

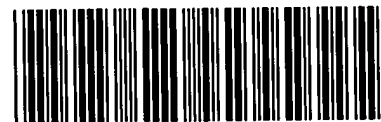
Company Registration No. 04021804

PFI Islington (Holdings) Limited

Report and Consolidated Financial Statements

Year ended 31 March 2023

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PFI Islington (Holdings) Limited

REPORT AND FINANCIAL STATEMENTS 2023

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PFI Islington (Holdings) Limited

REPORT AND FINANCIAL STATEMENTS 2023

OFFICERS AND PROFESSIONAL ADVISERS

Directors

Martin T. Smith
Frank D. Laing
Vikki L. Everett
Charlotte S. Douglass
Neal J. Ackcral
Mark R. Batchelor

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

Crowell & Moring
Tower 42
25 Old Broad Street
London
EC2N 1HQ

Auditor

RSM UK Audit LLP
Chartered Accountants and Registered Auditors
Third Floor, Priory Place
New London Road
Chelmsford
Essex
CM2 0PP

PFI Islington (Holdings) Limited

GROUP STRATEGIC REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2023. 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 Group's focus has been on providing an ongoing repairs service (including major works and cyclical works as required), lifecycle and housing management service.

In 2022/23, turnover recognised in the profit and loss account was £15.0m (2021/22: £10.5m), with a profit after tax of £1.0m (2021/22: £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.

Retained reserves carried forward were £914.9k (2021/22: £61.3k).

In 2022/23 the Group continued to perform well and deliver a good service against our contractual service targets with all of the KPI targets exceeded for the year. Of particular note was the achievement of the following: completion of 99.81% of responsive repairs within target timescales; customer satisfaction with repairs of 96.23%; average relet times of 19.33 days; complaints and correspondence answered promptly.

Various actions have been undertaken to ensure the service continues to evolve and improve. Our Housing Team are managing communal area risk assessments and clearances well, along with the Housing Advisory Team continuing to resolve enquiries at first point of contact. The Repairs Service continues to meet contractual targets including repair response times, resident satisfaction and quality control targets. We have also delivered lifecycle/major works and cyclical decoration programmes throughout the year in line with our contractual and stock investment targets.

We continue to manage housing and construction health and safety risks effectively with both the electrical testing and gas servicing programmes meeting targets. In 2022/23, our external health and safety consultants reviewed and signed off all Partners health and safety policies and procedures and also completed the annual operational health and safety audits of subcontractors. The results of the audits continue to be positive.

Our traditional resident engagement activity has been enhanced with additional offerings to support the new Tenant Satisfaction Measures. Alongside our Open Forum, resident events and Partners Gazette, we have introduced a 'Complaints Panel' made up of resident volunteers and 'Chance to Chat' an opportunity for any resident to request an informal meeting with a member of Partners' Service Improvement and Engagement Team.

PFI Islington (Holdings) Limited

GROUP 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:

Key performance indicators	Performance	Target
% of individual repairs completed within timescales	99.81%	95.00%
% of communal repairs completed within timescales	99.36%	95.00%
Tenant satisfaction with repairs	96.23%	75.00%
Average relet times (days)	19.33	27.00
% of gross annual rent roll collected	99.12%	97.00%
Compliance with nuisance and harassment requirements	100.00%	100.00%
Compliance with Tenancy changes requirements	97.56%	95.00%
Compliance with Tenancy audit requirements	100.00%	95.00%
Compliance with compensation requirements	95.16%	95.00%
Compliance with OOH telephony requirements	87.64%	80.00%
Compliance with electronic access services requirements	99.94%	90.00%
Correspondence answered <10 working days	98.84%	96.00%
Complaints answered <15 working days	98.99%	96.00%
Members enquiries answered <10 working days	99.07%	96.00%
Compliance with service & performance information	100.00%	95.00%

PFI Islington (Holdings) Limited
GROUP 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:



Charlotte Douglass
Director
Date: 07 November 2023

PFI Islington (Holdings) Limited

DIRECTOR'S REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2023.

Principal activities

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 company's principal activity is to act as an investment holding company to Partners for Improvement in Islington Limited, being the special purpose vehicle ("SPV") through which the PFI project is conducted.

The Board

The Board consists of six (2021/22: six) 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.

