Company Registration No. 04200933 (England and Wales)

PARTNERS FOR IMPROVEMENT IN CAMDEN LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

PARTNERS FOR IMPROVEMENT IN CAMDEN LIMITED

COMPANY INFORMATION

Directors	K Hill	
	V Everett	
	M Smith	
	M McLintock	(Appointed 14 February 2017)
Secretary	T Hedges	
Company number	04200933	
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	

PARTNERS FOR IMPROVEMENT IN CAMDEN LIMITED

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PARTNERS FOR IMPROVEMENT IN CAMDEN 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 Company'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 Company's activities in the next year.

Key Performance Indicators
The key performance indicator for the Company 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 Company suffered nominal deductions.

On behalf of the board

M McLintock
Director
30 March 2017

PARTNERS FOR IMPROVEMENT IN CAMDEN 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 Company 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)
K Hill	
V Everett	
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 Company 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 Company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the Company has sufficient liquid resources to meet the operating needs of the business. At the start of the PFI contract, the Company negotiated debt facilities with an external party to ensure that the Company has sufficient funds over the life of the PFI concession.

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

Credit Risk
The Company's principal financial assets are cash, financial assets and trade and other receivables. The Company's credit risk is primarily attributable to its trade receivables which are with one counterparty, although in the opinion of the board of directors this risk is limited as the receivables are with a local government authority.

Lifecycle Risk
Lifecycle expenditure is the main risk to the business. 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 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

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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make 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 Company will continue in business.

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

PARTNERS FOR IMPROVEMENT IN CAMDEN LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PARTNERS FOR IMPROVEMENT IN CAMDEN LIMITED

We have audited the financial statements of Partners For Improvement In Camden Limited for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes on pages 10 - 21. 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 Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters 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 Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

TO THE MEMBERS OF PARTNERS FOR IMPROVEMENT IN CAMDEN 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.

Jacqueline Holden

30 March 2017

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

PARTNERS FOR IMPROVEMENT IN CAMDEN LIMITED

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.

PARTNERS FOR IMPROVEMENT IN CAMDEN LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2016

		2016		2015	
	Notes	**£'000**	**£'000**	**£'000**	**£'000**
Current assets					
Debtors falling due after one year	**11**	21,727		27,786	
Debtors falling due within one year	**11**	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**	**12**	(16,556)		(16,783)	
Net current assets			23,116		28,656
Creditors: amounts falling due after more than one year	**13**		(23,982)		(29,880)
Net liabilities			(866)		(1,224)
Capital and reserves					
Called up share capital	**16**		1		1
Hedging reserve	**16**		(1,126)		(1,539)
Profit and loss reserves	**16**		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

Company Registration No. 04200933

PARTNERS FOR IMPROVEMENT IN CAMDEN LIMITED

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 gain 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 gain 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)

1 Accounting policies

Company information

Partners For Improvement In Camden 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.

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 under the historical cost convention, modified to certain financial instruments at fair value and in accordance with FRS 102. The principal accounting policies adopted are set out below.

The Company is consolidated within the group accounts of PFI Camden (Holdings) Limited. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the Cash Flow Statement and related notes.

The Company is also considered to be a qualifying entity for the disclosure exemptions relating to the requirements of Section 11 Paragraphs 11.39 to 11.48A as the equivalent disclosures required by this FRS are included in the consolidated financial statements of the Group in which the Company is consolidated.

1.2 Going concern

The Company 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 Company's forecasts and projections, taking into account future cash requirements and forecast receipts, which show that the Company 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 Company 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.

1.3 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.

1.4 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 Accounting policies **(Continued)**

1.5 Financial instruments

The Company 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 Company's balance sheet when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with 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.

Loan 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 Company is a special purpose entity that 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 Company over the contract term. Based on the contractual arrangements the Company 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 Company 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 prior to the date of transition to FRS 102 (1 January 2014). The nature of the asset has therefore not changed; however, there was a change in the description from Finance Debtor to Financial Asset.

Under the terms of the arrangement, the Company 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.

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. 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 Company 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 Company after deducting all of its liabilities.

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.

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 Company after deducting all of its liabilities.

1 Accounting policies **(Continued)**

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

1.6 Equity instruments
Equity instruments issued by the Company 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 Company.

