Company Registration No. 05751341 (England and Wales)

PFI CAMDEN (HOLDINGS) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

PFI CAMDEN (HOLDINGS) LIMITED

COMPANY INFORMATION

Directors	V Everett K Hill M Smith M McLintock	 (Appointed 14 February 2017)
Secretary	T Hedges	
Company number	05751341	
Registered office	8 White Oak Square London Road Swanley BR8 7AG	
Auditor	Deloitte LLP Chartered Accountants and Statutory Auditor London United Kingdom	
Bankers	Bank of Scotland plc (division of Lloyds Banking Group plc) Bishopsgate Exchange 155 Bishopsgate London EC2M 3YB	

PFI CAMDEN (HOLDINGS) LIMITED

CONTENTS

PFI CAMDEN (HOLDINGS) LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors present the strategic report for the year ended 31 December 2016.

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 of the concession, which runs until 30 April 2021.

During 2016 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, credit risk and lifecycle 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

M McLintock
Director
30 March 2017

PFI CAMDEN (HOLDINGS) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors present their annual report and audited financial statements for the year ended 31 December 2016.

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	(Resigned 14 February 2017)
V Everett	
K Hill	
M Smith	
M McLintock	(Appointed 14 February 2017)

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

Ordinary dividends were paid amounting to £1,335,000 (2015: £1,318,000). The Directors do not recommend payment of a final dividend.

Qualifying third party indemnity provisions
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 risk management objectives and policies

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.

Lifecycle Risk
Lifecycle expenditure is the main risk to the Group. The risk being that the allowance for lifecycle costs factored into the financial model is insufficient to cover future lifecycle expenditure, thus resulting in lower profitability and reduced distributions. This is mitigated by regular lifecycle reviews undertaken by the management services provider and a detailed lifecycle review performed every five years.

Future developments
Details of future developments and events that have occurred after the balance sheet date can be found in the Strategic Report on page 1 and form part of this report by cross-reference.

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

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 Group'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 Group'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

M McLintock
Director
30 March 2017

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 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 PFI CAMDEN (HOLDINGS) LIMITED

We have audited the financial statements of PFI Camden (Holdings) Limited for the year ended 31 December 2016 which comprise the Group Statement of Comprehensive Income, the Group Balance Sheet, the Company Balance Sheet, the Group Statement of Changes in Equity, the Company Statement of Changes in Equity, the Group Statement of Cash Flows and the related notes on pages 13 - 26. 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 FRS 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 2016 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, based on the work undertaken in the course of our audit,

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF PFI CAMDEN (HOLDINGS) LIMITED

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.

30 March 2017
Jacqueline Holden FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom

PFI CAMDEN (HOLDINGS) LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £'000	2015 £'000
Turnover	3	3,531	3,377
Cost of sales		(2,161)	(2,010)
Gross profit		1,370	1,367
Interest receivable and similar income	7	2,377	2,645
Interest payable and similar charges	8	(2,147)	(2,420)
Profit before taxation		1,600	1,592
Taxation	9	(320)	(322)
Profit for the financial year		1,280	1,270
Other comprehensive income			
Fair value gain arising on cash flow hedges in the year		520	916
Deferred tax relating to other comprehensive income		(107)	(221)
Total comprehensive income for the year		1,693	1,965

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

PFI CAMDEN (HOLDINGS) LIMITED

GROUP BALANCE SHEET

AS AT 31 DECEMBER 2016

	Notes	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Current assets					
Debtors falling due after one year	**14**	21,727		27,786	
Debtors falling due within one year	**14**	6,874		6,630	
Cash at bank and in hand		11,071		11,023	
		39,672		45,439	
Creditors: amounts falling due within one year	**15**	(16,556)		(16,783)	
Net current assets			23,116		28,656
Creditors: amounts falling due after more than one year	**16**		(23,982)		(29,880)
Net liabilities			(866)		(1,224)
Capital and reserves					
Called up share capital	**18**		1		1
Hedging reserve	**18**		(1,126)		(1,539)
Profit and loss reserves	**18**		259		314
Total deficit			(866)		(1,224)

