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Fazakerley Prison Services Limited
Annual report and financial statements
for the year ended 31 March 2012



Fazakerley Prison Services Limited

Annual Report and financial statements

for the year ended 31 March 2012

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Fazakerley Prison Services Limited

Directors and advisers

Directors

R Morris
C Elliott
B Ravi Kumar
J Petherick
A Birch

Company Secretary

Semperian Secretariat Services Limited

Registered Office

St Martins House
1 Gresham Street
London
EC2V 7BX

Auditors

PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditors
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Fazakerley Prison Services Limited

Directors' report

for the year ended 31 March 2012

The directors have pleasure in presenting their report and the audited financial statements of the company for the year ended 31 March 2012

Principal activities and business review

The company is engaged under a 28 year contract signed on 20 December 1995 for the provision of the design, construction and management services, including related financing arrangements for a prison HMP Altcourse, at Fazakerley in Liverpool. Its registered number is 02984969. A contract was signed on 26 May 2006 to design, construct, operate and maintain a new houseblock, which was completed on 10 September 2007.

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.

The profit for the year under review as set out in the profit and loss account on page 7 relates to activities undertaken in respect of the project.

Principal risks and uncertainties

The company's principal activity as detailed above is risk averse as its trading relationships with its customer, funders and sub-contractors are determined by the terms of their respective detailed PFI contracts. In extreme circumstances, the company could be exposed to subcontractor failure to perform their obligations. The financial risks and the measures taken to mitigate them are as detailed in the following section.

Financial risk management

The company has exposures to a variety of financial risks which are managed with the purpose of minimising any potential adverse effect on the company's performance. The company also reviews the performance of subcontractors on a monthly basis and takes action if the performance levels fall below the required standards. The board has policies for managing each of these risks and they are summarised below.

Interest rate risk

The company has hedged its interest rate risk by using fixed interest rate financial instruments, as described in note 9.

Inflation risk

The company's project revenue and most of its costs were linked to inflation at the inception of the project, resulting in the project being largely insensitive to inflation.

Liquidity risk

The company adopts a prudent approach to liquidity management by endeavouring to maintain sufficient cash and liquid resources to meet its obligations as they fall due.

Fazakerley Prison Services Limited

Directors' report

for the year ended 31 March 2012 (continued)

Credit risk

The company receives the bulk of its revenue from a government body and therefore is not exposed to significant credit risk. Cash investments are with institutions of a suitable credit quality and are regularly reviewed by the directors.

Major maintenance risk

The company is ultimately responsible for the on-going major maintenance and replacement expenditure, but the risks associated with this activity, including management of the work, are largely passed to the subcontractor.

Key performance indicators ('KPIs')

The company's operations are managed under the supervision of its shareholders and funders and are largely determined by the detailed terms of the PFI contract which stipulates key performance criteria on operational activities including performance and availability. The Board monitor these on a regular basis. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the performance or position of the business.

Results and dividends

The profit for the year, after taxation, amounted to £5,339,205 (2011: £5,166,084).

Dividends and transfers to reserves

Dividends of £33,195.95 per share (2011: £37,904.50 per share) have been paid during the year. No final dividends are proposed at the year end (2011: £nil).

Directors

The directors who served the company during the year and up to the date of signing the financial statements are set out below:

B Dalglish (resigned 31 March 2012)
C Elliott
B Ravi Kumar
J Petherick
D Banks (resigned 12 May 2011)
R Morris (appointed 12 May 2011)
A Birch (appointed 31 March 2012)

Statement of directors' responsibilities

The directors are responsible for preparing the directors' 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that 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,

Fazakerley Prison Services Limited

Directors' report

for the year ended 31 March 2012 (continued)

Statement of directors' responsibilities (continued)

- 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.

Statement of disclosure of information to auditors

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors, have signified their willingness to continue in office.

By order of the board,



M. SEEBALUCK
Semperian Secretariat Services Limited
Company Secretary

Approved by the Board of Directors on
29th June 2012

Fazakerley Prison Services Limited

Independent auditors' report to the members of Fazakerley Prison Services Limited

We have audited the financial statements of Fazakerley Prison Services Limited for the year ended 31 March 2012 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditor

As explained more fully in the Statement of directors' responsibilities, set out on pages 3 and 4, 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

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 directors' report to identify material inconsistencies with the audited financial statements. 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 March 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Fazakerley Prison Services Limited

Independent auditor's report to the members of Fazakerley Prison Services Limited (*Continued*)

