

REGISTERED NUMBER: 02984969 (England and Wales)

**Strategic Report, Report of the Directors and
Financial Statements for the Year Ended 31 March 2018**
for
Fazakerley Prison Services Limited



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for the Year Ended 31 March 2018**

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Fazakerley Prison Services Limited (Registered number: 02984969)

**Company Information
for the Year Ended 31 March 2018**

Directors:

A E Birch
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 2018**

The directors present their strategic report for the year ended 31 March 2018.

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 financial 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 has taken on the activity, as detailed above, and is risk averse in its trading relationships with its customer, funders and sub-contractors as 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 Board monitors the financial stability of its subcontractor and has contingency plans in place to ensure the continuity of service provision to its client, should the subcontractor become unable to perform its obligations. The financial risks and the measures taken to mitigate them are as detailed in the Directors' report.

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

Date: 21 AUG 2018

**Report of the Directors
for the Year Ended 31 March 2018**

The directors present their report with the audited financial statements of the company for the year ended 31 March 2018.

Dividends

The profit for the financial year amounted to £4,168,943 (2017: £4,125,010).

Dividends of £2,222,313, £22,223.13 per share (2017: £3,486,572, £34,865.72 per share) have been paid during the year. No final dividends are proposed at the year end (2017: £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 who served the company during the year and up to the date of signing the financial statements are set out below:

A E Birch (appointed 23 January 2018)

C Burlton (resigned 23 January 2018)

G M Nienaber

V J Patel

J K Petherick

A C Ritchie

Going concern and post balance sheet events

The directors are of the opinion that the company has adequate resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. As detailed in note 16, Carillion Construction Limited, the Capital Replacement Contract contractor, went into liquidation on 15 January 2018 but the directors are of the opinion that this has no adverse effect on the continuing operation of the company.

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.

**Report of the Directors (continued)
for the Year Ended 31 March 2018**

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 subcontractors.

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.

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: 21 AUG 2018

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

Report on the audit of the financial statements

Opinion

In our opinion, Fazakerley Prison Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared 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); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Strategic Report, Report of the Directors and Financial Statements (the "Annual Report"), which comprise: balance sheet as at 31 March 2018; the income statement, the statement of comprehensive income, the statement of changes in equity for the year ended 31 March 2018; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



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

30 August 2018

**Income Statement
for the Year Ended 31 March 2018**

	Note	2018 £	2017 £
Turnover		43,348,387	41,395,404
Cost of operations		<u>(39,263,523)</u>	<u>(37,195,355)</u>
Gross profit		4,084,864	4,200,049
Administrative expenses		<u>(916,643)</u>	<u>(890,232)</u>
Operating profit	5	3,168,221	3,309,817
Interest receivable and similar income	6	4,372,339	4,827,506
Interest payable and similar expenses	7	<u>(2,225,541)</u>	<u>(2,645,543)</u>
Profit before taxation		5,315,019	5,491,780
Tax on profit	8	<u>(1,146,076)</u>	<u>(1,366,770)</u>
Profit for the financial year		<u><u>4,168,943</u></u>	<u><u>4,125,010</u></u>

The notes form part of these financial statements

**Statement of Comprehensive Income
for the Year Ended 31 March 2018**

	Note	2018 £	2017 £
Profit for the financial year		4,168,943	4,125,010
Other comprehensive (expense)/income			
Change in fair value of cash flow hedge		(7,105)	(316,663)
Reclassification to profit and loss		1,890,708	2,152,278
Income tax relating to other comprehensive income		(358,585)	(340,004)
		<hr/>	<hr/>
Other comprehensive income for the year, net of income tax		<u>1,525,018</u>	<u>1,495,611</u>
Total comprehensive income for the year		<u><u>5,693,961</u></u>	<u><u>5,620,621</u></u>