PFI Islington (Holdings) Limited

DIRECTOR'S REPORT

Interest rate risk

The Group is exposed to interest rate risk due to movements in interest rates and therefore impact of interest payable on its bank borrowings. Using cash reserves the Group repaid its bank borrowings in December 2021 therefore reducing this risk to a minimum.

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Future development

In 2023/24, 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.

Directors and their interests

The directors of the Company during the year and through to the date of this report were:

Martin T. Smith
Frank D. Laing
Vikki L. Everett
Simon W. Vevers (resigned 25 May 2023)
Charlotte S. Douglas
Mark R. Batchelor (appointed 25 May 2023)
Neal John Ackcral

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

RSM UK Audit LLP are the appointed auditors and have indicated their willingness to continue in office.

Dividends

Dividends of £0.2m (2021/22: £1.5m) have been approved by the shareholders at the Board meetings and £0.2m paid during 2022/23.

Approved by the Board of Directors on its behalf by:



Charlotte Douglass
Director
Date: 07 November 2023

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 group and company 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).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group and the company for that period.

In preparing each of the group and company 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and 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 the group's auditor are aware of that information.

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



Charlotte Douglass
Director
Date: 07 November 2023

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 subsidiaries (the 'group') for the year ended 31 March 2023 which comprise the consolidated statement of total comprehensive income, the consolidated and company statements of financial positions, the consolidated statement of cash flows, the consolidated and company statements of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 2023 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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

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.

Matters on which we are required to report by exception

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

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; or

Responsibilities of directors

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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

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

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the group and parent company operates in and how the group and parent company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and testing a sample of direct and indirect submissions and settlements to ensure such submissions were made in line with statutory deadlines and reporting requirements.

We have not identified any significant indirect laws and regulations critical to the group or the parent company's operations.

The group audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and a review of the rationale underpinning any non-routine or similar items through the course of our testing.

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

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.

RSM UK Audit LLP

Nicholas Cattini (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Third Floor, Priory Place
New London Road
Chelmsford
Essex
CM2 0PP

10/11/23

PFI Islington (Holdings) Limited
CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME
Year ending 31 March 2023

	Note	2023 £	2022 £
Turnover	3	15,009,667	10,494,063
Cost of Sales		(12,693,858)	(8,768,695)
Gross Profit		<u>2,315,809</u>	<u>1,725,368</u>
Administrative Expenses		(1,994,463)	(1,392,559)
Other Operating Income	6	<u>36,871</u>	<u>66,800</u>
Operating Profit	4	<u>358,217</u>	<u>399,609</u>
Interest Receivable and Similar Income	7	1,245,425	1,158,276
Interest Payable and Similar Charges	8	<u>(309,819)</u>	<u>(440,921)</u>
Profit Before Taxation		<u>1,293,823</u>	<u>1,116,964</u>
Taxation	10	<u>(268,899)</u>	<u>(223,498)</u>
Profit for the Financial Year		<u><u>1,024,924</u></u>	<u><u>893,466</u></u>
Total Comprehensive Income for the Financial Year		<u><u>1,024,924</u></u>	<u><u>893,466</u></u>
Total Comprehensive Income for the Financial Year attributable to:			
Owners of the parent		<u><u>1,024,924</u></u>	<u><u>893,466</u></u>

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

The accompanying notes on pages 17 to 26 form an integral part of these financial statements.

PFI Islington (Holdings) Limited
Company Registration No. 04021804
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 March 2023

	Note	2023 £	2022 £
Current Assets			
Debtors: due within one year	12	7,906,167	3,692,778
Debtors: due after one year	13	20,140,531	21,502,909
Cash at bank and in hand		3,984,596	10,191,597
		<u>32,031,294</u>	<u>35,387,284</u>
Creditors: amounts falling due within one year	14	<u>(23,630,936)</u>	<u>(27,215,506)</u>
Net current assets		<u>8,400,358</u>	<u>8,171,778</u>
Total assets less current liabilities		<u>8,400,358</u>	<u>8,171,778</u>
Creditors: amounts falling due after one year	15	<u>(7,485,494)</u>	<u>(8,110,463)</u>
Net assets		<u><u>914,864</u></u>	<u><u>61,315</u></u>
Capital and reserves			
Called up share capital	16	1,000	1,000
Profit and loss account	17	913,864	60,315
Total equity shareholders' funds		<u><u>914,864</u></u>	<u><u>61,315</u></u>

These financial statements were authorised and approved by the Board of Directors on 07 November 2023.