The financial statements were approved by the board of directors and authorised for issue on 30 March 2017 and are signed on its behalf by:

M McLintock
Director

PFI CAMDEN (HOLDINGS) LIMITED

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2016

	Notes	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Fixed assets					
Investments	**11**		1		1
Current assets					
Debtors	**14**	7,562		7,562	
Creditors: amounts falling due within one year	**15**	(240)		(240)	
Net current assets			7,322		7,322
Total assets less current liabilities			7,323		7,323
Creditors: amounts falling due after more than one year	**16**		(7,322)		(7,322)
Net assets			1		1
Capital and reserves					
Called up share capital	**18**		1		1
Total equity			1		1

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 £1,335,000 (2015: £1,318,000)

The financial statements were approved by the board of directors and authorised for issue on 30 March 2017 and are signed on its behalf by:

M McLintock
Director

Company Registration No. 05751341

PFI CAMDEN (HOLDINGS) LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Share capital £'000	Hedging reserve £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 January 2015		1	(2,234)	362	(1,871)
Year ended 31 December 2015:					
Profit for the year		-	-	1,270	1,270
Other comprehensive income:					
Fair value loss arising on cash flow hedges in the year		-	916	-	916
Deferred tax relating to other comprehensive income		-	(221)	-	(221)
Total comprehensive income for the year		-	695	1,270	1,965
Dividends	**10**	-	-	(1,318)	(1,318)
Balance at 31 December 2015		1	(1,539)	314	(1,224)
Year ended 31 December 2016:					
Profit for the year		-	-	1,280	1,280
Other comprehensive income:					
Fair value loss arising on cash flow hedges in the year		-	520	-	520
Deferred tax relating to other comprehensive income		-	(107)	-	(107)
Total comprehensive income for the year		-	413	1,280	1,693
Dividends	**10**	-	-	(1,335)	(1,335)
Balance at 31 December 2016		1	(1,126)	259	(866)

PFI CAMDEN (HOLDINGS) LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Share capital £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 January 2015		1	-	1
Year ended 31 December 2015:				
Profit and total comprehensive income for the year		-	1,318	1,318
Dividends	10	-	(1,318)	(1,318)
Balance at 31 December 2015		1	-	1
Year ended 31 December 2016:				
Profit and total comprehensive income for the year		-	1,335	1,335
Dividends	10	-	(1,335)	(1,335)
Balance at 31 December 2016		1	-	1

PFI CAMDEN (HOLDINGS) LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Cash flows from operating activities					
Cash generated from operations	22		8,286		4,282
Income taxes paid			(299)		(266)
Net cash inflow from operating activities			7,987		4,016
Investing activities					
Investment in other financial assets		-		12,388	
Interest received		-		64	
Net cash (used in)/generated from investing activities			-		12,452
Financing activities					
Interest paid		(2,172)		(2,437)	
Repayment of bank loans		(4,432)		(4,440)	
Dividends paid to equity shareholders		(1,335)		(1,318)	
Net cash used in financing activities			(7,939)		(8,195)
Net increase in cash and cash equivalents			48		8,273
Cash and cash equivalents at beginning of year			11,023		2,750
Cash and cash equivalents at end of year			11,071		11,023

1 Accounting policies

Company information

PFI Camden (Holdings) Limited is a private company limited by shares domiciled in the United Kingdom, incorporated in Great Britain and registered in England and Wales. The registered office is 8 White Oak Square, London Road, Swanley, BR8 7AG.

The Group consists of PFI Camden (Holdings) Limited and all of its subsidiaries.

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 pound 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, and in accordance with FRS 102. The principal accounting policies adopted are set out below.

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 £1,335,000 (2015: £1,318,000)

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 2016 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.

Pass through income represents the direct pass through of recoverable costs, as specified in the Project Agreement.

1 Accounting policies **(Continued)**

1.5 Fixed asset investments

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.6 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and 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.

1.7 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 balance sheet 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 debtors 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. Financial assets classified as receivable within one year are not amortised.

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.

