

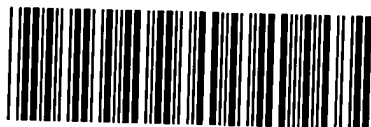
Company Registration No. 04021804

PFI Islington (Holdings) Limited

Report and Financial Statements

Year ended 31 March 2019

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PFI Islington (Holdings) Limited

REPORT AND FINANCIAL STATEMENTS 2019

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PFI Islington (Holdings) Limited

REPORT AND FINANCIAL STATEMENTS 2019

OFFICERS AND PROFESSIONAL ADVISERS

Directors

Martin T. Smith
Karen M. Hill
Vikki L. Everett
Simon W. Vevers
Charlotte S. Douglass

Secretary

Vistra Company Secretaries Limited

Registered Office

4-6 Colebrooke Place
London
N1 8HZ

Bankers

Bank of Scotland Plc
New Ueberior House
11 Earl Grey Street
Edinburgh
EH3 9BN

Solicitors

Squire Patton Boggs (UK) LLP
7 Devonshire Square
London
EC2M 4YH

Auditor

Grant Thornton UK LLP
Chartered Accountants and Registered Auditors
Victoria House
199 Avebury Boulevard
Milton Keynes
MK9 1AU

PFI Islington (Holdings) Limited

STRATEGIC REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2019. PFI Islington (Holdings) Limited (the 'Company') was incorporated on 21 June 2000.

Business review

The Group was set up as an organisation in order to deliver the contract entered into with Islington Council (the 'Council') on 31 March 2003 to improve, manage and maintain 2,282 council owned street properties for a period of 30 years through a social housing Private Finance Initiative (PFI). This PFI is a government programme aimed at bringing investment into Council-owned properties. It is an alternative to stock transfer such that all of the properties stay under the Council's ownership.

The Group's principal activities are to carry out refurbishment works, repairs and housing management services to the properties it manages. The Group provides these functions and services through its wholly owned subsidiary, Partners For Improvement in Islington Limited (together referred to as 'Group').

The refurbishment works were completed in September 2008, and since then the Company's focus has been on providing an ongoing repairs service (including major works and cyclical works as required), lifecycle and housing management service.

In 2018/19, turnover recognised in the profit and loss account was £9.4m (2017/18: £9.0m), with a profit after tax of £1.1m (2017/18: £0.9m). This is consistent with specific PFI accounting treatments and is in line with the contractual Financial Model which assures the financial viability of the project over the term of the contract.

Dividends of £1.0m (2017/18: £1.0m) have been approved by the shareholders at the Board meetings and paid during 2018/19.

In 2018/19 the Company continued to perform well and deliver a good service against our contractual service targets, with all of KPI targets exceeded for the year. Of particular note was the achievement of the following: completion of 99% of responsive repairs within target timescales; customer satisfaction with repairs of 97%; average relet times of 21 days; compliance with ASB and harassment requirements 100%; compliance with tenancy audit requirements 100%.

Various actions have been undertaken to ensure the service continues to evolve and improve. Our Housing Management team was redesigned to increase the volume of customer queries resolved at the first point of contact. Our Repairs team introduced automated replenishment of van stock for repairs operatives to increase the proportion of repairs which are completed at the first visit. Customer satisfaction surveys and a range of internal quality audits were completed to manage service quality.

We continued to prioritise management of health and safety. Our health and safety management policy was reviewed, our regular health and safety reporting was enhanced, and we accelerated our programme of work to complete the acquisition of keys for all internal communal areas.

We carried out further work to improve and maintain our properties and deliver major cyclical works to our properties in 2018/19. This programme will continue in a planned approach in 2019/20 and the following years.

Future development

In 2019/20, we will continue to work closely with our residents and subcontractors to consider further ways to improve services to residents. The aim is to ensure that the excellent performance already being delivered in many areas of our business is maintained, and to ensure that all teams work effectively together delivering a joined-up service to our tenants and leaseholders.

PFI Islington (Holdings) Limited

STRATEGIC REPORT (continued)

Principal risks and uncertainties

Since the Group is set up to deliver a fixed contract, risk is limited to areas not adequately covered in the contract and non-delivery of the contract by the Group and its sub-contractors. The Group manages these risks by monitoring performance outcomes and indicators on a regular basis, by liaising with and monitoring of sub-contractors, and by ongoing reference to the contract documents.

The key risks currently identified by the Board are: risks associated with fire safety which are to be addressed by the Council's planned fire safety improvement works; potential changes in law requiring capital expenditure such as changes to Building Regulations which may lead to additional costs; and risks of subcontractors being affected by external factors in a way which impacts their performance on the contract. The Board have put in place mechanisms to manage these risks, communicating closely with the Council about its plans; modelling and monitoring the impact of legislative changes and regular liaison with the Council; ensuring that the performance achievements in the delivery of our services are closely monitored and managed; programmes of internal quality audits; and continuing to improve wider communications to ensure that stakeholders are fully informed of improvements that are being made.