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



Paul Nott (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

4 July 2012

Fazakerley Prison Services Limited

Profit and loss account for the year ended 31 March 2012

	Note	2012 £	2011 £
Turnover		37,556,236	37,684,436
Cost of sales		(32,660,131)	(32,786,352)
Gross Profit		4,896,105	4,898,084
Administrative expenses		(639,498)	(786,403)
Operating Profit	2	4,256,607	4,111,681
Interest receivable and similar income	3	6,779,277	7,054,987
Interest payable and similar charges	4	(4,530,775)	(4,810,025)
Profit on ordinary activities before taxation		6,505,109	6,356,643
Tax on profit on ordinary activities	5	(1,165,904)	(1,190,559)
Profit for the financial year	13	5,339,205	5,166,084

The company has been engaged solely in continuing activities in a single class of business within the United Kingdom for both the current and the prior year

There is no difference between the profit for the financial years as shown in the profit and loss account above and their historical cost equivalents

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

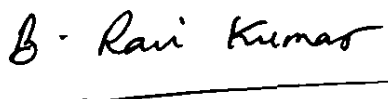
The notes on pages 9 to 16 form part of these financial statements.

Fazakerley Prison Services Limited

Balance sheet as at 31 March 2012

	Note	2012 £	2011 £
Current assets			
Debtors amounts falling due within one year	7	7,721,229	7,777,620
Debtors amounts falling due after more than one year	7	62,336,288	65,708,169
Cash at bank and in hand		6,271,838	5,891,959
		<u>76,329,355</u>	<u>79,377,748</u>
Creditors: amounts falling due within one year	8	(11,576,522)	(11,486,211)
Net current assets		<u>64,752,833</u>	<u>67,891,537</u>
 Creditors: amounts falling due after more than one year	9	(49,626,648)	(53,727,287)
 Provisions for liabilities			
Deferred tax	10	(8,781,528)	(9,839,203)
Net assets		<u>6,344,657</u>	<u>4,325,047</u>
 Capital and reserves			
Called-up share capital	12	100	100
Profit and loss account	13	6,344,557	4,324,947
Total shareholders' funds	15	<u>6,344,657</u>	<u>4,325,047</u>

These financial statements on pages 7 to 16 were approved by the Board of directors on 29th June 2012, and are signed on their behalf, on 29th June 2012 by



B Ravi Kumar
Director

Company Registration Number 02984969

The notes on pages 9 to 16 form part of these financial statements.

Fazakerley Prison Services Limited

Notes to the financial statements for the year ended 31 March 2012

1. Accounting policies

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 2006 and applicable accounting and financial reporting standards in the United Kingdom

A summary of the company's principal accounting policies, which have been consistently applied, is set out below

Cash flow statement

As at 31 March 2012, 100% of the voting rights of the company were controlled by Semperian PPP Investment Partners Holdings Limited. As permitted by Financial Reporting Standard 1 (Revised 1996) 'Cash flow statements', no cash flow statement is included in these financial statements.

Turnover

Turnover represents the value of work done and services rendered, excluding sales related taxes. 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 – Reporting the substance of transactions - 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.

Accrued income relates to services in the year for which no sales invoice was raised until after year end.

Dividend policy

Dividend recognition is in line with Financial Reporting Standard 21 – Events after the Balance Sheet date, such that dividends are recognised when paid.

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 lease term.

Fazakerley Prison Services Limited

Notes to the financial statements for the year ended 31 March 2012 (continued)

1. Accounting policies (continued)

Financial asset - contract debtor

In accordance with Financial Reporting Standard 5 - Application Note F, the costs incurred in building the asset have been treated as a contract debtor. This treatment arose from applying the guidance within the Application Note which indicated that the project's principal agreements transfer substantially all the risks and rewards relating to the property to the customer.

The amounts receivable (which represents the cost of construction of related assets) are treated as a long-term contract debtor from the commencement of the operating contract, with a constant amount of the planned 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.

Debt issue costs

Debt issue costs incurred have been offset against the related debt and will be charged to the profit and loss account at a constant rate on the carrying value of the debt.

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 on an accruals basis over the economic life of the instrument or underlying position being hedged, within net interest.

Major maintenance replacement

As noted in the directors' report, the company is ultimately responsible for the on-going major maintenance and replacement expenditure, but the risks associated with this activity are largely passed to the subcontractor. The company recognises a provision for costs relating to this activity and holds an amount equal to the provision in a restricted bank account, in line with a contract held with the subcontractor. Restricted cash of £1,121,592 was held at 31 March 2012, £1,059,087 at 31 March 2011.