1 Accounting policies **(Continued)**

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 (the Council), 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.

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. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal 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 are settled, or when the Group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

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.

1 Accounting policies **(Continued)**

Basic financial liabilities
Basic financial liabilities, including creditors, 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. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts 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 creditors 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, 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 hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value though profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities
Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.8 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.

1.9 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.

1 Accounting policies **(Continued)**

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 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.

1.10 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.

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.

1.11 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

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

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.

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 Company 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 a liability of £1,550,000 (2015: £2,111,000 liability). The Directors do not consider the credit risk of the Company as a counterparty to the swap 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:

	2016	2015
	£'000	£'000
Turnover		
Service fee income	3,505	3,341
Pass-through income	26	36
	3,531	3,377
Other significant revenue		
Interest income	2,377	2,645

Turnover analysed by geographical market

	2016	2015
	£'000	£'000
United Kingdom	3,531	3,377

4 Auditor's remuneration

	2016	2015
Fees payable to the Company's auditor and associates:	£'000	£'000
For audit services		
Audit of the financial statements of the Group and Company	12	11

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.

7 Interest receivable and similar income

	2016	2015
	£'000	£'000
Interest income		
Interest on bank deposits	-	30
Other interest income	2,377	2,615
Total interest income	2,377	2,645

8 Interest payable and similar charges

	2016 £'000	2015 £'000
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	1,193	1,461
Interest payable to group undertakings	954	959
Total interest expense	2,147	2,420

9 Taxation

	2016 £'000	2015 £'000
Current tax		
UK corporation tax on profits for the current period	320	322

The actual charge for the year can be reconciled to the expected charge based on the profit or loss and the standard rate of tax as follows:

	2016 £'000	2015 £'000
Profit before taxation	1,600	1,592
Expected tax charge based on a corporation tax rate in the UK of 20.00% (2015: 20.25%)	320	322
Tax expense for the year	320	322

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:

	2016 £'000	2015 £'000
Deferred tax arising on:		
Revaluation of financial instruments treated as cash flow hedges	107	221

For the year ended 31 December 2016, the UK rate of 20% is applied.

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective 1 April 2017 and to 18% effective 1 April 2020, was substantively enacted on 26 October 2015. Subsequently, the Finance Act 2016, which provided a further reduction in the main rate of corporation tax to 17% effective 1 April 2020, was substantively enacted on 6 September 2016. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

10 Dividends

	2016 £'000	2015 £'000
Interim paid	1,335	1,318

11 Fixed asset investments

	Notes	Group 2016 £'000	2015 £'000	Company 2016 £'000	2015 £'000
Investments in subsidiaries	12	-	-	1	1

12 Subsidiaries

Details of the Company's subsidiaries at 31 December 2016 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
Partners for Improvement in Camden Limited	8 White Oak Square, London Road, Swanley,BR8 7AG	Refurbishment, lifecycle maintenance and management of tenanted and leasehold properties owned by London Borough of Camden	Ordinary shares	100.00

13 Financial instruments

	Group 2016 £'000	2015 £'000	Company 2016 £'000	2015 £'000
Carrying amount of financial assets				
Debt instruments measured at amortised cost	27,447	33,111	7,322	7,322
Measured at undiscounted amount receivable	-	(1)	-	-
Equity instruments measured at cost less impairment	-	-	1	1
Carrying amount of financial liabilities				
Measured at fair value and designated in an effective hedging relationship	1,550	2,111	-	-
Measured at amortised cost	23,844	28,276	7,322	7,322
Measured at undiscounted amount payable	261	316	-	-

13 Financial instruments (Continued)

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 £520,000 (2015: £916,000)

14 Debtors

		Group		Company	
		2016	2015	2016	2015
	Notes				
Amounts falling due within one year:		**£'000**	**£'000**	**£'000**	**£'000**
Trade debtors		-	(1)	-	-
Amounts due from subsidiary undertakings		-	-	240	240
Financial asset		5,951	5,665	-	-
Prepayments and accrued income		923	966	-	-
		6,874	6,630	240	240
Amounts falling due after more than one year:					
Amounts due from subsidiary undertakings		-	-	7,322	7,322
Financial asset		21,496	27,448	-	-
Deferred tax asset	19	231	338	-	-
		21,727	27,786	7,322	7,322
Total debtors		28,601	34,416	7,562	7,562

Amounts due from subsidiary undertakings

At the year end, the Company was owed £7,322,000 (2015: £7,322,000) in subordinated debt loans from its subsidiary, Partners for Improvement in Camden Limited. 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.