The Group is financed by loans, on which interest payable has been floating. The Group has mitigated a substantial element of this floating rate risk by holding funds on a reserve account and contracted income.

Other risks are identified and managed by reference to the Company's Risk Management Strategy.

Key performance indicators (KPIs)

The Group reports its performance against 15 contractual KPIs on a regular basis. For the year, all targets were exceeded, with average performance as follows:

	Performance 18/19	Target
% of individual repairs completed within timescales	99.78%	95.00%
% of communal repairs completed within timescales	99.25%	95.00%
Tenant satisfaction with repairs	97.15%	75.00%
Average relet times (days)	20.88	27.00
% of gross annual rent roll collected	98.86%	97.00%
Compliance with nuisance and harassment requirements	100.00%	100.00%
Compliance with Tenancy changes requirements	100.00%	95.00%
Compliance with Tenancy audit requirements	100.00%	95.00%
Compliance with compensation requirements	97.87%	95.00%
Compliance with OOH telephony requirements	87.40%	80.00%
Compliance with electronic access services requirements	100.00%	90.00%
Correspondence answered <10 working days	96.25%	96.00%
Complaints answered <15 working days	100.00%	96.00%
Members enquiries answered <10 working days	100.00%	96.00%
Compliance with service & performance information	100.00%	95.00%

PFI Islington (Holdings) Limited

STRATEGIC REPORT (continued)

Key performance indicators (KPIs) (continued)

Obligations for service delivery are passed on to, and effectively managed by, the Group's sub-contractors. Any performance deductions relating to failure to meet KPI targets are similarly passed on to the Group's sub-contractors to the extent they fall under their area of service.

Approved by the Board of Directors and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'KHill', written over a horizontal line.

Karen Hill
Director

Date: 26 September 2019

PFI Islington (Holdings) Limited

DIRECTOR'S REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2019.

The Board

The Board consists of five directors and is responsible for the effective control and proper management of the organisation. The Board delegates some of its responsibilities to executive managers who report to the Board at each meeting where their recommendations are fully considered and approved where appropriate. Quarterly Board meetings have been held throughout the financial year.

Corporate governance

The Board is committed to ensuring that high standards of corporate governance operate throughout the Group.

Internal control

The Board is ultimately responsible for ensuring that the Group establishes and maintains an effective system of internal controls:

- The Board has identified and evaluated all key risks. These risks are assessed on a continual basis and the evaluation focuses on a variety of different risks that the organisation faces.
- Written policies and procedures have been approved in line with contractual and statutory obligations.
- Budgets are prepared on an annual basis and compared with actual and forecast expenditure monthly, allowing the Board and managers to monitor key business and financial risks.

Financial risk management objectives and policies

- The Group uses various financial instruments including loans, cash and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise funds for the Group's operations. All of the Group's financial instruments are of sterling denomination and the Group does not trade in financial instruments or derivatives.
- The existence of these financial instruments exposes the Group to a number of financial risks, which are described in more detail below. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from the previous year.

Interest rate risk

The Group is exposed to interest rate risk due to movements in LIBOR-rates and therefore impact of interest payable on its bank borrowings. The Group has mitigated a substantial element of this floating interest rate risk by way of interest rate swap agreements that have allowed the Group to pay consistent interest on borrowings. These agreements came to an end in September 2018 and the Group has decided not to enter into any other similar agreements due to lower LIBOR rates at present and in

PFI Islington (Holdings) Limited

DIRECTOR'S REPORT (continued)

near future. Should it become clear that hedging agreements are required the Group will enter into such agreements in future. In addition, the Group holds substantial cash reserves to mitigate general business risks.

Liquidity risk

- The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and debt servicing and to invest cash assets safely and profitably.
- The maturity of borrowings is set out in note 15 to the financial statements.

Future development

The Group will continue delivering services to residents of the Council-owned properties via the 30-year PFI contract ending in 2033. Please refer to Strategic report on page 2 for further information of future development.

Directors and their interests

The directors of the Company during the year and subsequently appointed were:

Martin T. Smith
Karen M. Hill
Vikki L. Everett
Simon W. Vevers
Charlotte S. Douglas (appointed 01 May 2019)
David K. Gannicott (resigned 31 March 2019)
Matthew J. McLintock (resigned 30 April 2019)

None of the directors had any beneficial interest in the shares of the Company which is required to be disclosed under Companies Act 2006.

