

Company Registration No. 4200933

Partners For Improvement in Camden Limited

Report and Financial Statements

Year ended 31 December 2006

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Partners For Improvement in Camden Limited
REPORT AND FINANCIAL STATEMENTS 2006

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Partners For Improvement in Camden Limited

REPORT AND FINANCIAL STATEMENTS 2006

OFFICERS AND PROFESSIONAL ADVISERS

Directors

Andrew S. Mickleburgh (Chairman)
Colin Dixon
Martin T. Smith
William Haughey

Secretary

Stephen Cross

Registered Office

United House, Goldsel Road, Swanley, Kent, BR8 8EX

Bankers

Bank of Scotland Corporate Banking (division of HBOS plc), Bishopsgate
Exchange, 155, Bishopsgate, London, EC2M 3YB

Solicitors

Norton Rose, Kempson House, Camomile Street, London, EC3A 7AN

Auditors

KPMG LLP, 1 Forest Gate, Brighton Road, Crawley, West Sussex, RH11 9PT

Partners For Improvement in Camden Limited

DIRECTORS REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2006. The company was incorporated on 18 April 2001 but remained dormant until the Private Finance Initiative (PFI) project reached financial close on 2 May 2006.

ACTIVITIES

Working in partnership with the London Borough of Camden, Partners For Improvement in Camden Ltd (PFIC) is a new organisation set up specially to operate a social housing Private Finance Initiative Project in Camden. This PFI is a Government supported programme aimed at bringing investment into council-owned property. It is an alternative to stock transfer and all of the properties will stay under the Council's ownership. PFIC is a specially created organisation which has entered into a contract with the Council to improve and maintain the properties for 15 years, while the Council retains housing management responsibilities.

REVIEW OF DEVELOPMENTS

This is the first period of operations of Partners For Improvement in Camden Ltd. Our major focus has been to mobilise the Project, to initiate and develop key relationships, to get the refurbishment programme underway and to ensure operational services are up and running smoothly. At the end of our first period we can point to several key milestones that we have achieved:

- Developed effective working relationships across the several different organisations comprising the Partners team delivering responsive, customer-focused services including building refurbishment, responsive repairs and heating maintenance;
- Developed effective working relationships with the Local Authority to achieve a real sense of partnership working and collaborative problem solving.
- Developed effective working relationships with local residents groups and community groups to give residents a real opportunity to monitor, influence and contribute to the operation of the services.
- The refurbishment programme commenced on time and is being successfully managed ahead of plan with first 32 tenant and leaseholder dwellings refurbished externally and certified.
- Responsive repairs performance comfortably ahead of service level targets, with no performance or unavailability deductions incurred.
- Positive feedback received from all stakeholders – residents, councillors and officers.
- All financial targets have been met fully.

DIVIDENDS

There have been no dividends paid during the period.

FUTURE PROSPECTS

Over the next 3 years, we will be stepping up our programme of refurbishment and improvement works to all 605 rented and 106 leasehold homes. This will deliver our prime objective to bring the properties up to the 'availability standard' set by the Council, provide modern living conditions for residents and achieve the Government's 'Decent Homes Standard'.

We are also committed to continue to deliver the highest quality responsive maintenance service and to strive to continuously improve this service by regular review and re-evaluation to ensure it is effective and relevant.

Partners For Improvement in Camden Limited

DIRECTORS REPORT

We are committed to continue to allow residents to monitor, contribute to and influence the operation of the Project through operational and estate forums.

The Project in its widest context will also help to improve the Chalcots Estate neighbourhood generally by being represented on and working in partnership with community groups and other organisations and contributing to initiatives such as;

- Upgrading the security of the estate thereby making a real, lasting contribution to the quality of life and sense of safety of all residents.
- By working in collaboration with other local training and employment initiatives such as the local labour initiative to improve access for local people to jobs at skills training.
- By working with members of the local crime initiative in an effort to reduce crime and tackle anti-social behaviour.
- To work with young people's groups to provide activities for young people especially in school holiday times.

