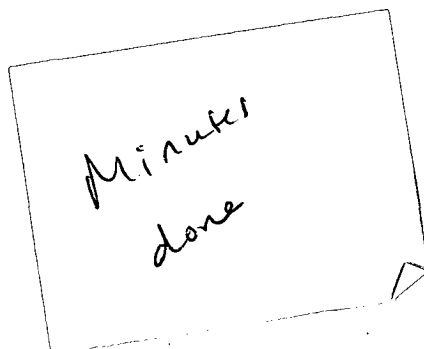


Partners for Improvement in Camden Limited

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013



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DIRECTORS AND ADVISORS

Directors

I B Balfour (appointed 1 November 2013)

K M Hill

V L Everett

J Pritchard

M T Smith (resigned 31 January 2013)

A G Bremner (appointed 31 January 2013, resigned 31 July 2013)

Company secretary and registered office

M Lewis

1 Kingsway

London

WC2B 6AN

Auditor

Deloitte LLP

Chartered Accountants and Statutory Auditor

London

Principal bankers

Bank Of Scotland plc (division of Lloyds Banking Group plc)

London

EC2M 3YB

DIRECTORS' REPORT

The Directors submit their Annual Report and the audited financial statements for the year ended 31 December 2013.

The Directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption under section 415A of the Companies Act 2006.

The Company is a wholly owned subsidiary of PFI Camden (Holdings) Limited, which in turn is owned by BOS Infrastructure (No.3) Limited (50%), and Palio (No 8) Limited (50%).

STRATEGIC REPORT

No Strategic report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

BUSINESS REVIEW AND PRINCIPAL 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.

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.

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

Partners for Improvement in Camden Limited will continue to provide services to five tower blocks until the end of the concession on 30 April 2021.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Cash flow risk: The Company's borrowings expose it to cash flow risk primarily due to the financial risks of changes in interest rates. The Company uses interest rate swap contracts to hedge these exposures.

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 local governmental authorities.

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.

DISCLOSURE OF INFORMATION TO THE AUDITOR

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps that they ought to have taken as a Director to make themselves 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 provisions of Section 418 of the Companies Act 2006.

DIRECTORS' REPORT (continued)

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 9.

AUDITOR

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Deloitte LLP will therefore continue in office.



I B Balfour
Director
12 September 2014

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;
- state whether UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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 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 2013 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 statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications 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 2013 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 Strategic Report and 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 company was not entitled to take the small companies exemption in preparing a strategic report or in preparing the director's report.



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

12 September 2014

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2013

		2013	2012
		£'000	£'000
Turnover	2	2,410	2,660
Cost of sales		(1,592)	(4,184)
Operating profit / (loss)	3	818	(1,524)
Net interest receivable	6	200	268
Profit / (loss) on ordinary activities before taxation		1,018	(1,256)
Tax on profit / (loss) on ordinary activities	7	(237)	(205)
Profit / (loss) for the financial year	13	781	(1,461)

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

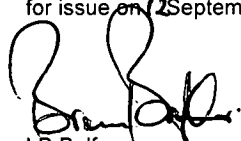
All items in the profit and loss account relate to continuing operations.

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.

BALANCE SHEET AS AT 31 DECEMBER 2013

		2013	2012
		£'000	£'000
Current assets			
Debtors		53,408	56,203
- due within one year	9	14,847	12,393
- due after more than one year	9	38,561	43,810
Cash at bank and in hand		1,596	3,461
		<u>55,004</u>	<u>59,664</u>
Current liabilities			
Creditors: amounts falling due within one year	10	(16,620)	(16,094)
Net current assets		<u>38,384</u>	<u>43,570</u>
Total assets less current liabilities		38,384	43,570
Creditors: amounts falling due after more than one year	10	(38,183)	(43,288)
Net assets		<u>201</u>	<u>282</u>
Capital and reserves			
Called up share capital	12	1	1
Profit and loss account	13	200	282
Shareholder's funds	14	<u>201</u>	<u>283</u>

The financial statements of Partners for Improvement in Camden Limited, were approved by the Board of Directors and authorised for issue on 12 September 2014. They were signed on its behalf by:



I B Balfour
Director

12 September 2014

Notes to the financial statements for the year ended 31 December 2013

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 PFI Camden (Holdings) Limited and as such is exempt under FRS1 (revised 1996) from the requirement to prepare its own cash flow statement.