Auditor

Following a tender for audit services, Grant Thornton UK LLP were appointed auditors on 5 October 2017 for a period of three years.

Approved by the Board of Directors on its behalf by:



Karen Hill
Director
Date: 26 September 2019

PFI Islington (Holdings) Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws) including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that so far as each of the directors is aware:

- there is no relevant audit information of which the Company and the Group's auditor are unaware;
- the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company and Group's auditor are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Board of Directors and signed on its behalf by:



Karen Hill
Director
Date: 26 September 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PFI ISLINGTON (HOLDINGS) LIMITED

Opinion

We have audited the financial statements of PFI Islington (Holdings) Limited (the 'parent company') and its subsidiary (the 'group') for the year ended 31 March 2019 which comprise consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity, company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2019 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the directors' report and strategic report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PFI ISLINGTON (HOLDINGS) LIMITED (continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

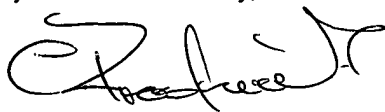
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
PFI ISLINGTON (HOLDINGS) LIMITED (continued)**

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Christopher Frostwick
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Milton Keynes

Date: 27 September 2019

PFI Islington (Holdings) Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ending 31 March 2019

	Note	2019 £	2018 £
Turnover	3	9,440,716	9,045,349
Cost Of Sales		<u>(7,947,610)</u>	<u>(7,860,802)</u>
Gross Profit		1,493,106	1,184,547
Administrative Expenses		(1,015,616)	(934,553)
Other Operating Income	6	<u>66,800</u>	<u>66,800</u>
Operating Profit	4	544,290	316,794
Interest Receivable And Similar Income	7	1,449,505	1,453,542
Interest Payable And Similar Charges	8	<u>(576,019)</u>	<u>(635,066)</u>
Profit On Ordinary Activities Before Taxation		1,417,776	1,135,270
Tax On Profit On Ordinary Activities	10	<u>(278,451)</u>	<u>(224,283)</u>
Profit On Ordinary Activities For The Financial Year		<u>1,139,325</u>	<u>910,987</u>
Other Comprehensive Income			
Fair value gains on hedging instrument	16	<u>5,122</u>	<u>60,877</u>
Total Comprehensive Income For The Financial Year		<u><u>1,144,447</u></u>	<u><u>971,864</u></u>
Profit For The Financial Year attributable to: Owners of the parent		<u>1,139,325</u>	<u>910,987</u>
Total Comprehensive Income For The Financial Year attributable to: Owners of the parent		<u><u>1,144,447</u></u>	<u><u>971,864</u></u>

All turnover and costs in the current period are derived from continuing activities.

The accompanying notes on pages 17 to 28 form an integral part of these financial statements.

PFI Islington (Holdings) Limited
Company Registration No. 04021804

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 March 2019

	Note	2019 £	2018 £
Current Assets			
Debtors: due within one year	12	2,683,320	2,663,623
Debtors: due after one year	13	26,439,699	27,803,850
Cash at bank and in hand		14,822,943	14,546,243
		<u>43,945,962</u>	<u>45,013,716</u>
Creditors: amounts falling due within one year	14	(25,342,858)	(24,976,249)
Net current assets		<u>18,603,104</u>	<u>20,037,467</u>
Total assets less current liabilities		18,603,104	20,037,467
Creditors: amounts falling due after one year	15	(18,271,771)	(19,850,581)
Net assets		<u><u>331,333</u></u>	<u><u>186,886</u></u>
Capital and reserves			
Called up share capital	17	1,000	1,000
Profit and loss account		330,333	191,008
Cash flow hedging reserve		-	(5,122)
Total equity shareholders' funds		<u><u>331,333</u></u>	<u><u>186,886</u></u>

These financial statements were authorised and approved by the Board of Directors on 26 September 2019.

Signed on behalf of the Board of Directors



Karen Hill
Director

The accompanying notes on pages 17 to 28 form an integral part of these financial statements

PFI Islington (Holdings) Limited
Company Registration No. 04021804

COMPANY STATEMENT OF FINANCIAL POSITION
31 March 2019

	Note	2019 £	2018 £
Fixed assets			
Investments	11	1,000	1,000
Current assets			
Debtors – due within one year	12	167,201	129,646
Debtors – due after more than one year	13	2,432,676	2,599,877
		<u>2,599,877</u>	<u>2,729,523</u>
Creditors: amounts falling due within one year	14	<u>(167,201)</u>	<u>(129,646)</u>
Net current assets		<u>2,432,676</u>	<u>2,599,877</u>
Total assets		<u>2,433,676</u>	<u>2,600,877</u>
Creditors: amounts falling due after more than one year	15	<u>(2,432,676)</u>	<u>(2,599,877)</u>
Net Assets		<u><u>1,000</u></u>	<u><u>1,000</u></u>
Capital and reserves			
Called up share capital	17	<u>1,000</u>	<u>1,000</u>
Total shareholders' funds		<u><u>1,000</u></u>	<u><u>1,000</u></u>

These financial statements were approved by the Board of Directors on 26 September 2019.