Fazakerley Prison Services Limited

Notes to the financial statements for the year ended 31 March 2012 (continued)

2. Operating Profit

The company had no employees during the year (year ended 31 March 2011 none) The remuneration of the directors is paid by the controlling parties and their services to the company are primarily of a non-executive nature The controlling parties charged £nil (year ended 31 March 2011 £nil) to the company in respect of these services

The audit fee in respect of the company was £8,700 (year ended 31 March 2011 £8,500) for the year In addition, the company bore £1,500 (year ended 31 March 2011 £1,500) in respect of the audit fee for its immediate parent company during the year which was not recharged The auditors also received remuneration for tax services totalling £nil (year ended 31 March 2011 £nil)

Operating lease expenditure incurred in respect of other leases during the period was £1,000 (year ended 31 March 2011 £1,000)

3. Interest receivable and similar income

	2012	2011
	£	£
Bank interest receivable	40,614	27,007
Imputed interest on contract debtor	6,738,663	7,027,980
	<u>6,779,277</u>	<u>7,054,987</u>

Interest is imputed on the contract debtor using a property specific rate of 10.0% (year to 31 March 2011 10.0%)

4. Interest payable and similar charges

	2012	2011
	£	£
Interest payable on bank borrowings	1,168,833	1,136,246
Finance charges	3,243,016	3,554,918
Interest (WC facility)	11,316	11,250
Amortisation of issue costs	107,610	107,611
	<u>4,530,775</u>	<u>4,810,025</u>

Fazakerley Prison Services Limited

Notes to the financial statements for the year ended 31 March 2012 (continued)

5. Tax on profit on ordinary activities

(A) Analysis of charge in the year

	2012 £	2011 £
Current tax:		
UK corporation tax based on the results for the year at 26% (2011 28%)	2,223,579	2,264,566
Prior year adjustment	-	(40,628)
Total current tax	2,223,579	2,223,938
Deferred tax:		
Origination and reversal of timing differences	(325,881)	(276,517)
Impact of rate change	(731,794)	(756,862)
Total deferred tax (note 10)	(1,057,675)	(1,033,379)
Tax on profit on ordinary activities	1,165,904	1,190,559

(B) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher (2011 higher) than the standard rate of corporation tax in the UK of 26% (2011 28%)

	2012 £	2011 £
Profit on ordinary activities before taxation	6,505,109	6,356,643
Profit on ordinary activities by rate of tax	1,691,328	1,779,860
Adjustments to tax charge in respect of previous periods	-	(40,628)
Amortisation of non qualifying expenditure	206,370	210,021
Accelerated capital allowances and other timing differences	325,881	276,517
Permanent differences	-	(1,832)
Total current tax (note 5(a))	2,223,579	2,223,938

Fazakerley Prison Services Limited

Notes to the financial statements for the year ended 31 March 2012 (continued)

5. Tax on profit on ordinary activities (continued)

(C) Factors that may affect future tax charges

The current tax charge will continue to be affected by timing differences, although these timing differences will have an opposite impact on the deferred tax charge so there should be no overall impact on the tax charge

Finance Act 2011, which received Royal Assent on 19 July 2011, included legislation to reduce the main rate of corporation tax from 26% to 25%, effective from 1 April 2012

Further reductions to the main rate of corporation tax were also announced in the March 2012 Budget. A resolution passed by Parliament on 26 March 2012 reduced the main rate of corporation tax to 24% from 1 April 2012. This reduction replaces the decrease to 25% previously enacted in Finance Act 2011. Proposed further reductions to 23% and 22% are expected to be included in Finance Bill 2012 and Finance Bill 2013, respectively. These changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements. The effect of the proposed further reductions to the main rate of corporation tax would be to further reduce the deferred tax liability by £731,794.

6. Dividends

	2012 £	2011 £
Paid during the year		
Dividends paid of £33,195.95 (2011: £37,904.50) per ordinary share	<u>3,319,595</u>	<u>3,790,450</u>

7. Debtors

Amounts falling due within one year

	2012 £	2011 £
Contract debtor	3,371,881	3,052,269
Prepayments and accrued income	4,349,348	4,725,351
	<u>7,721,229</u>	<u>7,777,620</u>

Amounts falling due after more than one year:

	2012 £	2011 £
Contract debtor	<u>62,336,288</u>	<u>65,708,169</u>

Fazakerley Prison Services Limited

Notes to the financial statements for the year ended 31 March 2012 (continued)

8. Creditors: amounts falling due within one year

	2012	2011
	£	£
Bank borrowings	4,208,250	3,982,000
Less unamortised issue costs	(107,611)	(107,610)
Trade creditors	3,385,075	3,290,954
Amounts owed to group undertakings – group relief	822,986	1,206,314
Corporation tax	315,671	15,049
VAT payable	484,541	442,191
Accruals and deferred income	2,467,610	2,657,312
	<u>11,576,522</u>	<u>11,486,210</u>

