

Fazakerley Prison Services Limited  
Directors' report and financial statements  
for the year ended 31 December 2005

Registered number: 2984969



# **Fazakerley Prison Services Limited**

## **Directors' report and financial statements for the year ended 31 December 2005**

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# **Fazakerley Prison Services Limited**

## **Directors' report for the year ended 31 December 2005**

The directors submit their report and the audited financial statements of the company for the year ended 31 December 2005.

### **Principal activities and business review**

The company is engaged under a 28 year contract signed on 20 December 1995 for the provision of design, construction and management services, including related financing arrangements for a prison HMP Altcourse, at Fazakerley in Liverpool.

The profit for the year under review as set out in the profit and loss account on page 4 relates to activities undertaken in respect of the project.

The directors consider the performance of the company during the year, the financial position at the end of the year and its prospects for the future to be satisfactory.

### **Dividends and transfers from reserves**

Interim dividends of £4,500,000 have been paid during the year (2004: £2,100,000); and a final dividend of £nil for the year ended 31 December 2005 (2004: £1,300,000 was paid 9 February 2005). The amount transferred (from) reserves is set out in the profit and loss account on page 4.

### **Directors**

The directors of the company during the year ended 31 December 2005, and subsequently, were:

A D Banks	
S R Brown	(resigned 28 October 2005)
C Elliott	
G Farley	(appointed 11 March 2005)
F R Herzberg	
R W Robinson	
M W Taylor	(appointed 2 November 2005)
R C Turner	(resigned 11 March 2005)

### **Directors' interests in shares**

The directors have no interests in the share capital of the company according to the register maintained by the company under Section 325 of the Companies Act 1985.

### **Auditors**

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

# **Fazakerley Prison Services Limited**

## **Directors' report for the year ended 31 December 2005 (continued)**

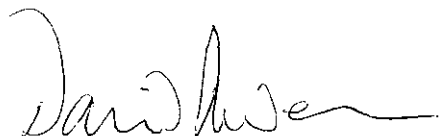
### **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2005 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

By Order of the Board



D A J Anderson  
Secretary  
8 June 2006

## **Independent auditors' report to the member of Fazakerley Prison Services Limited**

We have audited the financial statements of Fazakerley Prison Services Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

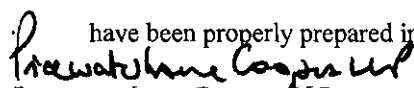
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements:

· give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and

· have been properly prepared in accordance with the Companies Act 1985.

  
PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Birmingham  
8 June 2006

# Fazakerley Prison Services Limited

## Profit and loss account for the year ended 31 December 2005

	Notes	2005	2004
			As restated
		£'000	£'000
Turnover	1	23,057	22,270
Operating costs		(18,854)	(18,017)
<b>Gross profit</b>		<b>4,203</b>	4,253
Administrative expenses		(1,431)	(1,612)
<b>Operating profit</b>	2	<b>2,772</b>	2,641
Interest receivable and similar income	3	8,621	8,618
Interest payable and similar charges	3	(6,157)	(6,236)
<b>Profit on ordinary activities before taxation</b>		<b>5,236</b>	5,023
Taxation on profit on ordinary activities	4	(1,745)	(1,651)
<b>Profit for the financial year</b>		<b>3,491</b>	3,372
Equity dividends	9	(5,800)	(2,100)
<b>(Deficit)/profit transferred from reserves</b>	10	<b>(2,309)</b>	1,272

The company has been engaged solely in continuing activities in a single class of business within the United Kingdom.

There is no difference between the profit for the year as shown in the profit and loss account above and its historical cost equivalent.

The company has no recognised gains and losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented.

The movements on reserves are shown in note 10 to the financial statements.

