

Company Registration No. 4200933

Partners For Improvement in Camden Limited

Report and Financial Statements

Year ended 31 December 2007

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Partners For Improvement in Camden Limited
REPORT AND FINANCIAL STATEMENTS 2007

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Partners For Improvement in Camden Limited

REPORT AND FINANCIAL STATEMENTS 2007

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 2007. 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) was 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 second period of operations of Partners For Improvement in Camden Ltd. Our major focus has been to bed in technical and operational construction processes developed in the first year, to maintain and enhance key relationships, to ensure the refurbishment works programme is appropriately resourced and effectively delivered and to ensure the operational services continue to run smoothly and deliver the required outputs. At the end of the second period we can point to several key milestones that we have achieved:

- Achieved block completion of the first block ahead of contractual programme. Took possession of blocks 2,3 and 4 with the refurbishment works to these blocks currently being delivered on programme.
- Continued to ensure 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.
- Continued the effective working relationships with the Local Authority to achieve a real sense of partnership working and collaborative problem solving.
- Developed closer working relationships with local residents groups and community groups to give residents a real opportunity to contribute to the monitoring and development of the services. A key output was the redesign of the internal package works in collaboration with residents groups.
- 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 2 years, we will be continuing our programme of refurbishment and improvement works to all 605 rented and 106 leasehold homes with a view to finish in January 2010.

Partners For Improvement in Camden Limited

DIRECTORS REPORT

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 Governments' '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 with all stakeholders to ensure it is effective and relevant.

We are committed to continue to allow residents to monitor, contribute to and influence the operation of the project through formal monthly operational forums, six-monthly estate forums and weekly internal package works review meetings.

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.

We have recently discovered that the external rainscreen cladding panels fitted to the first two blocks are showing signs of delamination between the outer aluminium panel and the internal neoprene layer. This is not a health & safety risk and does not affect the functionality of the panel but does affect the aesthetic appearance. PFIC & our principal contractor are reviewing the reasons for the product failure and a full rectification plan will be agreed and implemented. Currently blocks 3, 4 and 5 are being clad in an alternative product and no delamination is present. PFIC do not envisage the delivery of the services to the contract programme being at risk.

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:

Partners For Improvement in Camden Limited

DIRECTORS REPORT

- 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


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

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

Under section 386 of the Companies Act 1985, a resolution has been passed which results in the company not being required to reappoint its auditors annually. KPMG LLP will therefore continue as the company's auditors.

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



25 June 2008

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 Limited for the year ended 31 December 2007 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 2007 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

27 June 2008

KPMG LLP

Chartered Accountants

Registered Auditor

Partners For Improvement in Camden Limited

PROFIT AND LOSS ACCOUNT Year ended 31 December 2007

	Note	2007 £	2006 £
TURNOVER	2	1,842,350	1,805,065
Cost of sales		(615,154)	(269,941)
GROSS PROFIT		1,227,196	1,535,124
Administrative expenses		(1,083,804)	(1,394,634)
Other operating income		-	-
OPERATING PROFIT		143,392	140,490
Interest receivable and similar income	5	1,068,520	250,001
Interest payable and similar charges	6	(1,528,857)	(738,499)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(316,945)	(348,008)
Tax on loss on ordinary activities	7	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(316,945)	(348,008)
Retained Loss brought forward		(348,008)	-
Retained Loss carried forward		(664,953)	(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.

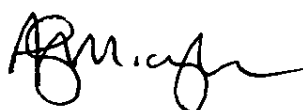
There is no difference between the gains and losses shown in the profit and loss account and their historic cost equivalents.

Partners For Improvement in Camden Limited

BALANCE SHEET 31 December 2007

	Note	2007 £	2006 £
Current assets			
Debtors (including £31,442,290 due after one year)	8	32,732,878	12,158,550
Cash at bank and in hand		2,159,497	764,491
		<u>34,892,375</u>	<u>12,923,041</u>
Creditors: amounts falling due within one year	10	(11,508,701)	(4,033,792)
		<u>23,383,674</u>	<u>8,889,249</u>
Net current assets			
Creditors: amounts falling due after more than one year	11	(24,047,627)	(9,236,257)
		<u>(663,953)</u>	<u>(347,008)</u>
Net liabilities			
Capital and reserves			
Called up share capital	12	1,000	1,000
Profit and loss account	13	(664,953)	(348,008)
		<u>(663,953)</u>	<u>(347,008)</u>
Total equity shareholders' deficit	14	<u>(663,953)</u>	<u>(347,008)</u>

These financial statements were approved by the Board of Directors on 25th June 2008.
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 2007

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 success 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 2007

3. Loss on ordinary activities before taxation

The loss on ordinary activities before taxation is stated after charging:

	2007 £	2006 £
Auditors' remuneration – audit services	7,500	12,000
- tax services	5,000	5,000
	<u>12,500</u>	<u>17,000</u>

4. Staff numbers and costs

The company had no employees during the period and the directors received no emoluments for their services.