9. Creditors: amounts falling due after more than one year

	2012	2011
	£	£
Bank borrowings	50,173,200	54,381,450
Less unamortised issue costs	(546,552)	(654,163)
	<u>49,626,648</u>	<u>53,727,287</u>

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 originally drawn down. As at 31 March 2012, £54,381,450 (2011 £58,363,450) remains outstanding. The company has an additional working capital facility of £2,500,000 (31 March 2011 £2,500,000) of which £nil was utilised (31 March 2011 £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 - Capital instruments.

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 Mitsubishi UFJ Securities International plc and HBOS Treasury Services plc in order to fix the interest rate at 6.9% (plus margin) applied to those balances on the facility to 15 December 2021. The fair value of these swaps at 31 March 2012 was £14,675,187 out of the money (31 March 2011 £6,007,083 out of the money). 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.

10. Deferred tax

The movement in the deferred taxation provision during the year was

	2012	2011
	£	£
Provision brought forward	9,839,203	10,872,582
Credit for the year ended 31 March 2012	(1,057,675)	(1,033,379)
Provision carried forward	<u>8,781,528</u>	<u>9,839,203</u>

Fazakerley Prison Services Limited

Notes to the financial statements for the year ended 31 March 2012 (continued)

10. Deferred tax (Continued)

The provision for deferred taxation consists of the tax effect of timing differences in respect of

	2012 £	2011 £
Accelerated capital allowances and accelerated finance costs	8,781,528	9,839,203
	<u>8,781,528</u>	<u>9,839,203</u>

11. Maturity of debt

Creditors include finance capital which is due for repayment as follows

	2012 £	2011 £
Amount repayable		
In one year or less	4,208,250	3,982,000
In more than one year but not more than two years	4,443,550	4,208,250
In more than two years but not more than five years	14,878,200	14,090,850
In more than five years	30,851,450	36,082,350
	<u>54,381,450</u>	<u>58,363,450</u>
Unamortised issue costs	(654,163)	(761,773)
	<u>53,727,287</u>	<u>57,601,677</u>

12. Share capital

Allotted, called up and fully paid:

	2012 £	2011 £
100 ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>

13. Profit and loss account

	2012 £	2011 £
Balance brought forward	4,324,947	2,949,313
Profit for the financial year	5,339,205	5,166,084
Dividends paid	(3,319,595)	(3,790,450)
Balance carried forward	<u>6,344,557</u>	<u>4,324,947</u>

14. Operating lease commitments

The company has entered into operating leases and has annual commitments under leases for land and buildings of £1,000 (year to 31 March 2011 £1,000) expiring after five years

Fazakerley Prison Services Limited

Notes to the financial statements for the year ended 31 March 2012 (continued)

15. Reconciliation of movements in shareholders' funds

	2012 £	2011 £
Profit for the financial year	5,339,205	5,166,084
Dividends paid	(3,319,595)	(3,790,450)
Net addition to shareholders' funds	2,019,610	1,375,634
Opening shareholders' funds	4,325,047	2,949,413
Closing shareholders' funds	6,344,657	4,325,047

16. Commitments

Under the terms of the original contract, dated 20 December 1995, with Carillion Construction 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 March 2012 were £11,266,171 (year to 31 March 2011 £11,737,740)

Under the terms of a contract, dated 20 December 1995, the company is committed to pay fixed and variable fees to G4S Integrated Services (UK) Limited, a company related to G4S Joint Ventures Limited, based on the number of available trainee places for the remaining contract term. Charges in the period ended 31 March 2012 were £32,642,618 (year to 31 March 2011 £32,465,592)

17. Related party disclosures

As a fully controlled subsidiary of Semperian PPP Investment Partners Holdings Limited, the company has taken advantage of the exemption under Financial Reporting Standard 8 - Related party disclosures of the requirement to disclose transactions between it and other group companies

18. Immediate and ultimate parent undertaking and controlling party

The company's immediate parent undertaking is G4S Joint Ventures (Fazakerley) Limited, a company registered in England and Wales. The ultimate parent undertaking and controlling party is Semperian PPP Investment Partners Holdings Limited which is registered in Jersey. The smallest group and largest group to consolidate these financial statements is Semperian PPP Investment Partners Holdings Limited

Consolidated financial statements for Semperian PPP Investment Partners Holdings Limited can be obtained from the Company Secretary at St Martins' House, 1 Gresham Street, London, EC2V 7BX