Signed on behalf of the Board of Directors



Karen Hill
Director

The accompanying notes on pages 17 to 28 form an integral part of these financial statements.

PFI Islington (Holdings) Limited

CONSOLIDATED STATEMENT OF CASH FLOWS
31 March 2019

	2019 £	2018 £
Cash flows from operating activities		
Profit for the financial year	1,139,325	910,987
Adjustments for:		
Interest paid	576,019	635,066
Interest received	(1,449,505)	(1,453,542)
Taxation	278,451	224,283
Decrease in debtors	1,315,069	838,234
Increase in creditors	1,548,361	532,125
Cash from operations	2,268,395	776,166
Tax paid	(229,630)	(243,993)
Net cash generated from operating activities	3,178,090	1,443,160
Cash flows from investing activities		
Interest received	87,439	32,813
Net Cash from investing activities	87,439	32,813
Cash flows from financing activities		
Repayment of Bank Loans	(1,290,875)	(954,555)
Repayment of Subordinated Debt	(37,556)	(37,556)
Interest paid	(660,398)	(719,445)
Dividends paid	(1,000,000)	(1,000,000)
Net cash used in financing activities	(2,988,829)	(2,711,556)
Net increase/(decrease) in cash at bank and in hand	276,700	(1,235,583)
Cash at bank and in hand at the beginning of year	14,546,243	15,781,826
Cash at bank and in hand at the end of year	14,822,943	14,546,243

The accompanying notes on pages 17 to 28 form an integral part of these financial statements.

PFI Islington (Holdings) Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

31 March 2019

	Called-up share capital	Profit and loss account	Cash flow hedging reserve	Total
	£	£	£	£
At 1 April 2017	1,000	280,021	(65,999)	215,022
Profit for the year	-	910,987	-	910,987
Other comprehensive income	-	-	60,877	60,877
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	1,000	1,191,008	(5,122)	1,186,886
Dividends paid	-	(1,000,000)	-	(1,000,000)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2018	1,000	191,008	(5,122)	186,886
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 April 2018	1,000	191,008	(5,122)	186,886
Profit for the year	-	1,139,325	-	1,139,325
Other comprehensive income	-	-	5,122	5,122
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	1,000	1,330,333	-	1,331,333
Dividends paid	-	(1,000,000)	-	(1,000,000)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2019	1,000	330,333	-	331,333
	<hr/>	<hr/>	<hr/>	<hr/>

The accompanying notes on pages 17 to 28 form an integral part of these financial statements.

PFI Islington (Holdings) Limited

COMPANY STATEMENT OF CHANGES IN EQUITY
31 March 2019

	Called-up share capital	Profit and loss account	Total
	£	£	£
At 1 April 2017	1,000	-	1,000
Profit and total comprehensive income for the year	-	1,000,000	1,000,000
Dividends paid	-	(1,000,000)	(1,000,000)
	<u>1,000</u>	<u>-</u>	<u>1,000</u>
At 31 March 2018	<u>1,000</u>	<u>-</u>	<u>1,000</u>
At 1 April 2018	1,000	-	1,000
Profit and total comprehensive income for the year	-	1,000,000	1,000,000
Dividends paid	-	(1,000,000)	(1,000,000)
	<u>1,000</u>	<u>-</u>	<u>1,000</u>
At 31 March 2019	<u>1,000</u>	<u>-</u>	<u>1,000</u>

The accompanying notes on pages 17 to 28 form an integral part of these financial statements.

PFI Islington (Holdings) Limited

NOTES TO THE ACCOUNTS

Year ended 31 March 2019

1. Accounting policies

Company Information

The Company is a private company limited by shares and was incorporated in the United Kingdom. The registered office is 4-6 Colebrooke Place, London, N1 8HZ.

Basis of preparation

These financial statements have been prepared, in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS102), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The financial statements are presented in Sterling (£).

The Company has taken advantage of the exemption contained in section 33 of FRS 102 and have not disclosed transactions or balances with entities which form part of the Group. The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertaking made up to 31 March 2019. The acquisition method of accounting has been adopted.

Going concern

The directors have reviewed the Company's and Group's projected profits and cash flows which they have prepared on the basis of a detailed analysis of the Company's and Group's finances, contracts and likely future demand trends. After consideration of these projections, the directors consider that the Company and the Group will be able to settle its liabilities as they fall due and accordingly the financial statements have been prepared on a going concern basis.

