

WALSALL PUBLIC LIGHTING LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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Registered Number 4138736

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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DIRECTORS AND ADVISORS

Directors

D R Bradbury
N Kenyon

Company secretary and registered office

M Lewis
1 Kingsway
London
WC2B 6AN

Auditor

Deloitte LLP
Chartered Accountants
London

Principal bankers

Barclays Bank PLC
1 Churchill Place
London
E14 5HP

Solicitors

Freeth Cartwright LLP
6 Bennetts Hill
Birmingham
B2 5ST

DIRECTORS' REPORT

The Directors submit their Annual Report and the audited financial statements for the year ended 31 December 2012

The Directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption

The Company is a wholly owned subsidiary of Walsall Public Lighting Holding Company Limited, which in turn is a wholly owned subsidiary of the JLIIF Limited Partnership

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The company is principally engaged in the performance of a PFI contract with Walsall Metropolitan Borough Council for the design, installation, refurbishment and maintenance of certain street lighting

There have not been any significant changes in the Company's principal activities in the year under review. The Directors are not aware, at the date of this report, of any major changes in the Company's activities in the next year.

Financial close was reached on 28 March 2002. The concession period is 26 years. The completion certificate for the construction works was received on 30 September 2004. £1.6m subordinated debt was injected into the project on this date.

GOING CONCERN

The Directors have considered the use of the going concern basis in the preparation of the financial statements in light of current market conditions and concluded that it is appropriate. More information is provided in note 1 to the financial statements.

FUTURE DEVELOPMENTS

The Company will continue to finance and operate the street lighting until the end of the concession.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk.

FINANCIAL RISK MANAGEMENT

Cash flow Risk The company's borrowings expose it to cash flow risk primarily due to the financial risks of changes in interest rates and inflation. The Company's exposure to interest rate risk is mitigated through the use of interest rate swaps, details of which are set out in note 11 to the financial statements. The company's exposure to inflationary risk is mitigated by having an index-linked unitary contract with Walsall Metropolitan Council.

Credit Risk The company's principal financial assets are cash, financial assets and trade and other receivables. The Company's credit risk is primarily attributable to its trade receivables which are with one counterparty although in the opinion of the board of directors this risk is limited as the receivables are with a local governmental authority.

Liquidity Risk At the start of the PFI contract, the company negotiated debt facilities with an external party and the immediate parent company to ensure that the Company has sufficient funds over the life of the PFI concession.

AUDITORS

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

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

This confirmation is given and should be interpreted in accordance with the provision of section 418 of the Companies Act 2006.

DIRECTORS

The Directors who served throughout the year, except as noted, are shown on page 1.

EMPLOYEES

Details of the number of employees and related costs can be found in note 5 to the financial statements on page 8.

AUDITOR

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an AGM.

On behalf of the Board

D R Bradbury
Director
16 April 2013

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual 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 law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WALSALL PUBLIC LIGHTING LIMITED

We have audited the financial statements of Walsall Public Lighting Limited for the year ended 31 December 2012 which comprise the profit and loss account, the balance sheet and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statement. If we become aware of any apparent material misstatement or inconsistencies we consider the implication for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the Directors were not entitled to take advantage of the small companies exemption in preparing the Directors' Report.



Jacqueline Holden FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

16 April 2013

WALSALL PUBLIC LIGHTING LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 £'000	2011 £'000
Turnover	2	2,335	1,924
Cost of sales		(1,968)	(1,604)
Operating profit	3	367	320
Net interest receivable / (payable)	6	20	(109)
Profit on ordinary activities before taxation		387	211
Tax on profit on ordinary activities	7	(95)	(56)
Profit for the financial year	13	292	155

A reconciliation of movements in shareholder's fund is given in note 14

All items in the profit and loss account relate to continuing operations

There is no material difference between the results stated in the profit and loss account and their historical cost equivalents


All gains and losses are recognised in the profit and loss account in both the current and preceding year, and therefore no separate statement of total recognised gains and losses has been presented

WALSALL PUBLIC LIGHTING LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2012

	Notes	2012 £'000	2011 £'000
Current assets			
Debtors		12,201	12,673
- due within one year	9	917	852
- due after more than one year	9	11,284	11,821
Cash at bank and in hand		397	447
		12,598	13,120
Current liabilities			
Creditors amounts falling due within one year	10	(1,107)	(1,076)
Net current assets		11,491	12,044
Total assets less current liabilities		11,491	12,044
Creditors: amounts falling due after more than one year	10	(11,161)	(11,782)
Net assets		330	262
Capital and reserves			
Called up share capital	12	180	180
Profit and loss account	13	150	82
Shareholder's fund	14	330	262

The financial statements of Walsall Public Lighting Limited, registered number 4138736, were approved by the Board of Directors and authorised for issue on 16 April 2013. They were signed on its behalf by



D R Bradbury
Director
16 April 2013

Notes to the financial statements for the year ended 31 December 2012

1 ACCOUNTING POLICIES

a) Basis of preparation of accounts

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards. A summary of the principal accounting policies adopted by the Directors, which have been applied consistently throughout the current and preceding year, is shown below.

