

Company Registration No. 5751341 (England and Wales)

**PFI CAMDEN (HOLDINGS) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

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# PFI CAMDEN (HOLDINGS) LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	J Pritchard V Everett K Hill M Smith
<b>Secretary</b>	P Naylor
<b>Company number</b>	5751341
<b>Registered office</b>	1 Kingsway London United Kingdom WC2B 6AN
<b>Auditor</b>	Deloitte LLP Chartered Accountants and Statutory Auditor London United Kingdom
<b>Bankers</b>	Bank of Scotland plc (division of Lloyds Banking Group plc) Bishopsgate Exchange 155 Bishopsgate London EC2M 3YB

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# **PFI CAMDEN (HOLDINGS) LIMITED**

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# **PFI CAMDEN (HOLDINGS) LIMITED**

## **STRATEGIC REPORT**

***FOR THE YEAR ENDED 31 DECEMBER 2015***

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The directors present the strategic report and financial statements for the year ended 31 December 2015.

### **Business Review**

Going forward the PFI project will continue to improve and maintain the properties, while the council will retain housing management responsibility until the end of the concession, which runs until 30 April 2021.

During 2015 the contractual performance in Camden has been strong, and client and community feedback remains positive.

### **Principal Risk and Uncertainties**

The Group's activities expose it to a number of financial risks including liquidity risk, interest rate risk and credit risk. These risks are further explained in the Directors' Report.

### **Future Developments**

The directors are not aware, at the date of this report, of any major changes in the Group's activities in the next year.

### **Key Performance Indicators**

The key performance indicator for the Group is the level of performance and unavailability deductions levied by the client, since this reflects the quality of the service being provided. During the period, the Group suffered nominal deductions.

On behalf of the board



K Hill

**Director**

28 June 2016

# **PFI CAMDEN (HOLDINGS) LIMITED**

## **DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2015**

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The directors present their annual report and financial statements for the year ended 31 December 2015.

### **Principal activities**

The principal activity of the Group is the refurbishment, lifecycle maintenance and management of 595 tenanted and 116 leasehold properties owned by the local authority in the London Borough of Camden.

### **Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

J Pritchard  
V Everett  
K Hill  
M Smith

### **Results and dividends**

The results for the year are set out on page 7.

Ordinary dividends were paid amounting to £1,318,000. The directors do not recommend payment of a final dividend.

### **Directors' insurance**

The Group has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

### **Financial instruments**

#### ***Liquidity Risk***

The Group manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the Group has sufficient liquid resources to meet the operating needs of the business. At the start of the PFI contract, the Group negotiated debt facilities with an external party to ensure that the Group has sufficient funds over the life of the PFI concession.

#### ***Interest Rate Risk***

The Group's borrowings expose it to cash flow risk primarily due to the financial risks of changes in interest rates. The Group uses interest rate derivatives to manage the risk and reduce its exposure to changes in interest rates.

#### ***Credit Risk***

The Group's principal financial assets are cash, financial assets and trade and other receivables. The Group'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 government authority.

### **Auditor**

The auditor, Deloitte LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

# **PFI CAMDEN (HOLDINGS) LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

***FOR THE YEAR ENDED 31 DECEMBER 2015***

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### **Statement of disclosure to auditor**

Each of the directors in office at the date of approval of this annual report confirms that:

- so 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 / she ought to have taken as a director in order to make himself / herself 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.

On behalf of the board



K Hill

**Director**

28 June 2016

# **PFI CAMDEN (HOLDINGS) LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 31 DECEMBER 2015***

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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 group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the profit or loss of the group for that period. 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 applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

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

# **PFI CAMDEN (HOLDINGS) LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF PFI CAMDEN (HOLDINGS) LIMITED**

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We have audited the financial statements of PFI Camden (Holdings) Limited for the year ended 31 December 2015 which comprise the Consolidated Statement of Total Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes. 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), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 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 group's and the parent 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 group's and the parent company's affairs as at 31 December 2015 and of the group's 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.