# Fazakerley Prison Services Limited

## Balance sheet as at 31 December 2005

	Notes	2005	2004
			As restated
		£'000	£'000
<b>Current assets</b>			
Debtors: amounts falling due within one year	5	4,607	4,857
Debtors: amounts falling due in more than one year	5	78,819	80,628
Cash at bank and in hand		7,459	8,043
		90,885	93,528
<b>Creditors: amounts falling due within one year</b>	6	(7,268)	(6,127)
<b>Net current assets</b>		83,617	87,401
<b>Creditors: amounts falling due in more than one year</b>	6	(71,049)	(74,055)
		12,568	13,346
<b>Provisions for liabilities and charges</b>	7	(11,680)	(10,149)
<b>Net assets</b>		888	3,197
<b>Capital and reserves</b>			
Called up share capital	8	-	-
Profit and loss account	10	888	3,197
<b>Total equity shareholder's funds</b>		888	3,197

The financial statements on pages 4 to 14 were approved by the Board on 8 June 2006 and were signed on its behalf by:



Director

## Fazakerley Prison Services Limited

### Reconciliation of movement in equity shareholder's funds for the year ended 31 December 2005

	Notes	2005	2004
			As restated
		£'000	£'000
Profit for the financial year		3,491	3,372
Equity dividends paid	9	(5,800)	(2,100)
<b>Net (decrease)/increase in equity shareholder's funds</b>		<b>(2,309)</b>	1,272
Opening equity shareholder's funds		3,197	1,925
<b>Closing equity shareholder's funds</b>		<b>888</b>	3,197



# **Fazakerley Prison Services Limited**

## **Notes to the financial statements for the year ended 31 December 2005**

### **1 Accounting policies**

A summary of the company's principal accounting policies is set out below.

#### **Basis of preparation of accounts**

The financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable UK accounting standards. Narrative disclosures of values in the notes to the accounts are shown as round £'000.

#### **Turnover**

Turnover represents the amount receivable, excluding value added tax, for goods, services supplied and fee income from contracts. All turnover originates in the United Kingdom.

The company recognises income when it has fully fulfilled its contractual obligations. In accordance with Financial Reporting Standard 5 – Application Note G, the company includes sales and purchase transactions related to variations under the original contract where the benefits and risks are retained by the company, within the financial statements as turnover and operating costs.

Transactions to which the company does not have access to all the significant benefits and risks are excluded from the financial statements.

#### **Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Deferred tax assets are only recognised when it is considered more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

#### **Leased assets**

Payments under operating leases are charged to the profit and loss account on a straight-line basis over the term of the lease.

# **Fazakerley Prison Services Limited**

## **Notes to the financial statements for the year ended 31 December 2005 (continued)**

### **1 Accounting policies (continued)**

#### **Contract debtor**

Amounts recoverable under long term Private Finance Initiative contracts are transferred to a contract debtor in accordance with the requirements of Financial Reporting Standard 5 Application Note F – Private Finance Initiative and Similar Contracts. The amounts receivable, (which may include the costs of construction of related assets), are treated as a long-term contract debtor from the commencement of the operating contract, with a constant proportion of the net revenue arising from the project being allocated to remunerate the contract debtor. Imputed interest receivable is allocated to the contract debtor using a property specific rate to generate a constant rate of return over the life of the contract. Over the course of the contract term, the contract debtor is expected to be fully repaid.

#### **Prior year adjustment**

Dividend disclosure has been updated to conform to FRS21. Final dividends included in the 2004 accounts but paid in 2005 have now been included in the 2005 figures. Restatement adjustments to the accounts are shown in Note 9.

#### **Cash flow statement**

At 31 December 2005, the company was a wholly-owned subsidiary of GSL Carillion (Fazakerley) Limited which prepares consolidated group financial statements including a group cash flow statement. In accordance with Financial Reporting Standard 1 (revised), no cash flow statement is therefore included in these financial statements.

#### **Financial instruments**

The company uses derivative financial instruments to hedge its exposure to fluctuations in interest rates. Financial instruments used to hedge interest rates are valued at cost. Receipts and payments on interest rate instruments are recognised in the profit and loss account over the economic life of the instrument or underlying position being hedged, within net interest. Gains or losses arising on hedging instruments, which do not qualify as hedges for accounting purposes, are taken to the profit and loss account as they arise.

Discounts, premia and related costs of debt issue are charged to the profit and loss account over the life of the instrument to which they relate.

### **2 Operating profit**

The company had no employees during the year (2004 none). The directors have no contract of service with the company. No remuneration was paid to the directors in respect of their services to the company (2004: £nil).

The audit fee in respect of the company was £11,000 (2004: £11,000) for the year. In addition, the company bore £1,000 (2004: £1,000) in respect of the audit fee for its parent company during the year. The auditors also received remuneration for other services totalling £2,000 (2004: £35,000).

