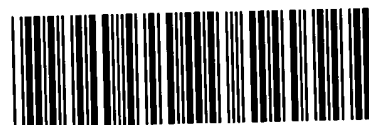


**Strategic Report, Report of the Directors and  
Financial Statements for the Year Ended 31 March 2017  
for  
Fazakerley Prison Services Limited**

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for the Year Ended 31 March 2017**

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**Fazakerley Prison Services Limited (Registered number: 02984969)**

**Company Information  
for the Year Ended 31 March 2017**

**Directors:**

C Burlton  
G M Nienaber  
V J Patel  
J K Petherick  
A C Ritchie

**Secretary:**

Semperian Secretariat Services Limited

**Registered office:**

3rd Floor Broad Quay House  
Prince Street  
Bristol  
BS1 4DJ

**Registered number:**

02984969 (England and Wales)

**Independent Auditors:**

PricewaterhouseCoopers LLP  
Chartered Accountants & Statutory Auditors  
2 Glass Wharf  
Bristol  
BS2 0FR

**Strategic Report  
for the Year Ended 31 March 2017**

The directors present their strategic report for the year ended 31 March 2017.

**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. The company is a private company limited by shares. 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 and the financial position at the end of the year to be in line with the long term expectation of the project, and its prospects for the future to be satisfactory.

The profit for the year under review as set out in the statement of comprehensive income 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 Report of the Directors.

**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, which are managed by a subcontractor. The Board monitor these on a regular basis. For this reason, the company's directors believe that further key operational performance indicators for the company are not necessary or appropriate for an understanding of the performance or position of the business. In addition the directors monitor compliance with debt covenant ratios as specified in the senior loan agreement and no non compliance has been noted.

**By order of the board:**



.....  
Semperian Secretariat Services Limited - Secretary

**20 JUL 2017**

Date: .....

**Report of the Directors  
for the Year Ended 31 March 2017**

The directors present their report with the audited financial statements of the company for the year ended 31 March 2017.

**Dividends**

The profit for the financial year amounted to £4,125,010 (2016: £4,806,229).

Dividends of £3,486,572, £34,865.72 per share (2016: £4,025,411, £40,254.11 per share) have been paid during the year. No final dividends are proposed at the year end (2016: £nil).

**Future developments**

No significant changes are expected to the company's activities in the foreseeable future other than those set out in the Strategic report.

**Directors**

The directors shown below have held office during the whole of the period from 1 April 2016 to the date of this report.

C Burlton  
G M Nienaber  
V J Patel  
J K Petherick  
A C Ritchie

**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.

**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.

**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.

**Report of the Directors (continued)  
for the Year Ended 31 March 2017**

**Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors 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.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**Statement of disclosure of information to auditors**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**Independent Auditors**

The independent auditors, PricewaterhouseCoopers LLP, have signified their willingness to continue in office.

**By order of the board:**

.....  
Semperian Secretariat Services Limited - Secretary

Date: .....  
20 JUL 2017

# ***Independent Auditors' Report to the Members of Fazakerley Prison Services Limited***

## **Report on the financial statements**

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### **Our opinion**

In our opinion, Fazakerley Prison Services Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2017 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.
- 

### **What we have audited**

The financial statements, included within the Strategic Report, Report of the Directors and Financial Statements (the "Annual Report"), comprise:

- the balance sheet as at 31 March 2017;
- the income statement and statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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## **Opinions on other matters prescribed by the Companies Act 2006**

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In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors' for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors' have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Report of the Directors'. We have nothing to report in this respect.

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## **Other matters on which we are required to report by exception**

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### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

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### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

# ***Independent Auditors' Report to the Members of Fazakerley Prison Services Limited (continued)***

## **Responsibilities for the financial statements and the audit**

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### **Our responsibilities and those of the directors**

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 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) ("ISAs (UK & 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.

### **What an audit of financial statements involves**

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We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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. With respect to the Strategic Report and Report of the Directors', we consider whether those reports include the disclosures required by applicable legal requirements.