Fixed Asset Investments

Investments held as fixed assets are stated at cost less provision for any impairment in value.

Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents amounts derived from the provision of services which fall within the Group's ordinary activities, net of value of added taxes (VAT).

Income received from the Council in respect of service concession is allocated between revenue and capital repayment of, and interest income on, the Finance Debtor. Service revenue is recognised using percentage of completion method where total contract revenue and costs are estimated using financial model. Income received in advance from the Council is included within deferred income.

Capital contributions amounts received in advance have been included within deferred income and recognised over the life of the contract using a property specific rate.

Pass through income represents the direct pass through of recoverable costs, as specified in the Project Agreement.

Cost of sales

Cost of sales is measured as the amount of costs incurred in providing the services and management of properties.

PFI Islington (Holdings) Limited

NOTES TO THE ACCOUNTS (continued) **Year ended 31 March 2019**

1. Accounting policies (continued)

Taxation

Current tax, UK corporation tax, is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing differences.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax liabilities are presented within creditors and deferred tax assets within debtors.

The tax expense (income) is presented either in the statement of comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Leases

Operating lease rentals are charged to the income statement on a straight-line basis over the lease term.

Debtors

Short term debtors are measured at transaction price, less any impairment.

Finance Debtor

The amounts spent on refurbishment of properties and the purchase of operating premises, under social housing Private Finance Initiative (PFI) agreement- with the Council, are capitalised during the initial refurbishment period as a finance debtor. Income received from the Council that relates to the finance debtor is split between interest and capital repayment and is allocated to accounting periods so as to give a constant periodic rate of return on the net cash investment in the finance debtor.

The finance debtor is classified as a service concession. As the private finance initiative (PFI) was entered into prior to FRS 102 coming into effect, the Company has applied the transitional relief to continue using the provision of FRS 5 Application Note F. Under this application note, a financial asset is recognised at the outset and reduced in subsequent years as payments are received from the Council. In addition, finance income on this financial asset is recognised using the property specific rate of return. No adjustments are required to the stated financial statements.

Creditors

Trade and other short term creditors are measured at transaction price. Bank loans are measured initially at fair value, and are measured subsequently at amortised cost using the effective interest rate method.

Financial instruments

Other than interest rate swaps, the Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured,

PFI Islington (Holdings) Limited

NOTES TO THE ACCOUNTS (continued)

Year ended 31 March 2019

1. Accounting policies (continued)

initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

Derivative instruments

The Group has entered into interest rate swaps ('IR swaps') with external parties to manage its exposure to changes in LIBOR rates. All derivative instruments are initially measured at fair value on the date the contract is entered into and subsequently re-measured to fair value at each reporting date. The gain or loss on re-measurement is taken to the statement of comprehensive income in finance cost or finance income as appropriate, unless they are included in a hedging arrangement.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of interest rate swap contracts are determined by calculating the present value of the estimated future cash flows using observable yield curves.

Hedging arrangements

The Group applies hedge accounting for transactions entered into to manage the cash flow exposures of borrowings. The Group designates all its derivative financial instruments, which meet the qualifying conditions for hedge accounting, as a cash flow hedges.

Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised directly in equity. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in the statement of comprehensive income.

Cash at bank and in hand

Cash at bank and in hand include cash in hand, deposits held at call with banks, other short term deposits with original maturities of three months or less and bank overdrafts.

Interest bearing loans and borrowings

Bank loans, and subordinated loan notes are initially measured at fair value, net of transaction costs. They are then subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash flows through the effective life of the financial liability, or (where appropriate) a shorter year, to the net carrying amount on initial recognition.

Finance costs

Financing costs, comprising interest payable on bank loans and subordinated loan notes and the costs incurred in connection with the arrangement of borrowings are recognised in the statement of comprehensive income using the effective interest method.

PFI Islington (Holdings) Limited

NOTES TO THE ACCOUNTS (continued)

Year ended 31 March 2019

1. Accounting policies (continued)

Financing costs also include losses or gains arising on any ineffective portion of fair value changes in derivative instruments. Any movements in fair value of derivative instruments designated for hedge accounting that are effective are recognised in other comprehensive income as finance gains or losses.

Debt issue costs

The debt issue costs incurred have been offset against the related debt and will be charged to finance costs at a constant rate on the carrying value of the debt. If it becomes clear that the related debt will be redeemed early then the charge to finance costs will be accelerated.

2. Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. However, the nature of estimation means that actual outcomes could differ from those estimates.

Estimates and assumptions are reviewed on an on-going basis with revisions recognised in the period in which the estimates are revised and in any future periods affected.