The notes form part of these financial statements

Balance Sheet as at 31 March 2018

	Note	2018 £	2017 £
Current assets			
Debtors: amounts falling due within one year	10	11,184,529	10,854,944
Debtors: amounts falling due after more than one year	10	33,797,035	39,887,309
Cash at bank and in hand		<u>10,601,947</u>	<u>7,720,850</u>
		55,583,511	58,463,103
Creditors: Amounts falling due within one year	11	<u>(16,406,528)</u>	<u>(14,729,112)</u>
Net current assets		<u>39,176,983</u>	<u>43,733,991</u>
Total assets less current liabilities		39,176,983	43,733,991
Creditors: Amounts falling due after more than one year	12	(22,309,903)	(29,970,886)
Provisions for liabilities	14	<u>(3,464,771)</u>	<u>(3,832,444)</u>
Net assets		<u>13,402,309</u>	<u>9,930,661</u>
Capital and reserves			
Called up share capital	15	100	100
Cash flow hedge reserve		(2,417,767)	(3,942,785)
Retained earnings		<u>15,819,976</u>	<u>13,873,346</u>
Total Shareholders' funds		<u>13,402,309</u>	<u>9,930,661</u>

The financial statements on pages 7 to 21 were approved by the Board of Directors on

21 AUG 2018

and

were signed on its behalf by:



Director

A C Ritchie

The notes form part of these financial statements

**Statement of Changes in Equity
for the Year Ended 31 March 2018**

	Called up share capital £	Retained earnings £	Cash flow hedge reserve £	Total Shareholders' funds £
Balance at 1 April 2016	100	13,234,908	(5,438,396)	7,796,612
Changes in equity				
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)
Balance at 31 March 2017	<u>100</u>	<u>13,873,346</u>	<u>(3,942,785)</u>	<u>9,930,661</u>
Changes in equity				
Profit for the financial year	-	4,168,943	-	4,168,943
Other comprehensive income	-	-	1,525,018	1,525,018
Dividends	-	(2,222,313)	-	(2,222,313)
Balance at 31 March 2018	<u>100</u>	<u>15,819,976</u>	<u>(2,417,767)</u>	<u>13,402,309</u>

The notes form part of these financial statements

**Notes to the Financial Statements
for the Year Ended 31 March 2018**

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 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.

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 2018**

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

Final dividends and other distributions to the company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. Interim dividends are recognised when paid. These amounts are recognised in the statement of changes in equity.

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 2018**

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 £4,383,310 was held at 31 March 2018 (2017: £3,596,898). As mentioned in the Report of the Directors, Carillion Construction Limited, the Capital Replacement Contract contractor, went into liquidation on 15 January 2018, however the company continues to accrue in line with the original contract

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2018**

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 2018 nor for the year ended 31 March 2017. 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 2018**

5. Operating profit

The audit fee in respect of the company was £9,456 (2017: £9,456) for the year. In addition, the company bore £1,576 (2017: £1,576) 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 (2017: £1,000).

6. Interest receivable and similar income

	2018	2017
	£	£
Deposit account interest	23,740	27,806
Imputed interest on contract debtor	<u>4,348,599</u>	<u>4,799,700</u>
	<u>4,372,339</u>	<u>4,827,506</u>

Interest is imputed on the contract debtor using a property specific rate of 10% (2017 10%)

7. Interest payable and similar expenses

	2018	2017
	£	£
Bank loan interest	428,001	564,563
Swap interest	1,785,996	2,069,730
Other bank charges	<u>11,544</u>	<u>11,250</u>
	<u>2,225,541</u>	<u>2,645,543</u>

8. Tax on profit

Analysis of the tax charge

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

	2018	2017
	£	£
Current tax:		
UK corporation tax	<u>1,872,334</u>	<u>1,887,478</u>
Deferred tax:		
Timing differences	(576,304)	(520,060)
Impact of rate change	<u>(149,954)</u>	<u>(648)</u>
Total deferred tax	<u>(726,258)</u>	<u>(520,708)</u>
Tax on profit	<u>1,146,076</u>	<u>1,366,770</u>

Notes to the Financial Statements - continued
for the Year Ended 31 March 2018

8. Tax on profit - continued

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is higher (2017: higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	2018 £	2017 £
Profit before taxation	<u>5,315,019</u>	<u>5,491,780</u>
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 20%)	1,009,854	1,098,356
Effects of:		
Amortisation of non qualifying expenditure	286,176	269,062
Impact of rate change	<u>(149,954)</u>	<u>(648)</u>
Total tax charge	<u>1,146,076</u>	<u>1,366,770</u>

Tax effects relating to other comprehensive income

	Gross £	2018 Tax £	Net £
Change in fair value of cash flow hedge and reclassification to profit and loss	<u>1,883,603</u>	<u>(358,585)</u>	<u>1,525,018</u>
	<u>1,883,603</u>	<u>(358,585)</u>	<u>1,525,018</u>
	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>

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 2018**

8. Tax on profit - continued

Future tax rate reductions

The main rate of UK corporation tax for the year commencing 1 April 2017 was 19%.