CORPORATE GOVERNANCE

The Board is committed to ensuring that high standards of corporate governance operate throughout Partners For Improvement in Camden Ltd. The following statement describes how the relevant principles of governance are applied.

THE BOARD

The Board consists of 4 directors and is responsible for 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. Regular Board meetings have been held throughout the financial year.

INTERNAL CONTROL

The Board is ultimately responsible for ensuring that Partners For Improvement in Camden Ltd establishes and maintains an effective system of internal controls:

- during the year, the Board approved a formal identification and evaluation of key risks procedure. These risks are assessed on a continual basis and focus on a variety of different risks that the organisation faces;
- written policies and procedures have been approved in line with contractual and statutory obligations; and
- 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.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year were:

Name	Date of Appointment
Andrew S. Mickleburgh (Chairman)	18 April 2001
Colin Dixon	04 August 2006
Martin T. Smith	28 April 2006
William Haughey	28 April 2006
Steve Cross (Company Secretary)	28 April 2006

Partners For Improvement in Camden Limited

DIRECTORS REPORT

Jeffery Adams resigned 04 August 2006.

No director had any beneficial interest in the shares of the company which is required to be disclosed under Schedule 7 of the Companies Act 1985.

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS

KPMG LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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

A handwritten signature in black ink, appearing to read 'A Mickleburgh', with a long horizontal flourish extending to the right.

Andrew S. Mickleburgh
Director

Partners For Improvement in Camden Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PARTNERS FOR IMPROVEMENT IN CAMDEN LIMITED

We have audited the financial statements of Partners For Improvement in Camden Ltd for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PARTNERS FOR IMPROVEMENT IN CAMDEN LIMITED

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP

10 July 2007

KPMG LLP

Chartered Accountants

Registered Auditor

Partners For Improvement in Camden Limited

PROFIT AND LOSS ACCOUNT Year ended 31 December 2006

	Note	2006 £	2005 £
TURNOVER	2	1,805,065	-
Cost of sales		(269,941)	-
GROSS PROFIT		1,535,124	-
Administrative expenses		(1,394,634)	-
Other operating income		-	-
OPERATING PROFIT	3	140,490	-
Interest receivable and similar income	5	250,001	-
Interest payable and similar charges	6	(738,499)	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(348,008)	-
Tax on loss on ordinary activities	7	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(348,008)	-
Retained Profit brought forward		-	-
Retained Profit carried forward		(348,008)	-

There have been no recognised gains and losses attributable to the shareholders other than the above in either year and accordingly, no Statement of Total Recognised Gains and Losses is shown.

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

There is no difference between the gains and losses shown in the profit and loss account and their historic cost equivalents.

Partners For Improvement in Camden Limited

BALANCE SHEET 31 December 2006

	Note	2006 £	2005 £
Current assets			
Debtors (including £11,387,103 (2005:nil) due after one year)	8	12,158,550	1
Cash at bank and in hand		764,491	-
		<u>12,923,041</u>	<u>1</u>
Creditors: amounts falling due within one year	10	(4,033,792)	-
		<u>8,889,249</u>	<u>1</u>
Net current assets			
Creditors: amounts falling due after more than one year	11	(9,236,257)	-
		<u>(347,008)</u>	<u>1</u>
Net (liabilities)/assets			
Capital and reserves			
Called up share capital	12	1,000	1
Profit and loss account		(348,008)	-
		<u>(347,008)</u>	<u>1</u>
Total equity shareholders' (deficit)/funds	13	<u>(347,008)</u>	<u>1</u>

These financial statements were approved by the Board of Directors on 18th June 2007.
Signed on behalf of the Board of Directors



Andrew S. Mickleburgh
Director

Partners For Improvement in Camden Limited

NOTES TO THE ACCOUNTS

Period ended 31 December 2006

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover represents amounts derived from the provision of services which fall within the company's ordinary activities and excludes deduction of Value Added Tax. It is stated at the operating costs plus an appropriate margin.

Taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Leases

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Operating lease rentals are charged to income in equal annual amounts over the lease term.

