not believe there to be one ultimate controlling party.

### 32 Post balance sheet events

Following the year-end on 23 October 2012, the Keepmoat Group completed a significant recapitalisation. As part of this, the debt facilities of the Group were restructured. Senior debt of £581.0m, interest rate swaps with a mark-to-market valuation of £34.5m, together with accrued interest of £32.5m were replaced with senior debt of £235.0m and mezzanine debt of £65.0m. The new facilities benefit from substantially increased term with facilities maturing in 2018/19 as well as a reduced margin. The remaining debt obligation of £348.0m owed to Bank of Scotland was converted into equity as part of the buy-out. At the same time, the Group's Revolving Credit Facility of £75.0m was increased to £125.0m which will allow the Group to take advantage of market opportunities.

Following the refinancing, the Keepmoat Group's debt has been reduced substantially with term debt reduced from £581.0m to £300.0m.

### 33 Acquisition

Keepmoat Limited, a subsidiary of the company, acquired Conquest Bidco Limited and its subsidiaries on 23 March 2012 for £1,984,000 inclusive of transaction related expenses. The results of the companies acquired are included in the consolidated balance sheet and profit and loss account from this date.

Conquest Bidco Limited contributed £1,425,000 to the group's net operating cash flows.

In its last financial year to 31 March 2011 Conquest Bidco Limited and its subsidiaries made a loss after tax of £14,202,000. The aggregated results of the Conquest Bidco group acquired in the period since that date to the date of acquisition were as follows:

	£'000
<b>Period from 1 April 2011 to 23 March 2012</b>	
Turnover .....	360,102
Operating profit .....	11,381
Loss before tax .....	(12,941)
Taxation .....	(231)
Total recognised loss for the period .....	(13,172)

<b>Conquest Bidco Limited acquisition</b>	<b>Book value £'000</b>	<b>Fair value adjustments £'000</b>	<b>Total fair value £'000</b>
Tangible fixed assets (note 10) .....	4,801	(732)	<b>4,069</b>
Stock .....	3,591	—	<b>3,591</b>
Debtors .....	72,327	—	<b>72,327</b>
Cash .....	13,269	—	<b>13,269</b>
Creditors .....	(92,421)	—	<b>(92,421)</b>
Loans and derivatives .....	(123,753)	(34,936)	<b>(158,689)</b>
Provisions .....	(384)	—	<b>(384)</b>
Net liabilities acquired .....	(122,570)	(35,668)	<b>(158,238)</b>
Goodwill (note 9) .....			<b>160,222</b>
Total purchase consideration and transaction related expenses .....			<b>1,984</b>

	<b>£'000</b>
Consideration satisfied by:	
Cash .....	<b>1,984</b>

The book values of the assets and liabilities have been taken from the consolidated management accounts of Conquest Bidco Limited at 23 March 2012.

Management reviewed the book values of the assets and liabilities acquired at 23 March 2012. This resulted in a £732,000 to the carrying value of freehold properties and the recognition of a liability relating to an out of the money interest rate swap of £34,936,000.

#### **Other acquisitions**

During the year Keepmoat Limited acquired a further 4% in Milnerbuild Limited, a trading subsidiary, for a deferred consideration of £73,000 which is included in other creditors.

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