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 31st March 2018 has been measured at the rate applicable during the year in which the provision is expected to reverse.

9. Dividends

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

	2018	2017
	£	£
Interim dividend of £22,223 (2017: £34,866) per ordinary share	<u>2,222,313</u>	<u>3,486,572</u>

10. Debtors

	2018	2017
	£	£
Amounts falling due within one year:		
VAT	-	496,886
Contract debtor	6,229,170	5,645,559
Prepayments and accrued income	<u>4,955,359</u>	<u>4,712,499</u>
	<u>11,184,529</u>	<u>10,854,944</u>
Amounts falling due after more than one year:		
Contract debtor	<u>33,797,035</u>	<u>39,887,309</u>
Aggregate amounts	<u>44,981,564</u>	<u>50,742,253</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2018**

11. Creditors: amounts falling due within one year

	2018	2017
	£	£
Bank loans and overdrafts (see note 13)	5,777,380	5,478,730
Trade creditors	4,471,783	4,003,151
Group relief	-	926,913
Corporation tax	879,805	-
VAT	430,995	-
Accruals and deferred income	4,846,565	4,320,318
	<u>16,406,528</u>	<u>14,729,112</u>

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

	2018	2017
	£	£
Bank loans and overdrafts (see note 13)	19,396,931	25,174,311
Derivative financial instruments	2,912,972	4,796,575
	<u>22,309,903</u>	<u>29,970,886</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 2018, £25,330,950 (2017: £30,851,450) remains outstanding. The company has an additional working capital facility of £2,500,000 (2017: £2,500,000) of which £2,500,000 was utilised on 28 April 2017 and repaid in full on 5 May 2017 (2017: £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 2018 was £2,912,972 out of the money (2017: £4,796,575, out of the money).

The movement in the year consisted of £1,890,708 (2017: £2,152,278) reclassified to interest expense in respect of amounts settled, and (£7,105) (2017: (£316,663)) 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 £5,819,150 (2017: £5,520,500) due within one year is payable in two instalments. The remaining bank loan of £19,511,800 (2017: £25,330,950) due after more than one year is payable in six instalments.

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2018**

13. Loans

An analysis of the maturity of loans is given below:

	2018	2017
	£	£
Amounts falling due within one year or on demand:		
Bank loans	5,819,150	5,520,500
Unamortised issue cost	(41,770)	(41,770)
	<u>5,777,380</u>	<u>5,478,730</u>
 Amounts falling due between one and two years:		
Bank loans	6,154,000	5,819,150
Unamortised issue cost	(41,770)	(41,770)
	<u>6,112,230</u>	<u>5,777,380</u>
 Amounts falling due between two and five years:		
Bank loans	13,357,800	19,511,800
Unamortised issue cost	(73,099)	(114,869)
	<u>13,284,701</u>	<u>19,396,931</u>

14. Provisions for liabilities

	2018	2017
	£	£
Deferred tax		
Accelerated capital allowances	3,959,976	4,686,234
Derivatives	(495,205)	(853,790)
	<u>3,464,771</u>	<u>3,832,444</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2018**

14. Provisions for liabilities - continued

	Deferred tax £
Balance at 1 April 2017	3,832,444
Credit to Income Statement during year	(726,258)
Other Comprehensive Income	358,585
	<hr/>
Balance at 31 March 2018	3,464,771
	<hr/>

15. Called up share capital

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2018 £	2017 £
100 (2017: 100)	Ordinary shares	1	<u>100</u>	<u>100</u>

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 2018 were £10,408,672 (31 March 2017: £10,173,432).

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 2018 were £38,355,625 (31 March 2017: £36,085,306). As mentioned in the Report of the Directors, Carillion Construction Limited went into liquidation on 15 January 2018. The directors and management of the company continue to manage the lifecycle requirements of the project.

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2018**

17. Related party disclosures

As a fully controlled subsidiary of Semperian PPP Investment Partners Holdings Limited, the registered address of which is 47 Esplanade, St Helier, Jersey, JE1 0BD, 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.