Nick Muzzlewhite (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Bristol

28 July 2017



**Fazakerley Prison Services Limited (Registered number: 02984969)**

**Income Statement  
for the Year Ended 31 March 2017**

	Note	2017 £	2016 £
Turnover		41,395,404	38,376,926
Cost of operations		<u>(37,195,355)</u>	<u>(34,097,431)</u>
Gross profit		4,200,049	4,279,495
Administrative expenses		<u>(890,232)</u>	<u>(863,149)</u>
Operating profit	5	3,309,817	3,416,346
Interest receivable and similar income	6	4,827,506	5,275,651
Interest payable and similar expenses	7	<u>(2,645,543)</u>	<u>(3,100,907)</u>
Profit before taxation		5,491,780	5,591,090
Tax on profit	8	<u>(1,366,770)</u>	<u>(784,861)</u>
Profit for the financial year		<u><u>4,125,010</u></u>	<u><u>4,806,229</u></u>

The notes form part of these financial statements

**Statement of Comprehensive Income  
for the Year Ended 31 March 2017**

	<b>Note</b>	<b>2017 £</b>	<b>2016 £</b>
<b>Profit for the financial year</b>		<b>4,125,010</b>	<b>4,806,229</b>
<b>Other comprehensive income/(expense)</b>			
Change in fair value of cash flow hedge		<b>(316,663)</b>	<b>(85,704)</b>
Reclassification to profit and loss		<b>2,152,278</b>	<b>2,467,326</b>
Income tax relating to other comprehensive income		<b>(340,004)</b>	<b>(608,968)</b>
		<hr/>	<hr/>
<b>Other comprehensive (expense)/income for the year, net of income tax</b>		<b><u>1,495,611</u></b>	<b><u>1,772,654</u></b>
<b>Total comprehensive income for the year</b>		<b><u><u>5,620,621</u></u></b>	<b><u><u>6,578,883</u></u></b>

The notes form part of these financial statements

**Balance Sheet as at 31 March 2017**

	<b>Note</b>	<b>2017 £</b>	<b>2016 £</b>
<b>Current assets</b>			
Debtors: amounts falling due within one year	10	<b>10,854,944</b>	8,711,805
Debtors: amounts falling due after more than one year	10	<b>39,887,309</b>	45,696,363
Cash at bank and in hand		<b><u>7,720,850</u></b>	<b><u>8,695,974</u></b>
		<b>58,463,103</b>	63,104,142
Creditors: Amounts falling due within one year	11	<b><u>(14,729,112)</u></b>	<b><u>(14,009,151)</u></b>
<b>Net current assets</b>		<b><u>43,733,991</u></b>	<b><u>49,094,991</u></b>
<b>Total assets less current liabilities</b>		<b>43,733,991</b>	49,094,991
Creditors: Amounts falling due after more than one year	12	<b>(29,970,886)</b>	(37,285,231)
<b>Provisions for liabilities</b>	14	<b><u>(3,832,444)</u></b>	<b><u>(4,013,148)</u></b>
<b>Net assets</b>		<b><u>9,930,661</u></b>	<b><u>7,796,612</u></b>
<b>Capital and reserves</b>			
Called up share capital	15	<b>100</b>	100
Cash flow hedge reserve		<b>(3,942,785)</b>	(5,438,396)
Retained earnings		<b><u>13,873,346</u></b>	<b><u>13,234,908</u></b>
<b>Total Shareholders' funds</b>		<b><u>9,930,661</u></b>	<b><u>7,796,612</u></b>

The financial statements on pages 7 to 21 were approved by the Board of Directors on **20 JUL 2017** and were signed on its behalf by:

*C B*

.....

Director

The notes form part of these financial statements

**Statement of Changes in Equity  
for the Year Ended 31 March 2017**

	<b>Called up share capital £</b>	<b>Retained earnings £</b>	<b>Cash flow hedge reserve £</b>	<b>Total Shareholders' funds £</b>
<b>Balance at 1 April 2015</b>	100	12,454,090	(7,211,050)	5,243,140
<b>Changes in equity</b>				
Profit for the financial year	-	4,806,229	-	4,806,229
Other comprehensive income	-	-	1,772,654	1,772,654
Dividends	-	(4,025,411)	-	(4,025,411)
<b>Balance at 31 March 2016</b>	<u>100</u>	<u>13,234,908</u>	<u>(5,438,396)</u>	<u>7,796,612</u>
<b>Changes in equity</b>				
Profit for the financial year	-	4,125,010	-	4,125,010
Other comprehensive income	-	-	1,495,611	1,495,611
Dividends	-	(3,486,572)	-	(3,486,572)
<b>Balance at 31 March 2017</b>	<u>100</u>	<u>13,873,346</u>	<u>(3,942,785)</u>	<u>9,930,661</u>

The notes form part of these financial statements

**Notes to the Financial Statements  
for the Year Ended 31 March 2017**

**1. General information**

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 IIMP 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.