1.7 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 Company does not hold or issue derivative financial instruments for speculative purposes.

Hedge accounting
The Company 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 Company 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 Company 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.

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.

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

1 Accounting policies **(Continued)**

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 Company'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 when the Company has 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.

1.9 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 Company'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 Company to have met the criteria for hedge accounting; the Company has therefore recognised fair value movements on derivatives in effective hedging relationships through other comprehensive income as well as the deferred tax thereon.

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 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 Company 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 Company'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 Company'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 Operating profit

Operating profit for the year is stated after charging/(crediting):	2016 £'000	2015 £'000
Fees payable to the Company's auditor for the audit of the Company and the Company's parent company	12	11

5 Employees

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

6 Directors' remuneration

No Directors received any remuneration for services to the Company during the current or prior year.

7 Interest receivable and similar income

	2016 £'000	2015 £'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 parent 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

9 Taxation **(Continued)**

The actual charge for the year can be reconciled to the expected charge for the year 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
Taxation 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 Debtors

Amounts falling due within one year:	**2016 £'000**	**2015 £'000**
Trade debtors	-	(1)
Financial asset	5,951	5,665
Prepayments and accrued income	923	966
	6,874	6,630

Amounts falling due after more than one year:	**Notes**	**2016 £'000**	**2015 £'000**
Financial asset		21,496	27,448
Deferred tax asset	**15**	231	338
		21,727	27,786
Total debtors		28,601	34,416

12 Creditors: amounts falling due within one year

	Notes	**2016 £'000**	**2015 £'000**
Bank loans and overdrafts	**14**	4,458	4,390
Trade creditors		-	1
Amounts due to parent undertakings	**14**	240	240
Corporation tax		159	137
Other taxation		261	315
Senior debt accrued interest		60	87
Accruals and deferred income		11,378	11,613
		16,556	16,783

13 Creditors: amounts falling due after more than one year

	Notes	2016 £'000	2015 £'000
Bank loans and overdrafts	14	11,927	16,385
Amounts due to parent undertakings	14	7,322	7,322
Derivative financial instruments		1,550	2,111
Accruals and deferred income		3,183	4,062
		23,982	29,880

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 Company will settle the difference between the fixed and floating interest rate on a net basis.

The fair value of the derivative financial instruments above comprise the fair value of the interest rate swap designated in an effective hedging relationship. The interest rate swap contract was designated as a cash flow hedge of variable interest rate risk of the Company's floating rate borrowings and a portion of its income respectively. The hedged cash flows are expected to occur and to affect profit or loss over the period to maturity of the interest rate swap. The hedge was highly effective in the current and prior period and 100% of the change in fair value of the interest rate swap of £520,000 (2015: £916,000) was recognised in other comprehensive income in the period.

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

	2016	2015
Payable other than by instalments	-	7,322

14 Loans and overdrafts

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

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 Loans and overdrafts **(Continued)**

Bank loans
The Company 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 Company 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.

15 Deferred taxation

Deferred tax assets and liabilities are offset where the 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 2016	Assets 2015
Balances:	**£'000**	**£'000**
Deferred tax on interest rate swap fair value	231	338

	2016
Movements in the year:	**£'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.

16 Share capital

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

Other Reserves
The Company'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.

17 Related party transactions

Transactions with related parties
During the year the Company entered into the following transactions with related parties:

	Palio (No 8) Limited		Aberdeen Infrastructure Limited	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Transaction during the year				
Subordinated debt interest	477	476	477	476
Amounts outstanding at 31 December				
Accrued interest outstanding	120	120	120	120
Subordinated debt outstanding	3,661	3,661	3,661	3,661
	4,258	4,257	4,258	4,257

No guarantees have been given or received.

The Company is a wholly owned subsidiary of PFI Camden (Holdings) Limited, which in turn 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.

18 Controlling party

The Company's immediate and ultimate parent company and controlling entity is PFI Camden (Holdings) Limited, a company incorporated in Great Britain and registered in England and Wales, with a registered address of 8 White Oak Square, London Road, Swanley, BR8 7AG. The smallest and largest group in which its results are consolidated is PFI Camden (Holdings) Limited. Copies of the consolidated accounts are available from Companies House.