Finance Debtor

The amounts spent on refurbishment of the Council properties, under the agreement with London Borough of Camden, are capitalised during the initial refurbishment period as a finance debtor together with the reimbursement of bid costs and development fees paid to the ultimate shareholders of the parent company. Income related 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 to the net cash investment in the finance debtor.

Debt issue costs

Debt issue costs are amortised over the loan period in accordance with FRS4 "Capital Instruments"

Cash flow statement

Under the provisions of Financial Reporting Standard No.1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement since it qualifies as a small company.

2. Turnover

The turnover, all of which arises in the United Kingdom, is attributable to the provision of the facilities management element of the contract.

Partners For Improvement in Camden Limited

NOTES TO THE ACCOUNTS

Period ended 31 December 2006

3. Operating Loss

The loss on ordinary activities is stated after charging:

	2006 £	2005 £
Auditors' remuneration – audit services	12,000	-
- tax services	5,000	-
	<u>17,000</u>	<u>-</u>

4. Staff numbers and costs

The company had no employees during the period and the directors received no emoluments from the Company for their services. During the year, £5,000 was charged by United House Solutions Ltd in respect of Directors services.

5. Interest receivable and similar income

	2006 £	2005 £
Bank interest	29,284	-
Finance interest	220,717	-
	<u>250,001</u>	<u>-</u>

6. Interest payable and similar charges

	2006 £	2005 £
Bank loans, overdrafts and other loans	118,414	-
Interest payable to parent company	422,158	-
Other finance charges	197,927	-
	<u>738,499</u>	<u>-</u>

Partners For Improvement in Camden Limited

NOTES TO THE ACCOUNTS

Period ended 31 December 2006

7. Tax on loss on ordinary activities

	2006 £	2005 £
Analysis of tax charge on ordinary activities		
U.K. corporation tax at 30% based on loss for the period	-	-

Factors affecting tax charge for the current year

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

	2006 £	2005 £
Loss on ordinary activities before tax	(348,008)	-
Tax at 30% thereon	(104,402)	-
Effects of:		
- expenses not deductible for tax purposes	642	-
- tax losses not recognised	103,760	-
Current tax charge for the year	-	-

The company has tax losses available to offset against future trading profits of £345,867. The company therefore has an unrecognised deferred tax asset of £103,760. The directors are of the opinion that there is insufficient evidence to demonstrate that the asset will be recovered.

Partners For Improvement in Camden Limited

NOTES TO THE ACCOUNTS

Period ended 31 December 2006

8. Debtors

Debtors due within one year.

	2006 £	2005 £
Other debtors	71,153	1
Prepayments and accrued income	700,294	-
	<u>771,447</u>	<u>-</u>

Debtors due after one year.

	2006 £	2005 £
Finance debtors (see note 9)	10,839,003	-
Prepayments and accrued income	548,100	-
	<u>11,387,103</u>	<u>-</u>
Total debtors	<u>12,158,550</u>	<u>1</u>

9. Analysis of the finance debtor

The movement in finance debtor balance can be considered as follows:

	2006 £	2005 £
Opening debtor	-	-
Additions to the finance debtor in the period	11,043,000	-
Capital element of payments received in the period	(203,997)	-
Total finance debtor	<u>10,839,003</u>	<u>-</u>

In accordance with FRS 5 Application Note F, the finance debtor is recorded as the refurbishment works related expenditure incurred. 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 London Borough of Camden. 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.

Partners For Improvement in Camden Limited

NOTES TO THE ACCOUNTS

Period ended 31 December 2006

10. Creditors: amounts falling due within one year

	2006 £	2005 £
Other creditors	2,752,484	-
Accruals and deferred income	1,281,308	-
	<u>4,033,792</u>	<u>-</u>

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

	2006 £	2005 £
Term Facility	3,425,183	-
Amounts owed to the parent company	5,222,158	-
Other Creditors	588,916	-
	<u>9,236,257</u>	<u>-</u>
Due between two and five years	588,916	-
Due after more than five years	8,647,341	-
	<u>9,236,257</u>	<u>-</u>

The amounts owed to the parent company represent an unsecured subordinated debt from the parent company, PFI Camden (Holdings) Ltd. Interest is charged at a fixed rate of 13% per annum. Payments of interest and principal in respect of this debt are conditional on satisfaction of conditions specified in the loan agreement with the parent company.