**2. Accounting policies**

**Basis of preparing the financial statements**

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared on a going concern basis and under the historical cost convention as modified by the revaluation of certain financial assets and liabilities at fair value through profit and loss. The accounting policies have been applied consistently, other than where new policies have been adopted.

**Financial reporting standard 102 - reduced disclosure exemptions**

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements to disclose related party transactions, for transactions with companies that are wholly owned within the same group; and
- certain financial instrument disclosures, provided such disclosures are included in the financial statements of a group that includes the company.

**Turnover**

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The company is engaged in only one class of business and operates solely within the UK.

The company recognises income when it has fully fulfilled its contractual obligations. In accordance with FRS 102 s23.3, 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.

**Notes to the Financial Statements - continued  
for the Year Ended 31 March 2017**

**2. Accounting policies - continued**

**Deferred tax**

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.

**Dividend policy**

Dividend recognition is in line with FRS 102, section 32, such that dividends are recognised when paid or received.

**Financial asset - contract debtor**

In accordance with FRS 102 s34.12, the costs incurred in building the asset have been treated as a contract debtor, however, as the company entered into this concession prior to transition to FRS 102, under FRS 102 s35.10 (i), it is permitted to, and continues to account for the contract debtor using the same accounting policies being applied at the date of the transition.

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 proportion 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 an index linked 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.

**Financial liabilities**

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies, are initially recognised at transaction price.

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

**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.

**Notes to the Financial Statements - continued  
for the Year Ended 31 March 2017**

**2. Accounting policies - continued**

**Derivatives and Hedging arrangements**

Derivatives, which may include interest rate swaps and RPI 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 income as appropriate, unless they are included in hedging arrangements.

The company applies hedge accounting for transactions entered into to manage the cash flow exposures of borrowings. Interest rate swaps are held to manage the interest rate exposures and are designated as cash flow hedges of floating rate borrowings.

Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised directly in equity. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in the profit and loss account.

The gain or loss recognised in other comprehensive income is reclassified to the profit and loss account in the same period in which the hedged transaction is recognised in the profit and loss account or when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised or the hedging instrument is terminated.

**Major maintenance replacement**

As noted in the Report of the Directors, 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 an accrual for costs relating to this activity and holds an amount equal to the accrual in a restricted bank account, in line with a contract held with the subcontractor. Restricted cash of £3,596,898 was held at 31 March 2017 (2016: £2,904,966).

**Notes to the Financial Statements - continued  
for the Year Ended 31 March 2017**

**3. Critical accounting judgements and estimation uncertainty**

Judgements, estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may subsequently differ from these estimates.

The judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates made are recognised in the period in which the estimate is revised, if the revision affects both current and future periods.

Certain critical accounting judgements, adopted by management, in applying the company's accounting policies are described below:

Finance debtor

The company has elected to continue to apply its previous accounting treatment in respect of service concession arrangements entered into prior to the date of transition to FRS 102. This has resulted in the measurement of the finance debtor being different from that which would have resulted had the requirements of FRS 102 s34 been fully adopted. The accounting for service concession contracts and finance debtors requires estimation of service margins, finance debtor interest rates and associated amortisation profile which are based on the forecast results of the PFI contracts over the respective concession length. See note 10 for the carrying value of the finance debtor.

Treatment and measurement of derivatives

The directors have adopted a policy of cashflow hedge accounting for derivative financial instruments and have assessed that the company's interest rate swaps meet the criteria for hedge accounting under FRS 102. This allows unrealised gains and losses to be deferred in a cashflow hedge reserve and only recognised through the profit and loss account at the same time as the hedged cash flows.

The derivative financial instruments are recognised at fair value. The measurement of fair value is based on estimates of future market interest and inflation rates and will therefore be subject to change. The company has used a third party expert to assist in valuing such instruments.

Taxation

The assessment of the tax charge may include uncertain tax positions where the tax treatment may not have been agreed with taxation authorities. Management make an estimate of the taxation charge for the period and the value of balances, with reference to legislation, discussion with taxation authorities, advice from taxation advisers, and the determination similar taxation cases.

Deferred tax is recognised at tax rates that are expected to be applicable when the timing differences reverse, to the extent that such rates have been substantially enacted. Given the phased reduction in future tax rates in the UK, the deferred tax asset or liability recognised is therefore dependent upon an estimate of the timing of such reversals.

**4. Staff costs**

The company has no employees and there were no staff costs for the year ended 31 March 2017 nor for the year ended 31 March 2016. The emoluments of the Directors are paid by the controlling parties. The directors' services to this company and a number of fellow group companies are primarily of a non-executive nature and their emoluments are deemed to be wholly attributable to the controlling parties.