5. Interest receivable and similar income

	2007 £	2006 £
Bank interest	39,264	29,284
Finance interest	1,029,256	220,717
	<u>1,068,520</u>	<u>250,001</u>

6. Interest payable and similar charges

	2007 £	2006 £
Bank loans, overdrafts and other loans	592,002	118,414
Interest payable to parent company	701,006	422,158
Other finance charges	235,848	197,927
	<u>1,528,857</u>	<u>738,499</u>

Partners For Improvement in Camden Limited

NOTES TO THE ACCOUNTS

Period ended 31 December 2007

7. Tax on loss on ordinary activities

	2007 £	2006 £
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.

	2007 £	2006 £
Loss on ordinary activities before tax	(316,945)	(348,008)
Tax at 30% thereon	(95,084)	(104,402)
Effects of:		
- expenses not deductible for tax purposes	-	642
- tax losses not recognised	95,084	103,760
Current tax charge for the year	-	-

The company has tax losses available to offset against future trading profits of £662,812 (2006:£345,867). The company therefore has an unrecognised deferred tax asset of £185,587 (2006:£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 2007

8. Debtors

Debtors due within one year.

	2007 £	2006 £
Other debtors	518,655	71,153
Prepayments and accrued income	771,933	700,294
	<u>1,290,588</u>	<u>771,447</u>

Debtors due after one year.

	2007 £	2006 £
Finance debtors (see note 9)	30,950,060	10,839,003
Prepayments and accrued income	492,230	548,100
	<u>31,442,290</u>	<u>11,387,103</u>
Total debtors	<u>32,732,878</u>	<u>12,158,550</u>

9. Analysis of the finance debtor

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

	2007 £	2006 £
Opening debtor	10,839,003	-
Additions to the finance debtor in the period	21,099,107	11,043,000
Capital element of payments received in the period	(988,050)	(203,997)
Total finance debtor	<u>30,950,060</u>	<u>10,839,003</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 2007

10. Creditors: amounts falling due within one year

	2007 £	2006 £
Other creditors	9,350,779	2,752,484
Accruals and deferred income	2,157,922	1,281,308
	<u>11,508,701</u>	<u>4,033,792</u>

Other creditors include retentions due to the main contractor, including interest which becomes due in 2008.

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

	2007 £	2006 £
Term Facility	18,025,183	3,425,183
Amounts owed to the parent company	5,923,164	5,222,158
Other Creditors	99,280	588,916
	<u>24,047,627</u>	<u>9,236,257</u>
Due between two and five years	99,280	588,916
Due after more than five years	23,948,347	8,647,341
	<u>24,047,627</u>	<u>9,236,257</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 Bank of Scotland. The debt is secured and interest is charged at a variable rate and is subject to an interest rate swap to secure expenditure. The term facility is repayable on 31.03.2020.

The other creditors are vandalism reserves of which the balance will be due at the end of the contracted period.

Partners For Improvement in Camden Limited

NOTES TO THE ACCOUNTS

Period ended 31 December 2007

12. Called Up Share Capital

	2007 £	2006 £
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 ordinary shares of £1 each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>

13. Reserves

	Profit & Loss A/c
As at 1 January 2007	(348,008)
Loss for the financial year	<u>(316,945)</u>
As at 31 December 2007	<u>(664,953)</u>

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

	2007 £	2006 £
Issue of share capital		999
Loss for the period	<u>(316,945)</u>	<u>(348,008)</u>
Net reduction in shareholders' funds	(316,945)	(347,009)
Opening shareholders' deficit	<u>(347,008)</u>	<u>1</u>
Closing shareholders' deficit	<u>(663,953)</u>	<u>(347,008)</u>

15. Related party disclosures

The heating services contract (which includes maintenance and planned boiler replacement) has been subcontracted to United House Ltd. United House Solutions Ltd,

Partners For Improvement in Camden Limited

NOTES TO THE ACCOUNTS

Period ended 31 December 2007

which is a 50% shareholder of Partners For Improvement in Camden Ltd, and United House Limited are both indirectly wholly owned by United House Group Limited. The value of this 15 year contract is £3,477,106 and the amount invoiced to date to 31 December 2007 is £185,897. At 31 December 2007 the company owed United House Limited £2,961,582.

The Bank of Scotland Plc, the parent company of Uberior Infrastructure Investment 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 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 2007 are £18,025,183.

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 2007. The interest on the loan to date of £1,123,164 has not been paid over and has been rolled up into the total amount due to the parent company at 31 December 2007 of £5,923,164.

16. 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 Limited 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 Investment Ltd owns 50% of the share capital of PFI Camden (Holdings) Ltd.