The term facility is provided by The Governor & Company of the Bank of Scotland. The debt is unsecured and interest is charged at a variable rate and is subject to an interest rate SWAP to a fixed rate to reduce the Company's exposure to changes in interest rates. The term facility is repayable on 31 March 2020.

The other creditors are deferred amounts due to the main contractor, including interest charged at 0.5% below the base rate, which will become payable at the end of the second of five phases in the contract works period.

Partners For Improvement in Camden Limited

NOTES TO THE ACCOUNTS

Period ended 31 December 2006

12. Called Up Share Capital

	2006 £	2005 £
Authorised:		
1,000 ordinary shares of £1 each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>
Called up, allotted and fully paid		
1,000 (2005:1) ordinary shares of £1 each	1,000	1
	<u>1,000</u>	<u>1</u>

During the period the company issued 999 shares to PFI Camden (Holdings) Ltd at par.

13. Reconciliation of movement in shareholders' funds/(deficit)

	2006 £	2005 £
Issue of share capital	999	-
Loss for the period	(348,008)	-
Net reduction in shareholders' funds	<u>(347,009)</u>	<u>-</u>
Opening shareholders' funds	1	1
Closing shareholders' deficit	<u>(347,008)</u>	<u>1</u>

14. Related party disclosures

The project services agreement (which covers management services) has been subcontracted to United House Solutions Ltd. The value of the contract is £4,427,176 and the amount invoiced to 31 December 2006 is £352,233. The heating services contract (which includes maintenance and planned boiler replacement) has been subcontracted to United House Ltd. The value of this contract is £3,477,106 and the amount invoiced to 31 December 2006 is £62,863. In addition, the Company reimbursed bid costs and paid development fees to a total of £1,416,600 to United House Solutions Ltd. United House Solutions Ltd, which is a 50% shareholder of PFI Camden (Holdings) Ltd, and United House Ltd are both indirectly wholly owned by United House Group Ltd.

The Governor & Company of the Bank of Scotland, the parent company of Ueberior Infrastructure Investments Ltd which is a 50% shareholder of PFI Camden (Holdings) Ltd, is providing the senior debt and a working capital facility to Partners For Improvement in

Partners For Improvement in Camden Limited

NOTES TO THE ACCOUNTS

Period ended 31 December 2006

Camden Ltd. The value of senior debt facility is £43,050,000 and the standby facility is £1,250,000. The amounts that have been drawn down to 31 December 2006 are £3,425,183. In addition, the Company reimbursed bid costs and paid development fees to a total of £1,293,956 to Uberior Infrastructure Investments Ltd.

PFI Camden (Holdings) Ltd, the parent company, is providing a subordinated debt facility to Partners For Improvement in Camden Ltd. The value of the facility is £4,800,000 and the whole amount has been drawn down to 31 December 2006. The interest on the loan of £422,158 has not been paid over and has been rolled up into the total amount due to the parent company at 31 December 2006 of £5,222,158.

15. Ultimate parent company

The Company is a wholly owned subsidiary undertaking of PFI Camden (Holdings) Ltd, a company incorporated in England. The smallest and largest group in which Partners For Improvement in Camden Ltd is included is that headed by PFI Camden (Holdings) Ltd. Consolidated accounts have not been prepared for the current period as the group is exempt as it is classified as small under the provisions of Financial Reporting Standard No.2. The accounts of PFI Camden (Holdings) Ltd are available to the public and may be obtained from Registered Office, detailed on page 1.

United House Solutions Ltd owns 50% and Uberior Infrastructure Investments Ltd owns 50% of the share capital of PFI Camden (Holdings) Ltd.