Going concern

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 Directors have also considered the ability of government authorities to continue to pay unitary fees due to the Company and do not consider this to be a material risk.

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

Turnover is derived entirely from within the United Kingdom and is net of VAT.

During the construction phase of the project, all attributable expenditure, including finance costs, are 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.

In 2013 amounts invoiced in line with the project agreement were £10.3m (2012 - £10.2m).

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 London Borough of Camden. The underlying asset is therefore not a fixed asset of the Company under FRS5 Application Note F and SSAP 21.

d) Operating costs

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

e) 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.

f) 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 purpose.

g) Bank Borrowings

Interest-bearing bank loans and overdrafts are recorded as the proceeds are 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 and 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.

h) Cash

Cash comprises of cash at bank and in hand and short term deposits with original maturity of less than three months.

i) Government Grants

Grants received have been capitalised and a property specific rate has been used to generate a constant release over the life of the contract.

Notes to the financial statements for the year ended 31 December 2013 (continued)

2 TURNOVER

	2013	2012
	£'000	£'000
Turnover in the year is analysed as follows:		
Service fee revenue	2,268	2,533
Other operating income	142	127
	<u>2,410</u>	<u>2,660</u>

3 OPERATING PROFIT / (LOSS)

	2013	2012
	£'000	£'000
Operating profit / (loss) is stated after charging:		
Fees payable to the Company's auditor for the audit of the Company	7	6
Fees payable to the Company's auditor for the audit of the Company's parent company	2	2
Fees payable to the Company's internal auditor's, John Laing.	-	-
Operating and Maintenance costs		
Other operating costs	1,044	1,444
Other overhead and administrative costs	539	640
	<u>1,592</u>	<u>2,092</u>

The Company uses financial instruments to reduce exposure to interest rate movements.
The company does not hold or issue derivative financial instruments for speculative purpose.
The above audit fee includes £2,000 in respect to the audit of the parent company.

4 DIRECTORS' REMUNERATION

Directors Fees of £62,400 were paid to the shareholders as remuneration for services to the Company during the current year (2012 - £60,000). The Company is managed by secondees under a management services contract.

5 STAFF NUMBERS

The Company had no employees during the year (2012 - nil).

6 NET INTEREST RECEIVABLE

	2013	2012
	£'000	£'000
Interest receivable and similar income		
Interest receivable on bank deposits	97	171
Interest receivable on finance debtor	2,336	2,573
Other interest receivable	718	769
	<u>3,151</u>	<u>3,513</u>
Interest payable and similar charges		
Interest payable on bank loans and overdrafts	(1,943)	(2,191)
Interest payable to parent undertakings	(961)	(979)
Amortised debt issue costs	(47)	(40)
Commitment fee on undrawn loan facility	-	(35)
	<u>(2,951)</u>	<u>(3,245)</u>
Net interest receivable	<u>200</u>	<u>268</u>

7 TAX ON PROFIT / (LOSS) ON ORDINARY ACTIVITIES

	2013	2012
	£'000	£'000
<u>Analysis of tax charge for the year</u>		
Current tax		
U.K. Corporation tax	(237)	(205)
Total Current tax charge	<u>(237)</u>	<u>(205)</u>
Deferred tax		
Tax losses recognised	-	-
Total deferred tax	<u>-</u>	<u>-</u>
Total tax charge on profit on ordinary activities	<u>(237)</u>	<u>(205)</u>

Notes to the financial statements for the year ended 31 December 2013 (continued)

7 TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

Factors 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 loss before tax are as follows:

	2013 £'000	2012 £'000
Profit / (loss) on ordinary activities before taxation	1,018	836
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.25% (2012 - 24.5%) see note below.	(237)	(205)
Effects of:		
Accelerated capital allowances	-	-
Total Current tax charge for the year	(237)	(205)

For the year ended 31 December 2013, the blended UK rate of 23.25% is applied due to the change in the UK corporation tax rate from 24% to 23% with effect from 1 April 2013.