The Company is a wholly owned subsidiary undertaking of Walsall Public Lighting Holding Company Limited and as such is exempt under FRS1 (revised 1996) from the requirement to prepare its own cash flow statement.

The current economic conditions create some uncertainty, including with respect to

- (a) the ability of key sub-contractors to continue to meet contractual commitments,
- (b) the ability of the debt provider to continue to meet its contractual commitments, and
- (c) the ability of the SWAP provider to continue to meet their commitments.

The Company's forecasts and projections, taking account of reasonably possible changes in counterparty performance, show that the Company expects to be able to continue to operate.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

b) Turnover

All Turnover is derived entirely in the United Kingdom and is net of VAT.

c) Finance debtor

The Company is an operator under a PFI contract. Under the terms of the contract, substantially all the risks and rewards of ownership of the property asset remain with the Walsall Metropolitan Borough Council. The underlying asset is therefore not a fixed asset of the Company under FRS5 Application Note F and SSAP 21.

d) Finance debtor and income recognition

During the construction phase of the project, all attributable expenditure including finance costs is included in amounts recoverable on contracts and turnover. Upon the asset becoming operational, the costs are transferred to the finance debtor. During the operational phase, income is allocated between interest receivable and turnover using a constant operating margin on costs. The remainder of the PFI income will be allocated to the finance debtor.

e) Operating costs

Operating costs are added to amounts recoverable on contracts during the construction period. Following commissioning, regular operating and maintenance costs and central costs will be expensed to the profit and loss account as incurred.

f) Interest payable

Interest costs on borrowings are added to amounts recoverable on contracts during the construction phase of the contract, and then written off to the profit and loss account over the period of concession in the period to which they relate.

g) Taxation

Current tax, including United Kingdom Corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

In accordance with FRS19 'Deferred Tax', deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse, based on the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are not discounted.

h) Financial Instruments

The Company uses financial instruments to reduce exposure to interest rate movements. The Company does not hold or issue derivative financial instruments for speculative purposes.

i) Bank Borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit or loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

WALSALL PUBLIC LIGHTING LIMITED

Notes to the financial statements for the year ended 31 December 2012 (continued)

2 TURNOVER

	2012	2011
	£'000	£'000
Turnover in the year is analysed as follows		
Service fee revenue	1,728	1,598
Other operating income	607	326
	<u>2,335</u>	<u>1,924</u>

3 OPERATING PROFIT

	2012	2011
	£'000	£'000
Operating profit is stated after charging		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	8	8
Fees payable to the Company's auditor for the audit of Walsall Public Lighting Holding Company Limited	3	3
Operating and maintenance costs	1,197	1,106
Other operating costs	<u>760</u>	<u>488</u>

4 DIRECTORS' REMUNERATION

No Directors received any remuneration for services to the Company during the current or prior year. The Company is managed by secondees from the shareholder under a management services contract.

5 STAFF NUMBERS

The Company had no employees during the year (2010 - nil)

6 NET INTEREST RECEIVABLE / (PAYABLE)

	2012	2011
	£'000	£'000
Interest receivable and similar income		
Interest receivable on bank deposits	1	1
Interest receivable on finance debtor	896	932
	<u>897</u>	<u>933</u>
Interest payable and similar charges		
Interest payable on bank loans and overdrafts	(764)	(796)
Amortised debt issue costs	(6)	(6)
Interest payable to group undertakings	(107)	(240)
	<u>(877)</u>	<u>(1,042)</u>
Net interest receivable / (payable)	<u>20</u>	<u>(109)</u>

WALSALL PUBLIC LIGHTING LIMITED

Notes to the financial statements for the year ended 31 December 2012 (continued)

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2012 £'000	2011 £'000
<u>Analysis of tax charge for the year</u>		
Current tax		
UK corporation tax	(95)	(56)
Total current tax	<u>(95)</u>	<u>(56)</u>
Total tax charge on profit on ordinary activities	<u>(95)</u>	<u>(56)</u>