Signed on behalf of the Board of Directors



Charlotte Douglass
Director

The accompanying notes on pages 17 to 26 form an integral part of these financial statements

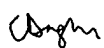
PFI Islington (Holdings) Limited
Company Registration No. 04021804
COMPANY STATEMENT OF FINANCIAL POSITION
31 March 2023

	Note	2023 £	2022 £
Fixed assets			
Investments	11	1,000	1,000
Current assets			
Debtors – due within one year	12	137,908	144,104
Debtors – due after more than one year	13	1,882,548	2,020,456
		<u>2,020,456</u>	<u>2,164,560</u>
Creditors: amounts falling due within one year	14	<u>(137,908)</u>	<u>(144,104)</u>
Net current assets		<u>1,882,548</u>	<u>2,020,456</u>
Total assets		<u>1,882,548</u>	<u>2,021,456</u>
Creditors: amounts falling due after more than one year	15	<u>(1,882,548)</u>	<u>(2,020,456)</u>
Net Assets		<u><u>1,000</u></u>	<u><u>1,000</u></u>
Capital and reserves			
Called up share capital	16	<u>1,000</u>	<u>1,000</u>
Total shareholders' funds		<u><u>1,000</u></u>	<u><u>1,000</u></u>

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. The unconsolidated company only profit for the year was £171,375 (2021/22: £1,541,000), which were distributed as dividends.

These financial statements were approved by the Board of Directors on 07 November 2023.

Signed on behalf of the Board of Directors



Charlotte Douglass
Director

The accompanying notes on pages 17 to 26 form an integral part of these financial statements.

PFI Islington (Holdings) Limited
CONSOLIDATED STATEMENT OF CASH FLOWS
31 March 2023

	Note	2023 £	2022 £
Cash flows from operating activities			
Profit for the financial year		1,024,924	893,466
Adjustments for:			
Interest paid		309,819	440,921
Interest received		(1,245,425)	(1,158,276)
Taxation		268,899	223,498
Decrease in debtors		(2,852,962)	1,456,976
Increase in creditors		(3,076,683)	2,595,367
Cash from operations		(6,596,352)	3,558,486
Tax paid		(170,952)	(350,581)
Net cash generated from operating activities		(5,742,380)	4,101,371
Cash flows from investing activities			
Interest received		158,726	2,548
Net Cash from investing activities		158,726	2,548
Cash flows from financing activities			
Repayment of Bank Loans		0	(7,446,848)
Repayment of Subordinated Debt		(52,014)	(43,940)
Interest paid		(399,958)	(473,464)
Dividends paid		(171,375)	(1,541,000)
Net cash used in financing activities		(623,347)	(9,505,252)
Net reduction in cash at bank and in hand		(6,207,001)	(5,401,333)
Cash at bank and in hand at the beginning of year	20	10,191,597	15,592,930
Cash at bank and in hand at the end of year	20	3,984,596	10,191,597

The accompanying notes on pages 17 to 26 form an integral part of these financial statements.

PFI Islington (Holdings) Limited
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
31 March 2023

	Called-up share capital £	Profit and loss account £	Total £
At 1 April 2021	1,000	707,849	708,849
Profit for the year	-	893,466	893,466
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	1,000	1,601,315	1,602,315
Dividends paid	-	(1,541,000)	(1,541,000)
	<hr/>	<hr/>	<hr/>
At 31 March 2022	1,000	60,315	61,315
	<hr/>	<hr/>	<hr/>
At 1 April 2022	1,000	60,315	61,315
Profit for the year	-	1,024,924	1,024,924
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	1,000	1,085,239	1,086,239
Dividends paid	-	(171,375)	(171,375)
	<hr/>	<hr/>	<hr/>
At 31 March 2023	1,000	913,864	914,864
	<hr/>	<hr/>	<hr/>

The accompanying notes on pages 17 to 26 form an integral part of these financial statements.