**Notes to the Financial Statements - continued  
for the Year Ended 31 March 2017**

**5. Operating profit**

The audit fee in respect of the company was £9,456 (2016: £10,865) for the year. In addition, the company bore £1,576 (2016: £1,846) in respect of the audit fee for its immediate parent company during the year which was not recharged.

Operating lease expenditure incurred in respect of land and building leases during the year was £1,000 (2016: £1,000).

**6. Interest receivable and similar income**

	2017 £	2016 £
Deposit account interest	27,806	30,628
Imputed interest on contract debtor	<u>4,799,700</u>	<u>5,245,023</u>
	<u><b>4,827,506</b></u>	<u><b>5,275,651</b></u>

Interest is imputed on the contract debtor using a property specific rate of 10% (2016 10%)

**7. Interest payable and similar expenses**

	2017 £	2016 £
Bank loan interest	564,563	713,129
Swap interest	2,069,730	2,376,466
Other bank charges	<u>11,250</u>	<u>11,312</u>
	<u><b>2,645,543</b></u>	<u><b>3,100,907</b></u>

**8. Tax on profit**

**Analysis of the tax charge**

The tax charge on the profit for the year was as follows:

	2017 £	2016 £
Current tax:		
UK corporation tax	<u>1,887,478</u>	<u>1,834,911</u>
Deferred tax:		
Timing differences	(520,060)	(471,501)
Impact of rate change	<u>(648)</u>	<u>(578,549)</u>
Total deferred tax	<u><b>(520,708)</b></u>	<u><b>(1,050,050)</b></u>
Tax on profit	<u><b>1,366,770</b></u>	<u><b>784,861</b></u>

Notes to the Financial Statements - continued  
for the Year Ended 31 March 2017

8. Taxation on profit - continued

**Reconciliation of total tax charge included in profit and loss**

The tax assessed for the year is higher (2016: lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	2017 £	2016 £
Profit before tax	<u>5,491,780</u>	<u>5,591,090</u>
Profit multiplied by the standard rate of corporation tax in the UK of 20% (2016 - 20%)	1,098,356	1,118,218
Effects of:		
Amortisation of non qualifying expenditure	269,062	245,192
Impact of rate change	<u>(648)</u>	<u>(578,549)</u>
Total tax charge	<u>1,366,770</u>	<u>784,861</u>

**Tax effects relating to other comprehensive income**

	Gross £	2017 Tax £	Net £
Change in fair value of cash flow hedge and reclassification to profit and loss	<u>1,835,615</u>	<u>(340,004)</u>	<u>1,495,611</u>
	<u>1,835,615</u>	<u>(340,004)</u>	<u>1,495,611</u>

	Gross £	2016 Tax £	Net £
Change in fair value of cash flow hedge and reclassification to profit and loss	<u>2,381,622</u>	<u>(608,968)</u>	<u>1,772,654</u>
	<u>2,381,622</u>	<u>(608,968)</u>	<u>1,772,654</u>

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.

**Notes to the Financial Statements - continued  
for the Year Ended 31 March 2017**

**8. Taxation on profit - continued**

**Future tax rate reductions**

The main rate of UK corporation tax for the year commencing 1 April 2016 was 20%.

A reduction in the main rate of UK corporation tax was enacted in the Finance Act 2016 on the 15 September 2016, this brought the main rate of UK corporation tax rate to 17% for the year commencing 1 April 2020.

Deferred tax at 31<sup>st</sup> March 2017 has been measured at the rate applicable during the period in which the provision is expected to reverse.

**9. Dividends**

Dividend recognition is in line with FRS 102, section 32, such that dividends are recognised when paid or received.

	2017 £	2016 £
Interim dividend of £34,866 (2016: £40,254) per ordinary share	<u>3,486,572</u>	<u>4,025,411</u>

**10. Debtors**

	2017 £	2016 £
Amounts falling due within one year:		
VAT	496,886	-
Contract debtor	5,645,559	4,254,042
Prepayments and accrued income	<u>4,712,499</u>	<u>4,457,763</u>
	<u>10,854,944</u>	<u>8,711,805</u>
Amounts falling due after more than one year:		
Contract debtor	<u>39,887,309</u>	<u>45,696,363</u>
Aggregate amounts	<u>50,742,253</u>	<u>54,408,168</u>