The areas involving the most sensitive estimates and assumptions that are significant to the financial statements are as follows.

Valuation of interest rate swaps

The Group has entered into interest rate swaps to manage its exposure to variable interest rates.

Derivatives are initially recognised at fair value at the date a derivative is entered into and are subsequently re-measured to their fair value at each reporting date. The fair values of the swaps are based on mark to market valuations and are therefore sensitive to estimates of future yield curves.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Recognition of service concession contract revenues

The Group uses percentage of completion method to recognise revenue as required by FRS 102. The method requires forecast of total contract revenue, costs and therefore mark up on costs that allows allocation of total contract unitary charge income from the Council to cover operating costs and capital costs. The Group uses judgement in assessing the appropriateness of the future operating and capital costs that are included in Group's forecasts assumptions over the remainder of the contract and will continue to undertake a regular review of these cost assumptions.

Recognition of deferred tax assets

The Group uses judgement when it determines the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

3. Turnover

The turnover, all of which arises in the United Kingdom, is attributable to the provision of housing management services, responsive repairs, cyclical and lifecycle works provided under the contract.

PFI Islington (Holdings) Limited

NOTES TO THE ACCOUNTS (continued)

Year ended 31 March 2019

4. Operating profit

Operating profit is stated after charging:

	2019	2018
	£	£
Operating lease rentals – other	1,685	1,432
Auditors' remuneration – Group audit fees	8,820	8,820
– other services	2,880	2,880
	<u>13,385</u>	<u>13,132</u>

The other services provided relate to tax compliance and iXBRL tagging services.

5. Staff numbers and costs

The Group has no employees. Employees services are outsourced under project services contract with Hyde Housing Association Limited (refer to related parties note). The directors received no emoluments for their services (2017/18: Nil).

6. Other operating income

	2019	2018
	£	£
Rent receivable	66,800	66,800
	<u>66,800</u>	<u>66,800</u>

7. Interest receivable and similar income

	2019	2018
	£	£
Bank interest	87,439	32,813
Finance debtor interest	1,362,066	1,420,729
	<u>1,449,505</u>	<u>1,453,542</u>

8. Interest payable and similar charges

	2019	2018
	£	£
Bank loans, overdrafts and other loans	185,604	225,852
Interest payable to parent company	390,415	409,214
	<u>576,019</u>	<u>635,066</u>

PFI Islington (Holdings) Limited

NOTES TO THE ACCOUNTS (continued) Year ended 31 March 2019

9. Dividends

	2019 £	2018 £
Dividend paid to shareholders	<u>1,000,000</u>	<u>1,000,000</u>

10. Tax on profit on ordinary activities

The tax charge is based on the profit for the year and represents:

	2019 £	2018 £
U.K. corporation tax at 19% (2017/18: 19%)	<u>278,908</u>	<u>224,630</u>
Total current tax	<u>278,908</u>	<u>224,630</u>
Deferred tax		
Timing differences, origination and reversal	(457)	(347)
Effect of tax rate change on opening balance	<u>-</u>	<u>-</u>
Tax on results on ordinary activities	<u>278,451</u>	<u>224,283</u>

Factors affecting tax charge for the current year

The tax assessed for the year is higher than that resulting from applying the standard rate of corporation tax in the UK. The differences are explained below.

	2019 £	2018 £
Profit on ordinary activities before tax	<u>1,417,776</u>	<u>1,135,270</u>
Tax at 19% (2017/18: 19%) thereon	269,377	215,701
Effects of:		
- expenses not deductible for tax purposes	9,020	8,541
- other fixed asset timing differences	511	388
- deferred tax adjustment	(457)	(347)
Current tax charge for the year	<u>278,451</u>	<u>224,283</u>

PFI Islington (Holdings) Limited

NOTES TO THE ACCOUNTS (continued)
Year ended 31 March 2019

10. Tax on profit on ordinary activities (continued)

Deferred tax

Movement on deferred taxation balance in period	2019 £	2018 £
Opening balance	14,047	1,925
Credit to profit and loss account	(457)	(347)
Charge to other comprehensive income	1,049	12,469
Closing balance	<u>14,639</u>	<u>14,047</u>
Analysis of Deferred tax Balance		
Capital allowances in excess of depreciation	14,639	15,096
Short term timing differences	-	(1,049)
Deferred tax liability	<u>14,639</u>	<u>14,047</u>

The aggregate deferred tax relating to items that are recognised as items of other comprehensive income is £ Nil (2017/18: £1,049).

11. Investments

	Shares in group undertaking £
Cost and net book value At 31 March 2018 and 31 March 2019	<u>1,000</u>

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

Name of Subsidiary	Place of incorporation	Principal activity	Percentage of interest	Net assets £	Profit & loss for the year £
Partners For Improvement in Islington Limited	United Kingdom	PFI operator	100% ordinary shares	331,333	1,139,325

The Company received dividends of £1.0m (2017/18: £1.0m) from Partners For Improvement in Islington Limited during the year.