## **PFI CAMDEN (HOLDINGS) LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

#### **TO THE MEMBERS OF PFI CAMDEN (HOLDINGS) LIMITED**

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##### **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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



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

28 June 2016

# PFI CAMDEN (HOLDINGS) LIMITED

## CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £'000	2014 £'000
Turnover	3	3,377	2,937
Cost of sales		(2,010)	(1,949)
<b>Gross profit</b>		<b>1,367</b>	<b>988</b>
Interest receivable and similar income	7	2,645	2,896
Interest payable and similar charges	8	(2,420)	(2,679)
<b>Profit on ordinary activities before taxation</b>		<b>1,592</b>	<b>1,205</b>
Taxation	9	(322)	(259)
<b>Profit for the financial year</b>		<b>1,270</b>	<b>946</b>
<b>Other comprehensive income</b>			
Cash flow hedges gain arising in the year	15	916	41
Tax relating to other comprehensive income	16	(221)	(8)
<b>Total comprehensive income for the year</b>		<b>1,965</b>	<b>979</b>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

# PFI CAMDEN (HOLDINGS) LIMITED

## GROUP BALANCE SHEET

AS AT 31 DECEMBER 2015

	Notes	2015 £'000	2014 £'000
<b>Current assets</b>			
Debtors falling due after one year	12	27,786	33,700
Debtors falling due within one year	12	6,630	14,434
Cash at bank and in hand		11,023	2,750
		<u>45,439</u>	<u>50,884</u>
<b>Creditors: falling due within one year</b>	14	<u>(16,783)</u>	<u>(16,693)</u>
Net current assets		28,656	34,191
<b>Creditors: amounts falling due after more than one year</b>	15	(29,880)	(36,060)
<b>Net liabilities</b>		<u>(1,224)</u>	<u>(1,869)</u>
<b>Capital and reserves</b>			
Called up share capital	17	1	1
Hedging reserve	17	(1,539)	(2,234)
Profit and loss reserves	17	314	364
<b>Total equity</b>		<u>(1,224)</u>	<u>(1,869)</u>

The financial statements were approved by the board of directors and authorised for issue on 28 June 2016 and are signed on its behalf by:



K Hill  
Director

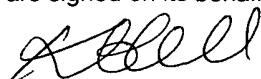
# PFI CAMDEN (HOLDINGS) LIMITED

## COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2015

	Notes	2015 £'000	2014 £'000
<b>Fixed assets</b>			
Investments		1	1
<b>Current assets</b>			
Debtors	12	7,562	7,554
Creditors: falling due within one year	14	(240)	(232)
Net current assets		7,322	7,322
<b>Total assets less current liabilities</b>		7,323	7,323
Creditors: amounts falling due after more than one year	15	(7,322)	(7,322)
<b>Net assets</b>		1	1
<b>Capital and reserves</b>			
Called up share capital	17	1	1

The financial statements were approved by the board of directors and authorised for issue on 28 June 2016 and are signed on its behalf by:



K Hill  
Director

Company Registration No. 5751341

# PFI CAMDEN (HOLDINGS) LIMITED

## GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	Share capital £'000	Hedging reserve £'000	Profit and loss reserves £'000	Total £'000
<b>Balance at 31 December 2013 as previously stated</b>		1	-	199	200
Effect of transition to FRS 102		-	(2,267)	-	(2,267)
<b>Balance at 1 January 2014 as restated</b>		1	(2,267)	199	(2,067)
<b>Period ended 31 December 2014:</b>					
Profit for the year		-	-	946	946
Other comprehensive income:					
Cash flow hedge gains arising in the year		-	41	-	41
Tax relating to other comprehensive income		-	(8)	-	(8)
Total comprehensive loss for the year		-	33	946	979
Dividends	10	-	-	(782)	(782)
<b>Balance at 31 December 2014</b>		1	(2,234)	364	(1,869)
<b>Period ended 31 December 2015:</b>					
Profit for the year		-	-	1,270	1,270
Other comprehensive income:					
Cash flow hedge gains arising in the year		-	916	-	916
Tax relating to other comprehensive income		-	(221)	-	(221)
Total comprehensive loss for the year		-	695	1,270	1,965
Dividends	10	-	-	(1,318)	(1,318)
<b>Balance at 31 December 2015</b>		1	(1,539)	314	(1,224)