PFI Islington (Holdings) Limited
COMPANY STATEMENT OF CHANGES IN EQUITY
31 March 2023

	Called-up share capital £	Profit and loss account £	Total £
At 1 April 2021	1,000	-	1,000
Profit and total comprehensive income for the year	-	1,541,000	1,541,000
Dividends paid	-	(1,541,000)	(1,541,000)
At 31 March 2022	1,000	-	1,000
At 1 April 2022	1,000	-	1,000
Profit and total comprehensive income for the year	-	171,375	171,375
Dividends paid	-	(171,375)	(171,375)
At 31 March 2023	1,000	-	1,000

The accompanying notes on pages 17 to 26 form an integral part of these financial statements.

PFI Islington (Holdings) Limited
NOTES TO THE ACCOUNTS (continued)
Year ended 31 March 2023

1. Accounting policies

Company Information

The Company is a private company limited by shares and is registered and incorporated in England. The registered office is 4-6 Colebrooke Place, London, N1 8HZ. A description of the Group and company's business activities can be found in the Strategic report.

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.

The financial statements are presented in Sterling (£), which is the functional currency for the group, rounded to the nearest pound.

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 2023. 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 and underlying contracts (explained further in the Strategic Report). The project is underpinned by a detailed financial model that sets out all of the contractual cash in and out flows through to the scheduled completion date for the project in 2033. All contractual cash flows have been maintained since the inception of the project and there are no deviations scheduled or expected from the financial model in this regard.

After consideration of these projections, including stress testing various scenarios, the directors consider that the Company and the Group will be able to settle its liabilities as they fall due, and for a minimum of at least 12 months from the date of approval of these financial statements, 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.

PFI Islington (Holdings) Limited
NOTES TO THE ACCOUNTS (continued)
Year ended 31 March 2023

1. Accounting policies (continued)

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.

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

Income from operating lease rentals are recognised through 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 the 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 Group 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

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.

PFI Islington (Holdings) Limited
NOTES TO THE ACCOUNTS (continued)
Year ended 31 March 2023

1. Accounting policies (continued)

Long term instruments

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.

Short term instruments

Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently at the undiscounted amount of the cash or other consideration, expected to be paid or received.

Impairment

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.

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. At the balance sheet date, restricted cash reserves of £4.8m (2021/22: £nil) were held at interest earning deposits with Partners' bankers with maturity date in September 2023. These balances are not included in cash at bank and in hand balances.

Interest bearing loans and borrowings

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 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.

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.

PFI Islington (Holdings) Limited
NOTES TO THE ACCOUNTS (continued)
Year ended 31 March 2023

2. Judgements and key sources of estimation uncertainty (continued)

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.

4. Operating profit

Operating profit is stated after charging:

	2023	2022
	£	£
Operating lease rentals – other	-	1,407
Auditors' remuneration – Group audit fees	16,660	13,100
– other services	4,895	4,450
	<u>16,660</u>	<u>13,100</u>

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

5. Staff numbers and costs

The Group has no employees (2021/22: none). Employees services are outsourced under project services contract with Hyde Housing Association Limited. The directors received no emoluments for their services (2021/22: Nil), but director fees were paid to each shareholder (refer to related parties note).

6. Other operating income

	2023	2022
	£	£
Rent receivable	36,871	66,800
	<u>36,871</u>	<u>66,800</u>

PFI Islington (Holdings) Limited
NOTES TO THE ACCOUNTS (continued)
Year ended 31 March 2023

7. Interest receivable and similar income

	2023	2022
	£	£
Bank interest	158,726	2,548
Finance debtor interest	1,086,699	1,155,728
	<u>1,245,425</u>	<u>1,158,276</u>

8. Interest payable and similar charges

	2023	2022
	£	£
Bank loans, overdrafts and other loans	1,951	113,006
Interest payable on loans from shareholders	307,868	327,915
	<u>309,819</u>	<u>440,921</u>

9. Dividends

	2023	2022
	£	£
Dividend paid to shareholders	171,375	1,541,000

10. Tax on profit on ordinary activities

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

	2023	2022
	£	£
U.K. corporation tax at 19% (2021/22: 19%)	258,825	193,662
Adjustments in respect of prior periods	2,288	-
Total current tax	<u>261,113</u>	<u>193,662</u>
Deferred tax		
Timing differences, origination and reversal	7,786	25,110
Effect of tax rate change on opening balance	-	4,726
Tax on results on ordinary activities	<u>268,899</u>	<u>223,498</u>

Factors affecting tax charge for the current year

The tax assessed for the year is higher (2021/22: higher) than that resulting from applying the standard rate of corporation tax in the UK. The differences are explained below.