PFI Islington (Holdings) Limited

NOTES TO THE ACCOUNTS (continued)

Year ended 31 March 2019

12. Debtors due within one year

	Group 2019 £	Company 2019 £	Group 2018 £	Company 2018 £
Trade debtors	53,346	-	453,801	-
Finance debtor	1,434,850	-	1,364,594	-
Other debtors	628,718	-	551,847	-
Prepayments and accrued income	566,406	-	292,332	-
Deferred Tax Asset	-	-	1,049	-
Amounts owed by group undertakings	-	167,201	-	129,646
	<u>2,683,320</u>	<u>167,201</u>	<u>2,663,623</u>	<u>129,646</u>

13. Debtors due after one year

	Group 2019 £	Company 2019 £	Group 2018 £	Company 2018 £
Finance debtor	26,439,699	-	27,803,850	-
Amounts owed by group undertakings	-	2,432,676	-	2,599,877
	<u>26,439,699</u>	<u>2,432,676</u>	<u>27,803,850</u>	<u>2,599,877</u>

The Finance debtor and the movement of this balance can be considered as follows:

	Group 2019 £	Company 2019 £	Group 2018 £	Company 2018 £
Finance debtor				
Opening debtor	29,168,445	-	30,336,766	-
Additions to the finance debtor in the year	72,170	-	130,108	-
Capital element of payments received in the year	(1,366,066)	-	(1,298,429)	-
Closing finance debtor	27,874,549	-	29,168,445	-
Amount due within one year	<u>(1,434,850)</u>	<u>-</u>	<u>(1,364,594)</u>	<u>-</u>
Amount due after one year	<u>26,439,699</u>	<u>-</u>	<u>27,803,851</u>	<u>-</u>

PFI Islington (Holdings) Limited

NOTES TO THE ACCOUNTS (continued)

Year ended 31 March 2019

13. Debtors due after one year (continued)

In accordance with FRS 5 Application Note F, the finance debtor represents the refurbishment works-related expenditure incurred including the one-off purchase of the operating premises. The asset is reduced using a property-specific rate of return which the directors consider appropriate for the asset, as payments are received in the form of a unitary charge from the Council. The gross earnings in respect of the finance debtor are allocated to give a constant periodic rate of return on the Company's net cash investment.

14. Creditors: amounts falling due within one year

	Group 2019 £	Company 2019 £	Group 2018 £	Company 2018 £
Bank loans	1,008,959	-	1,290,874	-
Trade creditors	31,244	-	117,317	-
Other creditors	22,907,862	-	22,148,942	-
Accruals and deferred income	1,050,444	-	1,154,971	-
Subordinated debt	167,201	-	129,646	-
Corporation tax creditor	162,509	-	113,231	-
Deferred tax liability	14,639	-	15,097	-
Financial derivative liability (note 16)	-	-	6,171	-
Amounts owed to the shareholders	-	167,201	-	129,646
	<u>25,342,858</u>	<u>167,201</u>	<u>24,976,249</u>	<u>129,646</u>

Included within other creditors is an amount of £21m (2017/18: £21m) relating to the deferred unitary receipts which are recognised over the remaining term of the contract.

15. Creditors: amounts falling due after more than one year

	Group 2019 £	Company 2019 £	Group 2018 £	Company 2018 £
Bank loans	8,419,537	-	9,428,497	-
Accruals and deferred income	7,419,558	-	7,822,207	-
Subordinated Debt	2,432,676	-	2,599,877	-
Amounts owed to the shareholders	-	2,432,676	-	2,599,877
	<u>18,271,771</u>	<u>2,432,676</u>	<u>19,850,581</u>	<u>2,599,877</u>
Bank loans				
Due between two and five years	3,236,253	-	3,684,680	-
Due after more than five years	5,183,284	-	5,743,817	-
	<u>8,419,537</u>	<u>-</u>	<u>9,428,497</u>	<u>-</u>

PFI Islington (Holdings) Limited

NOTES TO THE ACCOUNTS (continued)

Year ended 31 March 2019

15. Creditors: amounts falling due after more than one year (continued)

The Bank loan amount represents a senior debt facility from Bank of Scotland PLC in order to finance the improvement and refurbishment of the properties under the contract with the Council. The loan is secured by a fixed and floating charge over all the assets of the Group and a charge over the shares of the Group. The loan is repayable in instalments based on an agreed percentage amount of the total facility quarterly through to 2031.