# **PFI CAMDEN (HOLDINGS) LIMITED**

## **COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015**

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		Share capital	Profit and loss reserves	Total
	Notes	£'000	£'000	£'000
<b>Balance at 1 January 2014</b>		1	-	1
		<hr/>	<hr/>	<hr/>
<b>Period ended 31 December 2014:</b>				
Profit and total comprehensive income for the year		-	782	782
Dividends	10	-	(782)	(782)
		<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2014</b>		1	-	1
		<hr/>	<hr/>	<hr/>
<b>Period ended 31 December 2015:</b>				
Profit and total comprehensive income for the year		-	1,318	1,318
Dividends	10	-	(1,318)	(1,318)
		<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2015</b>		1	-	1
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

# PFI CAMDEN (HOLDINGS) LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

		2015	2014
	Notes	£'000	£'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	21	4,282	8,347
Income taxes paid		(266)	(210)
<b>Net cash inflow from operating activities</b>		<u>4,016</u>	<u>8,137</u>
<b>Investing activities</b>			
Financial assets		12,388	723
Interest received		64	90
<b>Net cash generated from investing activities</b>		<u>12,452</u>	<u>813</u>
<b>Financing activities</b>			
Interest paid		(2,437)	(2,710)
Repayment of bank loans		(4,440)	(4,303)
Dividends paid		(1,318)	(782)
<b>Net cash used in financing activities</b>		<u>(8,195)</u>	<u>(7,795)</u>
<b>Net increase in cash and cash equivalents</b>		<u>8,273</u>	<u>1,155</u>
Cash and cash equivalents at beginning of year		2,750	1,595
<b>Cash and cash equivalents at end of year</b>		<u><u>11,023</u></u>	<u><u>2,750</u></u>

# **PFI CAMDEN (HOLDINGS) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

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### **1 Accounting policies**

#### **Company information**

PFI Camden (Holdings) Limited is a limited company domiciled and incorporated in England and Wales. The registered office is 1 Kingsway, London, United Kingdom, WC2B 6AN.

#### **1.1 Accounting convention**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared on the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

These financial statements for the year ended 31 December 2015 are the first financial statements of PFI Camden (Holdings) Limited prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 January 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 17.

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes. The Company's profit for the year was £1,318,000 (2014 - £782,000)

#### **1.2 Basis of consolidation**

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertaking drawn up to 31 December each year.

#### **1.3 Going concern**

The Company exists to hold investments in its subsidiary that provides services under certain private finance agreements. The subsidiary is set up as a Special Purpose Company under non-recourse arrangements and therefore the Company has limited its exposure to the liabilities. In the event of default of the subsidiary, the exposure is limited to the extent of the investment it has made.

The Group is in a net liabilities position as at 31 December 2015 due to the fair value of the interest rate swaps. The directors have reviewed the Group's forecasts and projections, taking into account future cash requirements and forecast receipts, which show that the Group can continue to meet its debts as they fall due.

The directors therefore, at the time of approving the financial statements, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

#### **1.4 Turnover**

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Income received in respect of the service concession is allocated between revenue and capital repayment of, and interest income on, the PFI financial asset using the effective interest rate method. Service revenue is recognised as a margin on non-pass-through operating and maintenance costs.



# PFI CAMDEN (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

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### 1 Accounting policies

(Continued)

#### 1.5 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### 1.6 Financial instruments

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Group's statement of financial position when the Group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **Basic financial assets**

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

##### **Loans and receivables**

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

##### **Service Concession**

The Group has been established to provide services under certain private finance agreements with London Borough of Camden. Under the terms of these Agreements, London Borough of Camden (as grantor) controls the services to be provided by the Group over the contract term. Based on the contractual arrangements the Group has classified the project as a service concession arrangement, and has accounted for the principal assets of, and income streams from, the project in accordance with FRS 102, Section 34.12 Service Concession Arrangements.