8 DIVIDENDS

	2013 £'000	2012 £'000
Equity shares		
Interim and final dividend paid of £863.23 (2012 - £199.16) per £1 share	(863)	(199)

9 DEBTORS

	2013 £'000	2012 (Restated) £'000
Due within one year		
Finance Debtor	5,074	4,666
Trade debtors	1,022	-
Financial Assets	7,717	6,752
Prepayments and accrued income	1,034	975
	14,847	12,393
Due after more than one year		
Finance debtor	38,561	43,810
Prepayments and accrued income	-	-
	38,561	43,810

Finance debtor balance includes cumulative net interest costs of £4,881,694 (2012 - £4,640,865).

Financial assets include amounts held within deposit accounts with a maturity of not less than 3 months from the initial deposit.

10 CREDITORS

	2013 £'000	2012 £'000
Amounts falling due within one year		
Bank loans (note 11)	4,303	4,165
Less: unamortised debt issue costs	(40)	(40)
Amounts owed to parent undertakings	240	243
Trade creditors	-	46
Corporation tax	25	112
Other taxation and social security	321	280
Other creditors	756	719
Accruals and deferred income	11,015	10,569
	16,620	16,094

Notes to the financial statements for the year ended 31 December 2013 (continued)

10 CREDITORS (continued)

	2013 £'000	2012 £'000
Amounts falling due after more than one year		
Bank loans (note 11)	25,395	29,698
Less: unamortised debt issue costs	(225)	(270)
Amounts owed to parent undertaking	7,322	7,413
Other creditors	5,691	6,447
	<u>38,183</u>	<u>43,288</u>
Analysis of debt:		
Debt can be analysed as falling due:		
In one year or less	4,303	4,165
Between one and two years	4,440	4,303
Between two and five years	13,322	13,373
In five years or more	14,955	19,435
	<u>37,020</u>	<u>41,276</u>
Less: unamortised debt issue costs	(265)	(310)
	<u>36,755</u>	<u>40,966</u>

11 LOANS

Partners for Improvement in Camden Limited has a £44 million credit facility provided by a syndicate of banks in order to finance the construction of the project. The loan is repayable in instalments based on an agreed percentage amount of the total facility per annum through to 2020.

Interest on the facility is charged at rates linked to LIBOR. Partners for Improvement in Camden Limited has entered into two interest rate swaps to mitigate its interest exposure which have a negative fair value at 31 December 2013 of £3,178,331 (2012 - £5,689,638).

The subdebt loan has been reprofiled in 2013 to pay the outstanding balance at the end of the concession.

12 CALLED UP SHARE CAPITAL

	2013 £'000	2012 £'000
Authorised:		
1,000 ordinary shares of £1 each	<u>1</u>	<u>1</u>

13 MOVEMENT IN RESERVES

	Profit and loss account £'000
At 1 January 2013	282
Profit for the financial year	781
Dividends paid on equity shares (note 8)	(863)
At 31 December 2013	<u>200</u>

Notes to the financial statements for the year ended 31 December 2013 (continued)

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2013	2012
	£'000	£'000
Profit / (loss) for the financial year	781	631
Dividends paid on equity shares (note 8)	(863)	(199)
Net increase in shareholder's deficit	(82)	432
Opening shareholder's funds / (deficit)	283	(149)
Closing shareholder's funds	201	283

15 RELATED PARTY DISCLOSURES

As a wholly owned subsidiary of PFI Camden (Holdings) 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 PFI Camden (Holdings) Group. Note 16 gives details of how to obtain a copy of the published financial statements of PFI Camden (Holdings) Limited.

16 ULTIMATE PARENT UNDERTAKING

The Company's ultimate parent company and controlling entity, and the largest and smallest group in which its results are consolidated is PFI Camden (Holdings) Limited, a company incorporated in Great Britain and registered in England and Wales whose registered office is 1 Kingsway, London WC2B 6AN. Copies of the consolidated accounts are available from Companies House, Crown Way, Cardiff CF14 3UZ.