Operating lease expenditure incurred in respect of other leases during the year was £1,000 (2004: £1,000).

# Fazakerley Prison Services Limited

## Notes to the financial statements for the year ended 31 December 2005 (continued)

### 3 Interest

	2005	2004
	£'000	£'000
Bank interest receivable	468	310
Imputed interest on contract debtor	8,153	8,308
<b>Interest receivable and similar income</b>	<b>8,621</b>	<b>8,618</b>
Interest payable on long term loans	(6,052)	(6,132)
Amortisation of debt issue costs	(105)	(104)
<b>Interest payable and similar charges</b>	<b>(6,157)</b>	<b>(6,236)</b>
<b>Net interest receivable/(payable)</b>	<b>2,464</b>	<b>2,382</b>

Interest is imputed on the contract debtor using a property specific rate of 10% (2004: 10.0%).

### 4 Taxation on profit on ordinary activities

	2005	2004
	£'000	£'000
<b>Analysis of charge in period</b>		
<b>Current tax</b>		
UK corporation tax on profits of the period	626	93
Adjustment in respect of previous periods	(412)	(13)
	214	80
<b>Deferred tax</b>		
Origination and reversal of timing differences (note 7)	1,150	1,571
Adjustment in respect of previous periods (note 7)	381	-
	1,531	1,571
<b>Tax on profit on ordinary activities</b>	<b>1,745</b>	<b>1,651</b>

# Fazakerley Prison Services Limited

## Notes to the financial statements for the year ended 31 December 2005 (continued)

### 4 Taxation on profit on ordinary activities (continued)

The tax for the period is lower (2004: lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2005	2004
	£'000	£'000
<b>Factors affecting tax charge for the period</b>		
Profit on ordinary activities before tax	5,236	5,023
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004: 30%)	1,571	1,507
<b>Effects of:</b>		
Remuneration of contract debtor less capital allowances and imputed interest for the period	100	(1,414)
Utilisation of tax losses brought forward from prior periods	(1,045)	-
<b>Current tax charge for the period</b>	<b>626</b>	<b>93</b>

### Factors that may affect future tax charges

The company has incurred significant expenditure in the construction of the prison on which it has claimed tax relief through capital allowances and claims for interest and loan related expenditure during the construction period. It has used these claims to offset its current liabilities and retains tax losses to offset liabilities in future years. As amounts are recovered to remunerate these costs they will be brought into current taxation in the year in which they are received. As a result of these claims there exist significant timing differences, which are expected to reverse over the period of the contract term.

# Fazakerley Prison Services Limited

## Notes to the financial statements for the year ended 31 December 2005 (continued)

### 5 Debtors

	2005	2004
	£'000	£'000
<b>Amounts falling due within one year</b>		
Other debtors	2,797	3,219
Contract debtor	1,810	1,638
	<b>4,607</b>	<b>4,857</b>
<b>Amounts falling due in more than one year</b>		
Contract debtor	78,819	80,628

### 6 Creditors

	2005	2004
	£'000	As restated £'000
<b>Amounts: falling due within one year</b>		
Bank borrowings	2,966	2,733
Trade creditors	2,506	2,339
Corporation tax	624	176
Accruals and deferred income	1,172	879
	<b>7,268</b>	<b>6,127</b>
<b>Amounts falling due in more than one year</b>		
Bank borrowings	72,318	75,390
Less: issue costs	(1,269)	(1,335)
	<b>71,049</b>	<b>74,055</b>

Bank borrowings relate to a term loan facility totalling £90,500,000 granted by a group of banks to the company. The loan facility is for a total value of £90,500,000 of which £90,500,000 was drawn down. As at 31 December 2005, £75,350,000 (2004: £78,228,000) remains outstanding. The company has an additional working capital facility of £2,000,000 (2004: £2,000,000) of which £nil was utilised (2004: £nil). Loan issue costs have been offset against bank borrowings and are being amortised over the term of the facility as part of the finance cost in accordance with the provisions of Financial Reporting Standard 4.