The Group has chosen to adopt the transitional arrangements available within FRS 102, Section 35.10 (i) and as such the service concession arrangement has continued to be accounted for using the same accounting policies being applied at the date of transition to FRS 102 (1 January 2014). The nature of the asset has therefore not changed; however, there has been a change in the description from Finance Debtor to Financial Asset.

Under the terms of the arrangement, the Group has the right to receive a baseline contractual payment stream for the provision of the services from or at the direction of the grantor (London Borough of Camden), and as such the asset is accounted for as a financial asset. The financial asset has initially been recognised at the fair value of the consideration received, based on the fair value of the construction (or upgrade) services, plus any directly attributable transaction costs, provided in line with FRS 102.

# PFI CAMDEN (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2015

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#### 1 Accounting policies

(Continued)

##### ***Impairment of financial assets***

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

##### ***Derecognition of financial assets***

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

##### ***Classification of financial liabilities***

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

##### ***Other financial liabilities***

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

##### ***Derecognition of financial liabilities***

Financial liabilities are derecognised when, and only when, the obligation specified in the contract is discharged, cancelled, or expires.

#### 1.7 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

# PFI CAMDEN (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

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### 1 Accounting policies

(Continued)

#### 1.8 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

The Group does not hold or issue derivative financial instruments for speculative purposes.

##### *Hedge accounting*

The Group designates certain hedging instruments, including derivatives, embedded derivatives and non-derivatives, as either fair value hedges or cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item along with risk management objectives and strategy for undertaking various hedge transactions. At the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

##### *Cash flow hedges*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income.

The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line in this item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in the profit or loss in the same line as of the income statement as the recognised hedged item. However when the forecast transaction that is hedged results in the recognition of a non-financial asset or liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability concerned.

#### 1.9 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

##### *Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

# PFI CAMDEN (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

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### 1 Accounting policies

(Continued)

#### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### **1.10 Government Grants**

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

### 2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

#### **Critical judgements**

##### **Hedge Accounting**

The directors consider the Group to have met the criteria for hedge accounting and the Group has therefore recognised fair value movements on derivatives in effective hedging relationships through other comprehensive income as well as the deferred tax thereon.

# PFI CAMDEN (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

### 2 Critical accounting judgements and key sources of estimation uncertainty

(Continued)

#### Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

#### Valuation of derivative financial instruments

The directors use their judgement in selecting a suitable valuation technique for derivative financial instruments. All derivative financial instruments are valued at the mark to market valuation provided by the derivative counterparty. In these cases, the Group uses valuation techniques to assess the reasonableness of the valuation provided by the derivative counterparty. These techniques use a discounted cash flow analysis based on market observable inputs derived from similar instruments in similar and active markets. The fair value of derivative financial instruments at the balance sheet date was £2,111,000. The directors do not consider the impact of own credit risk to be material.

#### Service concession arrangement

As disclosed in Note 1, the Group accounts for the project as a service concession arrangement. The directors use their judgement in selecting the appropriate financial asset rate to be applied in order to allocate the income received between revenue, and capital repayment of and interest income on the financial asset; and also the service margin that is used to recognise service revenue. The directors have also used their judgement in assessing the appropriateness of the future maintenance costs that are included in the Group's forecasts. The directors will continue to monitor the condition of the assets and undertake a regular review of maintenance spend.

### 3 Turnover and other revenue

An analysis of the Group's turnover is as follows:

	2015 £'000	2014 £'000
<b>Turnover</b>		
Service fee income	3,341	2,906
Pass-through income	36	31
	<u>3,377</u>	<u>2,937</u>
 <b>Other significant revenue</b>		
Interest income	<u>2,645</u>	<u>2,896</u>
 <b>Turnover analysed by geographical market</b>		
	2015 £'000	2014 £'000
United Kingdom	<u>3,377</u>	<u>2,937</u>

# PFI CAMDEN (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

### 4 Auditors' remuneration

	2015 £'000	2014 £'000
Fees payable to the Company's auditor and its associates:		
<b>For audit services</b>		
Audit of the financial statements of the Group and Company	11	9

### 5 Employees

The Group had no employees during the current or prior year.

### 6 Directors' remuneration

No directors received any remuneration for services to the Group during the current or prior year. The Group is managed by secondees under a management services contract.