Factor affecting tax charge for the current year

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows

	2012 £'000	2011 £'000
Profit on ordinary activities before taxation	<u>387</u>	<u>211</u>
Profit on ordinary activities multiplied by the blended rate of corporation tax in the UK of 24.5% (2011 - 26.5%)	(95)	(56)
Total current tax charge for the year	<u>(95)</u>	<u>(56)</u>

For the year ended 31 December 2012, the blended UK rate of 24.5% is applied due to the change in the UK corporation tax rate from 26% to 24% with effect from 1 April 2012

8 DIVIDENDS

	2012 £'000	2011 £'000
Equity shares		
Total dividends paid of £1.24 (2011 - 74p) per share	<u>(224)</u>	<u>(134)</u>

9 DEBTORS

	2012 £'000	2011 £'000
Due within one year		
Finance debtor	567	532
Trade debtors	346	316
Prepayments and accrued income	4	4
	<u>917</u>	<u>852</u>
Due after more than one year		
Finance debtor	<u>11,284</u>	<u>11,821</u>
	<u>11,284</u>	<u>11,821</u>

The finance debtor includes cumulative net interest costs of £815,000 (2011 - £850,000)

Notes to the financial statements for the year ended 31 December 2012 (continued)

10 CREDITORS

	2012 £'000	2011 £'000
Amounts falling due within one year		
Bank loans (note 11)	567	530
Less unamortised debt issue costs	(6)	(6)
Loan notes owed to parent undertakings	59	53
Trade creditors	171	137
Corporation tax	53	56
Other taxation and social security	96	92
Other creditors		32
Accruals and deferred income	167	182
	1,107	1,076
Amounts falling due after more than one year		
Bank loans (note 11)	10,477	11,045
Less unamortised debt issue costs	(75)	(81)
Loan notes owed to parent undertakings	759	818
	11,161	11,782
Analysis of debt:		
Debt can be analysed as falling due		
In one year or less	626	583
Between one and two years	677	632
Between two and five years	2,070	2,097
In five years or more	8,489	9,134
	11,862	12,446
Less unamortised debt issue costs	(81)	(87)
	11,781	12,359

The bank loan is secured by a charge over the shares of the Company

The loan owed to immediate parent undertakings in the current and prior year is repayable in line with a repayments schedule
Interest is charged at agreed arm's length interest rates

11 LOANS

Bank loans

The bank loans are provided by Barclays Bank Plc and Bank of Scotland Plc, and is to be used to finance the operation of the project over its remaining life. The loan is repayable in instalments based on an agreed percentage amount of the total facility per annum over the next 14 years

The loan is secured by a fixed and floating charge over all the assets of the Company and a charge over the shares of the Company. The interest rate is fixed for the life of the loan

Interest on the facility is charged at rates linked to LIBOR. The Company has entered into fixed interest rate swaps to mitigate its interest rate exposure which have a negative fair value at 31 December 2012 of £3,278,270 (2011 - £3,143,276). The fixed interest rate on the facility, including all margins, is 6.63%. The Company does not hold or issue derivative financial instruments for speculative purposes

Notes to the financial statements for the year ended 31 December 2012 (continued)

12 CALLED UP SHARE CAPITAL

	2012 £'000	2011 £'000
Allotted, called up and fully paid. 180,000 ordinary shares of £1 each	180	180

13 MOVEMENT IN RESERVES

	Profit and loss account £'000
At 1 January 2012	82
Profit for the financial year	292
Dividends paid on equity shares (note 8)	(224)
At 31 December 2012	150

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUND

	2012 £'000	2011 £'000
Profit for the financial year	292	155
Dividends paid on equity shares (note 8)	(224)	(134)
Net addition to shareholder's fund	68	21
Opening shareholder's funds	262	241
Closing shareholder's fund	330	262

15 TRANSACTIONS WITH RELATED PARTIES

As a wholly owned subsidiary of John Laing Infrastructure Fund Limited, the Company has taken advantage of the exemption under Financial Reporting Standard 8 not to provide information on related party transactions with other undertakings within the John Laing Infrastructure Fund Limited group. Note 16 gives details of how to obtain a copy of the published financial statements of John Laing Infrastructure Fund Limited.

16 ULTIMATE PARENT UNDERTAKING

The Company's immediate parent company is Walsall Public Lighting Holdings Limited, a company incorporated in Great Britain.

The smallest and largest group in which its results are consolidated is John Laing Infrastructure Fund Limited, a company incorporated in Guernsey. Copies of the consolidated accounts of John Laing Infrastructure Fund Limited are available from the Company's website www.jlif.com.

The Company's ultimate parent and controlling entity is John Laing Infrastructure Fund Limited, a company incorporated in Guernsey.