PFI Islington (Holdings) Limited
NOTES TO THE ACCOUNTS (continued)
Year ended 31 March 2023

10. Tax on profit on ordinary activities (continued)

	2023 £	2022 £
Profit on ordinary activities before tax	1,293,823	1,116,964
Tax at 19% (2021/22: 19%) thereon	245,826	212,223
Effects of:		
- adjustments to previous period tax charge	2,288	-
- fixed asset timing differences	10,798	523
- deferred tax adjustment	9,987	10,752
Current tax charge for the year	268,899	223,498

Deferred tax

Movement on deferred taxation balance in period	2023 £	2022 £
Opening balance	44,802	14,966
Charge/(Credit) to profit and loss account	7,786	29,836
Closing balance	52,588	44,802

Analysis of deferred tax balance

	2023	
Capital allowances in excess of depreciation	52,588	14,966
Short term timing differences	-	29,836
Deferred tax liability	52,588	44,802

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021, and confirmed at Autumn Statement 2022. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

11. Investments

	Shares in group undertaking £
Cost and net book value At 31 March 2022 and 31 March 2023	1,000

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 (registered address: 4-6 Colebrooke Place, London, N1 8HZ)	United Kingdom	PFI operator	100% ordinary shares	914,864	1,024,924

The Company received dividend payments of £0.2m (2021/22: £1.5m) from Partners For Improvement in Islington Limited during the year.

PFI Islington (Holdings) Limited
NOTES TO THE ACCOUNTS (continued)
Year ended 31 March 2023

12. Debtors due within one year

	Group 2023 £	Company 2023 £	Group 2022 £	Company 2022 £
Trade debtors	58,409	-	730,502	-
Finance debtor	1,750,803	-	2,031,695	-
Other debtors	5,124,277	-	7,876	-
Prepayments and accrued income	972,678	-	922,705	-
Amounts owed by group undertakings	-	137,908	-	144,104
	<u>7,906,167</u>	<u>137,908</u>	<u>3,692,778</u>	<u>144,104</u>

Other debtors balance includes £4.8m (2021/22 £nil) cash held at interest earning deposits with September 2023 maturity date.

13. Debtors due after one year

	Group 2023 £	Company 2023 £	Group 2022 £	Company 2022 £
Finance debtor	20,140,531	-	21,502,909	-
Amounts owed by group undertakings	-	1,882,548	-	2,020,456
	<u>20,140,531</u>	<u>1,882,548</u>	<u>21,502,909</u>	<u>2,020,456</u>

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

	Group 2023 £	Company 2023 £	Group 2022 £	Company 2022 £
Finance debtor				
Opening debtor	23,534,604	-	24,959,848	-
Additions to the finance debtor in the Year	25,761	-	155,320	-
Capital element of payments received in the year	(1,669,031)	-	(1,580,564)	-
Closing finance debtor	<u>21,891,334</u>	<u>-</u>	<u>23,534,604</u>	<u>-</u>
Amount due within one year	1,750,803	-	2,031,695	-
Amount due between two and five years	7,898,981	-	7,523,756	-
Amount due after five years	<u>12,241,550</u>	<u>-</u>	<u>13,979,153</u>	<u>-</u>
	<u>21,891,334</u>	<u>-</u>	<u>23,534,604</u>	<u>-</u>

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 Group's net cash investment.

PFI Islington (Holdings) Limited
NOTES TO THE ACCOUNTS (continued)
Year ended 31 March 2023

14. Creditors: amounts falling due within one year

	Group	Company	Group	Company
	2023	2023	2022	2022
	£	£	£	£
Trade creditors	712,563	-	704,996	-
Other creditors	20,190,608	-	22,755,332	-
Accruals and deferred income	2,378,444	-	3,497,610	-
Subordinated debt	137,908	-	144,104	-
Corporation tax creditor	158,825	-	68,662	-
Deferred tax liability	52,588	-	44,802	-
Amounts owed to the shareholders	-	137,908	-	144,104
	<u>23,630,936</u>	<u>137,908</u>	<u>27,215,506</u>	<u>144,104</u>