**Notes to the Financial Statements - continued  
for the Year Ended 31 March 2017**

**11. Creditors: amounts falling due within one year**

	2017 £	2016 £
Bank loans and overdrafts (see note 13)	5,478,730	5,189,130
Trade creditors	4,003,151	3,722,237
Group relief	926,913	918,361
VAT	-	471,352
Accruals and deferred income	<u>4,320,318</u>	<u>3,708,071</u>
	<u><b>14,729,112</b></u>	<u><b>14,009,151</b></u>

**12. Creditors: amounts falling due after more than one year**

	2017 £	2016 £
Bank loans and overdrafts (see note 13)	25,174,311	30,653,041
Derivative financial instruments	<u>4,796,575</u>	<u>6,632,190</u>
	<u><b>29,970,886</b></u>	<u><b>37,285,231</b></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 2017, £30,851,450 (2016: £36,082,350) remains outstanding. The company has an additional working capital facility of £2,500,000 (2016: £2,500,000) of which £nil was utilised (2016: £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.

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 2017 was £4,796,575 out of the money (2016: £6,632,190, out of the money).

The movement in the year consisted of £2,152,278 (2016: £2,467,326) reclassified to interest expense in respect of amounts settled, and (£316,663) (2016: (£85,704)) relating to changes in fair value recognised in other comprehensive income.

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.

The bank loan of £5,520,500 due within one year is payable in two instalments. The remaining bank loan of £25,330,950 due after more than one year is payable in eight instalments.

**Notes to the Financial Statements - continued  
for the Year Ended 31 March 2017**

**13. Loans**

An analysis of the maturity of loans is given below:

	2017 £	2016 £
Amounts falling due within one year or on demand:		
Bank loans	5,520,500	5,230,900
Unamortised issue cost	<u>(41,770)</u>	<u>(41,770)</u>
	<u>5,478,730</u>	<u>5,189,130</u>
 Amounts falling due between one and two years:		
Bank loans	5,819,150	5,520,500
Unamortised issue cost	<u>(41,770)</u>	<u>(41,770)</u>
	<u>5,777,380</u>	<u>5,478,730</u>
 Amounts falling due between two and five years:		
Bank loans	19,511,800	18,471,050
Unamortised issue cost	<u>(114,869)</u>	<u>(83,541)</u>
	<u>19,396,931</u>	<u>18,387,509</u>
 Amounts falling due in more than five years:		
Repayable by instalments		
Bank loans	-	6,859,900
Unamortised issue cost	<u>-</u>	<u>(73,098)</u>
	<u>-</u>	<u>6,786,802</u>

**14. Provisions for liabilities**

	2017 £	2016 £
Deferred tax		
Accelerated capital allowances	4,686,234	5,206,942
Derivatives	<u>(853,790)</u>	<u>(1,193,794)</u>
	<u>3,832,444</u>	<u>4,013,148</u>

**Notes to the Financial Statements - continued  
for the Year Ended 31 March 2017**

**14. Provisions for liabilities - continued**

	<b>Deferred tax £</b>
Balance at 1 April 2016	<b>4,013,148</b>
Credit to Income Statement during year	<b>(520,708)</b>
Other Comprehensive Income	<b><u>340,004</u></b>
Balance at 31 March 2017	<b><u><u>3,832,444</u></u></b>

**15. Called up share capital**

**Allotted, issued and fully paid:**

Number:	Class:	Nominal value:	2017 £	2016 £
100	Ordinary shares	1	<b><u>100</u></b>	<b><u>100</u></b>

**16. Other financial 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 2017 were £10,173,432 (year to 31 March 2016: £8,492,903).

Under the terms of a contract, dated 20 December 1995, the company is committed to pay fixed and variable fees to G4S Care & Justice (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 year ended 31 March 2017 were £36,085,306 (year to 31 March 2016: £32,998,852).

**Notes to the Financial Statements - continued  
for the Year Ended 31 March 2017**

**17. Related party disclosures**

As a fully controlled subsidiary of Semperian PPP Investment Partners Holdings Limited, the registered address of which is Third floor, Broad Quay House, Prince Street, Bristol, BS1 4DJ, the company has taken advantage of the exemption, under the terms of Financial Reporting Standard 102 paragraph 33.1A, not to disclose related party transactions between it and other group companies.

**18. Ultimate controlling party**

The company's immediate parent is G4S Joint Ventures (Fazakerley) Limited, a company registered in England and Wales.

The ultimate parent 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 Third floor, Broad Quay House, Prince Street, Bristol, BS1 4DJ.