PFI CAMDEN (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

15 Creditors: amounts falling due within one year

		Group		Company	
		2016	2015	2016	2015
	Notes	£'000	£'000	£'000	£'000
Bank loans and overdrafts	17	4,458	4,390	-	-
Trade creditors		-	1	-	-
Amounts due to parent undertakings	17	240	240	240	240
Corporation tax payable		159	137	-	-
Other taxation		261	315	-	-
Senior debt accrued interest		60	87	-	-
Accruals and deferred income		11,378	11,613	-	-
		16,556	16,783	240	240

16 Creditors: amounts falling due after more than one year

		Group		Company	
		2016	2015	2016	2015
	Notes	£'000	£'000	£'000	£'000
Bank loans and overdrafts	17	11,927	16,385	-	-
Amounts due to parent undertakings	17	7,322	7,322	7,322	7,322
Derivative financial instruments		1,550	2,111	-	-
Accruals and deferred income		3,183	4,062	-	-
		23,982	29,880	7,322	7,322

Amounts included above which fall due after five years are as follows:

Payable other than by instalments	-	7,322	-	7,322

17 Loans and overdrafts

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Bank loans	16,385	20,775	-	-
Loans from parent undertakings	7,322	7,322	7,322	7,322
	23,707	28,097	7,322	7,322
Payable within one year	4,458	4,390	-	-
Payable after one year	19,249	23,707	7,322	7,322

17 Loans and overdrafts (Continued)

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.

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, after taking into consideration the swap, is 5.199% during the operational phase.

Subordinated debt

At the year end the Group owed £7,322,000 (2015: £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. Accrued interest of £240,000 (2015: £240,000) is outstanding at 31 December 2016. The principal amount will be repayable at the end of the concession in 2021.

18 Share capital

	Group and company	
	2016	**2015**
Ordinary share capital	**£'000**	**£'000**
Issued and fully paid		
1,000 of £1 each	1	1

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.

19 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**
	2016	**2015**
Group	**£'000**	**£'000**
Deferred tax on interest rate swap fair value	231	338

The Company has no deferred tax assets or liabilities.

19 Deferred taxation **(Continued)**

Movements in the year:	**Group 2016 £'000**	**Company 2016 £'000**
Liability/(asset) at 1 January 2016	(338)	-
Charge to other comprehensive income	88	-
Effect of change in tax rate - other comprehensive income	19	-
Liability/(asset) at 31 December 2016	(231)	-

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.

20 Related party transactions

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

	Palio (No 8) Limited		**Aberdeen Infrastructure Limited**	
	2016 £'000	**2015 £'000**	**2016 £'000**	**2015 £'000**
Group				
Transactions during the year				
Subordinated debt interest	477	476	477	476
Amounts outstanding at 31 December				
Accrual outstanding at 31 December	240	120	240	120
Subordinated debt outstanding at 31 December	3,661	3,661	3,661	3,661
	4,378	4,257	4,378	4,257

No guarantees have been given or received.

The Group is is owned 50% by Palio (No 8) Limited, a subsidiary company of John Laing Infrastructure Fund Limited and 50% held by Aberdeen Infrastructure (No.3) Limited.

21 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.

22 Cash generated from group operations

	2016 £'000	2015 £'000
Profit for the year after tax	1,280	1,270
Adjustments for:		
Taxation charged	320	322
Finance costs	2,147	2,420
Investment income	-	(30)
Movements in working capital:		
Decrease/(increase) in debtors	5,707	(1,542)
(Decrease)/increase in creditors	(1,168)	1,842
Cash generated from operations	8,286	4,282