Interest on the facility is charged at rates linked to LIBOR. The Group has entered into fixed interest rate swap agreement with Bank of Scotland Treasury to mitigate its interest rate exposure. The resulting fixed interest rate on the facility, after taking into consideration the swap, is 6.09% per annum. The agreement expired in September 2018. Since then, interest is charged at a floating rate and is payable quarterly.

The amounts owed to shareholders represent a subordinated debt from the shareholders. The subordinated debt is unsecured and is subject to interest at 14.5% repayable bi-annually. The principal amount is repayable in instalments quarterly through to 2032.

16. Financial Derivative Liability

	2019 £	2018 £
Financial liabilities at fair value	-	6,171

The Group has entered into interest rate swaps with Bank of Scotland Treasury to manage its exposure to changes in LIBOR rates. This has been designated as a cash flow hedge and the Group applies hedge accounting for the recognition of the fair value of the swap and the subsequent movements in its fair value. The hedging relationship is considered "effective" and cumulative changes are recognised directly in equity, net of deferred tax. The fair value change, net of deferred tax, recognised in equity as at 31 March 2019 is a gain of £5,122 (2017/18: £60,877). This agreement expired in September 2018.

17. Called Up Share Capital

	2019 £	2018 £
Authorised, allotted and fully paid		
1,000 ordinary shares of £1 each	1,000	1,000
	1,000	1,000

18. Reserves

Called-up share capital represents the nominal value of shares that have been issued.

Profit and loss account includes all current and prior period retained profits and losses.

Cash flow hedging reserve represents the fair value of the financial derivative net of deferred tax.

PFI Islington (Holdings) Limited

NOTES TO THE ACCOUNTS (continued)

Year ended 31 March 2019

19. Related party disclosures

The Group has sub-contracted to Hyde Housing Association Limited, a 10% shareholder of the Company, the provision of the following services: housing management services of which the amount invoiced for the year ended 31 March 2019 is £1,916,999 (2017/18: £1,829,197); project services of which the amount invoiced for the year ended 31 March 2019 is £326,662 (2017/18: £300,419); bought in services (specific contracted services such as provision of IT), of which the amount invoiced for the year ended 31 March 2019 is £109,470 (2017/18: £106,282). Hyde Housing Association Limited owes £17,720 to the Group (2017/18: £35,296), where these amounts are included in debtors due within one year.

The Group leases office space in 4-6 Colebrooke Place to Partners for Improvement in Islington 2 Limited. The rent received for the year ended 31 March 2019 is £66,800 (2017/18: £66,800).

Each shareholder of the Company charges directors' fees. Palio (No 8) Limited directors' fees paid during the year are £27,474 (2017/18: £26,412). Aberdeen Infrastructure (No.3) Limited directors' fees paid during the year are £27,474 (2017/18: £26,412). Hyde Housing Association Limited directors' fees paid during the year are £13,737 (2017/18: £13,206).

The Company and the Group are exempt from disclosing any transactions or balances with other members of the group headed by PFI Islington (Holdings) Limited.

20. Parent undertakings and controlling parties

The controlling parties of the Company are Palio (NO 8) Limited (previously United House Solutions Limited) and Aberdeen Infrastructure (No 3) Limited each own 45% and Hyde Housing Association Limited owns 10% of the share capital.

21. Financial assets and liabilities

Group

Financial assets measured at amortised cost

	2019	2018
	£	£
Finance debtor	27,874,549	29,168,444
Trade and other debtors	1,245,137	1,289,506
Cash at bank and in hand	14,822,944	14,546,243
	<u>43,942,630</u>	<u>45,004,193</u>

PFI Islington (Holdings) Limited

NOTES TO THE ACCOUNTS (continued) **Year ended 31 March 2019**

21. Financial assets and liabilities (continued)

Financial liabilities measured at amortised cost

	2019	2018
	£	£
Bank loans	9,428,496	10,719,371
Trade creditors	31,244	117,317
Other creditors	313,290	510,201
Accruals	413,811	470,247
Amounts owed to shareholders	2,599,877	2,729,523
	<u>12,786,718</u>	<u>14,546,659</u>

Financial liabilities measured at fair value through statement of comprehensive income

	2019	2018
	£	£
Derivative financial instruments	-	6,171
	<u>-</u>	<u>6,171</u>

The Group's derivative financial instrument is an interest rate swap contract from Bank of Scotland Treasury, with an effective date 31 December 2004 and maturity date 30 September 2018.

Derivative financial instruments are measured at fair value. The fair value of the derivative financial instruments is determined using the discounted future cash flows methodology. Valuations for derivative financial instruments are based on counterparty valuations.

The gain from the movement in the fair value of the interest rate swap of £6,171 (2017/18:£73,346) has been reported in other comprehensive income.