### 7 Interest receivable and similar income

	2015 £'000	2014 £'000
<b>Interest income</b>		
Interest on bank deposits	30	56
Other interest income	2,615	2,840
Total income	2,645	2,896

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	30	56
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### 8 Interest payable and similar charges

	2015 £'000	2014 £'000
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts and loans	1,461	1,727
Interest payable to group undertakings	959	952
Total interest expense	2,420	2,679

### 9 Taxation

	2015 £'000	2014 £'000
<b>Current tax</b>		
UK corporation tax on profits for the current period	322	259
Total current tax	322	259

# PFI CAMDEN (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2015

#### 9 Taxation

(Continued)

For the year ended 31 December 2015, the blended UK rate of 20.25% is applied due to the change in the UK corporation tax rate from 21% to 20% with effect from 1 April 2015.

In the Summer Finance Bill 2015, which was substantively enacted on 26 October 2015, it was announced that the main rate of corporation tax for UK companies would reduce to 19% from 1 April 2017, and then reduce further to 18% from 1 April 2020. The reduced rate of 18% has therefore been reflected in the calculation of deferred tax at the balance sheet date.

The difference between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2015 £'000	2014 £'000
Profit before taxation	1,592	1,205
Expected tax charge based on a corporation tax rate of 20.25%	322	259
Tax expense for the year	322	259

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2015 £'000	2014 £'000
Deferred tax arising on:		
Deferred tax on interest rate swap fair value	165	8
Effect of change in tax rate on opening liability	55	-
Total tax recognised in other comprehensive income	221	8

#### 10 Dividends

	2015 £'000	2014 £'000
Interim paid	1,318	782
	1,318	782

# PFI CAMDEN (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

### 11 Financial instruments

	Group 2015 £'000	2014 £'000	Company 2015 £'000	2014 £'000
<b>Carrying amount of financial assets</b>				
Debt instruments measured at amortised cost	44,135	49,385	7,562	7,554
Equity instruments measured at cost less impairment	-	-	1	1
	<u>44,135</u>	<u>49,385</u>	<u>7,563</u>	<u>7,555</u>
<b>Carrying amount of financial liabilities</b>				
Measured at amortised cost	<u>44,335</u>	<u>49,598</u>	<u>7,562</u>	<u>7,554</u>
Amounts relating to cash flow hedges reclassified from equity to profit or loss in the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

#### Bank loans

Partners for Improvement in Camden 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. The Group has entered into fixed interest rate swaps to mitigate its interest rate exposure. The resulting fixed interest rate on the facility during the operational phase is 5.199%.

#### Subordinated debt

At the year end the Group owed £7,322,000 of subordinated debt to Palio (No 8) Limited (50%) and Aberdeen Infrastructure Limited (50%).

The subordinated debt is unsecured and is subject to interest at 13% repayable bi-annually. The principal amount will be repayable at the end of the concession in 2021.

#### Derivative Financial Instruments

The swaps have a fixed interest rate of 5.199% and expire in 2020. The interest rate swaps settle on a semi-annual basis. The floating rate on the interest rate swaps is six months' Libor. The Group will settle the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contracts are designated as hedges of variable interest rate risk of the Group's floating rate borrowings. The hedged cash flows are expected to occur and to affect profit or loss over the period to maturity of the interest rate swaps.

The fair value of the derivative financial instruments above comprise the fair of the interest rate swap designated in an effective hedging relationship. The change in fair value of the interest rate swap that was recognised in other comprehensive income in the period was £968,000 (2014 - £99,000)



# PFI CAMDEN (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

### 12 Debtors

	Group		Company	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
<b>Amounts falling due within one year:</b>				
Trade debtors	(1)	1,066	-	-
Amounts due from subsidiary undertakings	-	-	240	232
Financial asset	5,665	5,364	-	-
Other financial assets	-	6,995	-	-
Other debtors	-	34	-	-
Prepayments and accrued income	966	975	-	-
	<u>6,630</u>	<u>14,434</u>	<u>240</u>	<u>232</u>
<b>Amounts falling due after one year:</b>				
Amounts due from subsidiary undertakings	-	-	7,322	7,322
Financial asset	27,448	33,142	-	-
Deferred tax asset (note 16)	338	558	-	-
	<u>27,786</u>	<u>33,700</u>	<u>7,322</u>	<u>7,322</u>
<b>Total debtors</b>	<u>34,416</u>	<u>48,134</u>	<u>7,562</u>	<u>7,554</u>