# Fazakerley Prison Services Limited

## Notes to the financial statements for the year ended 31 December 2005 (continued)

### 6 Creditors (continued)

The loan facility is repayable in forty-four six monthly instalments and payment commenced on 15 June 2000. Interest is charged on balances outstanding on the facilities based on the floating LIBOR rate. The company has entered into swap agreements with ABN Amro Bank NV and HBOS Treasury Services plc in order to fix the interest rate at 6.9% applied to those balances on the facility to 15 December 2021. The term loan and working capital facilities are secured by a fixed charge over all leasehold interests, book debts, project accounts and intellectual property of the company and by a floating charge over the company's undertakings and assets.

#### Maturity of bank debt

	2005	2004
	£'000	£'000
In one year or less	2,966	2,733
In more than one year but not more than two years	3,147	2,966
In more than two years but not more than five years	10,413	9,777
In more than five years	57,489	61,312
	74,015	76,788

### 7 Provisions for liabilities and charges

	2005	2004
	£'000	£'000
<b>Provision for deferred taxation</b>		
Accelerated capital allowances and accelerated finance costs	11,680	10,149
<b>Total provision for deferred tax</b>	11,680	10,149
Provision at 1 January 2005	10,149	8,578
Deferred tax charge in profit and loss account for the period (note 4)	1,531	1,571
<b>Provision at 31 December 2005</b>	11,680	10,149

# Fazakerley Prison Services Limited

## Notes to the financial statements for the year ended 31 December 2005 (continued)

### 8 Called up share capital

	2005	2004
	£	£
<b>Authorised</b>		
100 Ordinary shares of £1 each	100	100
<b>Allotted, called up and fully paid</b>		
100 Ordinary shares of £1 each	100	100

### 9 Equity dividends

	2005	2004
		As restated
	£'000	£'000
Interim dividends paid	4,500	2,100
Final dividend for 2004 paid in 2005	1,300	-
	5,800	2,100

### 10 Profit and loss account

	£'000
At 1 January 2005 as restated	3,197
Profit for the financial year	3,491
Dividends paid	(5,800)
<b>At 31 December 2005</b>	<b>888</b>

### 11 Obligations under leases

The company has entered into operating leases and has annual commitments under leases for land and buildings of £1,000 (2004: £1,000) expiring after five years.

## **Fazakerley Prison Services Limited**

### **Notes to the financial statements for the year ended 31 December 2005 (continued)**

#### **12 Commitments**

Under the terms of the original contract, dated 20 December 1995 with Carillion Construction Limited, a company related to Carillion Private Finance Limited, the company is committed to index linked payments totalling £7,578,000 (1995 index) for major maintenance works over the contract term. Commitments remaining at the balance sheet date index at 31 December 2005 were £8,911,000 (2004: £8,749,000).

Under the terms of a fee assignment with GSL Carillion (Fazakerley) Limited dated 30 November 1999, the company is committed to payments totalling £767,000 for financial advice over a period of twelve years. Payments in the year ended 31 December 2005 were £63,000 (2004: £63,000).

Under the terms of a contract, dated 20 December 1995, the company is committed to pay fixed and variable fees to GSL UK Limited, a company related to GSL Joint Ventures Limited, based on the number of available trainee places for the remaining contract term. Payments in the year ended 31 December 2005 were £18,853,000 (2004: £18,017,000).

#### **13 Related party disclosures**

In addition to contracted commitments set out in note 12 above, Global Solutions Limited and GSL UK Limited, companies related to GSL Joint Ventures Limited, provided administrative and technical services to the group during the year at a cost of £nil (2004: £27,000) for Global Solutions Limited, and £189,000 (2004: £109,000) for GSL UK Limited. Similar services were also provided by Carillion Construction Limited, a company related to Carillion Private Finance Limited at a cost of £191,000 (2004: £148,000).

At the year end there was £2,075,000 (2004: £1,893,000) payable to GSL UK Limited, £52,000 (2004: £nil) payable to Carillion Private Finance Limited and £nil (2004: £130,000) payable to Carillion Construction Limited.

#### **14 Parent undertakings**

The company is a wholly owned subsidiary of GSL Carillion (Fazakerley) Limited, a company which files consolidated financial statements in England. Fifty percent of the share capital of GSL Carillion (Fazakerley) Limited is held by Carillion Private Finance Limited and fifty percent of the share capital is held by GSL Joint Ventures Limited. Both shareholders are companies incorporated in the United Kingdom.