Included within other creditors is an amount of £19m (2021/22: £22m) 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	Company	Group	Company
	2023	2023	2022	2022
	£	£	£	£
Accruals and deferred income	5,602,946	-	6,090,007	-
Subordinated Debt	1,882,548	-	2,020,456	-
Amounts owed to the shareholders	-	1,882,548	-	2,020,456
	<u>7,485,494</u>	<u>1,882,548</u>	<u>8,110,463</u>	<u>2,020,456</u>
Amounts owed to the parent company				
Due between two and five years	655,659	-	697,722	-
Due after more than five years	1,226,889	-	1,322,734	-
	<u>1,882,548</u>	<u>-</u>	<u>2,020,456</u>	<u>-</u>

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. Called Up Share Capital

	2023	2022
	£	£
Authorised, allotted, fully paid and granting equal rights, preferences and restrictions		
450 "A" shares of £1 each	450	450
450 "B" shares of £1 each	450	450
100 "C" shares of £1 each	100	100
	<u>1,000</u>	<u>1,000</u>

PFI Islington (Holdings) Limited
NOTES TO THE ACCOUNTS (continued)
Year ended 31 March 2023

17. 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.

18. 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 2023 is £2,359,868 (2021/22: £2,135,627); project services of which the amount invoiced for the year ended 31 March 2023 is £719,050 (2021/22: £304,570); bought in services (specific contracted services such as provision of IT), of which the amount invoiced for the year ended 31 March 2023 is £258,385 (2021/22: £94,059). Hyde Housing Association Limited owes the Group £12,971 (2021/22: £684,517) where this amount is included in debtors due within one year.

During the year the Company incurred interest charges on loans from shareholders as follows: £138,541 (2021/22: £147,561) due to Palio (No 8) Limited, £138,541 (2021/22: £147,561) due to Aberdeen Infrastructure (No.3) Limited, and £30,787 (2021/22: £32,792) due to Hyde Housing Association Limited. Outstanding loan balances owed to shareholders at the end of the year were £909,203 (2021/22: £974,050) due to Palio (No 8) Limited, £909,203 (2021/22: £974,050) due to Aberdeen Infrastructure (No.3) Limited, and £202,048 (2021/22: £216,458) due to Hyde Housing Association Limited.

The Group leases office space in 4-6 Colebrooke Place to Partners for Improvement in Islington 2 Limited – the company under common control. The rent received for the year ended 31 March 2023 is £33,583 (2021/22: £66,800).

Each shareholder of the Group charges directors' fees. Palio (No 8) Limited directors' fees paid during the year are £32,830 (2021/22: £29,922), of which £nil (2021/22: £29,922) was unpaid at the end of the financial year. Aberdeen Infrastructure (No.3) Limited directors' fees paid during the year are £32,830 (2021/22: £29,922), of which £nil (2021/22: £ nil) was unpaid at the end of the financial year. Hyde Housing Association Limited directors' fees paid during the year are £16,415 (2021/22: £14,961), of which £8,924 (2021/22: £nil) was unpaid at the end of the financial year.

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.

19. Parent undertakings and controlling parties

The Company is owned by Palio (No 8) Limited (45%), a wholly owned subsidiary of Fenton UK 3 Limited; by Aberdeen Infrastructure (No 3) Limited (45%), a wholly owned subsidiary of Aberdeen Infrastructure Partners LP Inc; and by Hyde Housing Association Limited (10%). All of these companies are incorporated in Great Britain and registered in England and Wales. The Directors consider there to be no ultimate controlling party or ultimate parent company.

PFI Islington (Holdings) Limited
NOTES TO THE ACCOUNTS (continued)
Year ended 31 March 2023

20. Analysis of changes in consolidated net debt

	2022 £	Cash flows £	Other non cash charges £	2023 £
Cash and cash equivalents				
Cash	10,191,597	(6,207,001)	-	3,984,596
	<u>10,191,597</u>	<u>(6,207,001)</u>	<u>-</u>	<u>3,984,596</u>
Borrowing				
Debt due within one year	(144,104)	144,104	(137,908)	(137,908)
Debt due after one year	(2,020,456)	-	137,908	(1,882,548)
	<u>(2,164,560)</u>	<u>144,104</u>	<u>-</u>	<u>(2,020,456)</u>
Total	<u>8,027,037</u>	<u>(6,062,897)</u>	<u>-</u>	<u>1,964,140</u>