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

# PFI CAMDEN (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

### 13 Loans and overdrafts

	Group		Company	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Bank loans	20,775	25,172	-	-
Loans from parent undertaking	7,322	7,322	7,322	7,322
	<u>28,097</u>	<u>32,494</u>	<u>7,322</u>	<u>7,322</u>
Payable within one year	4,390	4,411	-	-
Payable after one year	23,707	28,083	7,322	7,322
	<u>28,097</u>	<u>32,494</u>	<u>7,322</u>	<u>7,322</u>
Amounts included above which fall due after five years:				
Payable by instalments	-	2,687	-	-
Payable other than by instalments	7,322	7,322	7,322	7,322
	<u>7,322</u>	<u>10,009</u>	<u>7,322</u>	<u>7,322</u>

The loans are secured by a fixed and floating charge over all the assets of the Company and a charge over the shares of the Company.

### 14 Creditors: falling due within one year

	Notes	Group		Company	
		2015	2014	2015	2014
		£'000	£'000	£'000	£'000
Loans and overdrafts	13	4,390	4,411	-	-
Corporation tax payable		137	81	-	-
Other taxation and social security		315	282	-	-
Trade creditors		1	53	-	-
Amount due to parent undertaking		240	232	240	232
Other creditors		87	102	-	-
Accruals and deferred income		11,613	11,532	-	-
		<u>16,783</u>	<u>16,693</u>	<u>240</u>	<u>232</u>

# PFI CAMDEN (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

### 15 Creditors: amounts falling due after more than one year

		Group		Company	
	Notes	2015	2014	2015	2014
		£'000	£'000	£'000	£'000
Loans and overdrafts	13	23,707	28,083	7,322	7,322
Derivative financial instruments		2,111	3,079	-	-
Accruals and deferred income		4,062	4,898	-	-
		<u>29,880</u>	<u>36,060</u>	<u>7,322</u>	<u>7,322</u>

### 16 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Assets	Assets
	2015	2014
	£'000	£'000
<b>Group</b>		
Deferred tax on interest rate swap fair value	338	558
	<u>338</u>	<u>558</u>
	<b>Group</b>	<b>Company</b>
	2015	2015
	£'000	£'000
<b>Movements in the year:</b>		
(Asset) at 1 January 2015	(558)	-
Charge to other comprehensive income	165	-
Effect of change in tax rate - other comprehensive income	55	-
	<u>(338)</u>	<u>-</u>
(Asset) at 31 December 2015	(338)	-

The deferred tax asset in relation to the interest rate swap liability is expected to affect profit or loss over the period to maturity of the interest rate swap.

# PFI CAMDEN (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

### 17 Share capital and other reserves

	Group and company	
	2015	2014
	£'000	£'000
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
1,000 ordinary shares of £1 each	1	1
	<u>1</u>	<u>1</u>

#### Other Reserves

The Group's other reserves are as follows:

The profit and loss reserve represents cumulative profits or losses.

The hedging reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in hedging variable interest rate risk of recognised financial instruments. Amounts accumulated in this reserve are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

### 18 Related party transactions

During the year the Group entered into the following transactions with related parties:

	2015	2014
	£'000	£'000
<b>Group</b>		
Palio (No 8) Limited - Subordinated debt interest	480	476
Palio (No 8) Limited - Accrual outstanding at 31 December	120	116
Palio (No 8) Limited - Subordinated debt outstanding at 31 December	3,661	3,661
Aberdeen Infrastructure Limited - Subordinated debt interest	480	476
Aberdeen Infrastructure Limited - Accrual outstanding at 31 December	120	116
Aberdeen Infrastructure Limited - Subordinated debt outstanding at 31 December	3,661	3,661
	<u>8,522</u>	<u>8,506</u>

No guarantees have been given or received.

### 19 Controlling party

The Company is a joint venture between Palio (No 8) Limited (50%), a wholly owned subsidiary of John Laing Infrastructure Fund Limited and Aberdeen Infrastructure (No. 3) Limited (50%), a wholly owned subsidiary of Aberdeen Infrastructure Partners LP Inc. Both of these companies are incorporated in Great Britain and registered in England and Wales. The Directors consider there to be no ultimate controlling party or ultimate parent company.

# PFI CAMDEN (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

### 20 Subsidiaries

Details of the Company's subsidiaries at 31 December 2015 are as follows:

Name of undertaking	Country of incorporation or residency	Class of shareholding	% Held Direct
Partners for Improvement in Camden Limited	United Kingdom	Ordinary Shares	100.00

### 21 Cash generated from operations

	2015 £'000	2014 £'000
Profit for the year	1,270	946
Adjustments for:		
Income tax expense recognised in profit or loss	322	259
Finance costs recognised in profit or loss	2,420	2,679
Investment income recognised in profit or loss	(2,645)	(2,896)
Movements in working capital:		
Decrease/(increase) in debtors	1,073	(53)
Increase in creditors	1,842	7,412
<b>Cash generated from operations</b>	<b>4,282</b>	<b>8,347</b>

### 22 Reconciliations on adoption of FRS 102

#### Reconciliation of equity

		1 January 2014 £'000	31 December 2014 £'000
	Notes		
Equity as reported under previous UK GAAP		200	365
Adjustments arising from transition to FRS 102:			
Interest rate swap fair value	22.1	(2,833)	(2,792)
Deferred tax on interest rate swap	22.2	566	558
<b>Equity reported under FRS 102</b>		<b>(2,067)</b>	<b>(1,869)</b>

# PFI CAMDEN (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

### 22 Reconciliations on adoption of FRS 102

(Continued)

#### Reconciliation of profit or loss

		2014 £'000
Profit as reported under previous UK GAAP		946
Adjustments arising from transition to FRS 102:		
Interest rate swap fair value	22.1	-
Deferred tax on interest rate swap	22.2	-
Profit as reported under FRS 102		946

#### Notes to reconciliations on adoption of FRS 102

This is the first year that the Group has presented its financial statements under FRS 102. The last financial statements under previous UK GAAP were for the year ended 31 December 2014 and therefore the prior year comparatives in these financial statements have been restated from the date of transition to FRS 102 on 1 January 2014. As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with that standard, the most notable being the adoption of FRS 102 section 11 (Basic Financial Instruments) and section 12 (Other financial instruments) which has resulted in the recognition and additional disclosures of derivative financial instruments held by the Group as well as the deferred tax impact. Listed below are the notes to the reconciliation of equity at 1 January 2014 and 31 December 2014.

#### Note 22.1 - Fair value of interest rate swap

Under previous UK GAAP the fair value of the interest rate swap was disclosed in the notes to the financial statements. Under FRS 102 the Group is required to recognise the fair value of derivative financial instruments on the balance sheet. In the table above recognition of the fair value of the interest rate swap reflects a liability on the balance sheet at 1 January 2014 and 31 December 2014. The Group has met the criteria for hedge accounting and therefore the fair value movement in 2014 on the interest rate swap, which is in an effective hedging relationship, is recognised through the hedging reserve.

#### Note 22.2 - Deferred tax

Under previous UK GAAP there was no requirement to recognise or disclose deferred tax relating to financial instruments. As stated in Note 1 the fair value of financial instruments were just disclosed in a note to the financial statements. Under FRS 102, the Group is required to recognise deferred tax on all fair value movements. Consequently, a deferred tax asset arises on recognition of the fair value of the interest rate swap on 1 January 2014 and at 31 December 2014. The deferred tax on the fair value movement in 2014 is recognised through the hedging reserve.

#### Consolidated Statement of Cash Flows

There were presentational changes to the Consolidated Statement of Cash Flows, which is now presented under three categories - cash flows from operating, investing and financing activities.