

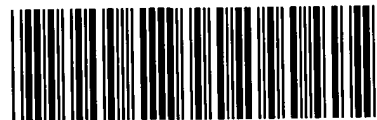
REGISTERED NUMBER: 03682678 (England and Wales)

**Strategic Report, Report of the Directors and
Financial Statements for the Year Ended 31 March 2020**

for

Onley Prison Services Limited

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Onley Prison Services Limited (Registered number: 03682678)

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for the Year Ended 31 March 2020**

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Onley Prison Services Limited

**Company Information
for the Year Ended 31 March 2020**

Directors:	D R Hardingham A C Ritchie
Secretary:	Semperian Secretariat Services Limited
Registered office:	3rd Floor Broad Quay House Prince Street Bristol BS1 4DJ
Registered number:	03682678 (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 2020**

The directors present their strategic report for the year ended 31 March 2020.

Principal activities and business review

The company is engaged under a 26 year contract, signed on 23 July 1999, for the provision of the design, construction and management services, including related financing arrangements, for a prison, HMP Rye Hill, which has been established near Onley, Warwickshire. Its registered number is 03682678. The company is a private company limited by shares.

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 Report of the Directors.

Key performance indicators

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 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.

S172 statement

The following disclosure describes how the Board regards the matters set out in section 172 (1) (a) to (f) and forms the directors' statement required under section 414CZA of the Companies Act 2006.

The purpose of the company is to design, build, finance and operate the HMP Rye Hill prison in Rugby over a concession period of 26 years under an agreement with our client, the National Offender Management Service. The company's aim is to work in partnership with our client to provide suitable accommodation and maintain that accommodation to meet relevant legislation and agreed service levels. This shapes the company's values and objectives and defines long term success. Decisions are taken in the context of working in partnership with the client and other stakeholder groups. The company has long term funding in place, as described in the Report of the Directors. A set of contracts set out the relationships with the client, debt funders, maintenance and operations contractors. These parties are the company's main stakeholders. The company also works with community groups to enable both their support for the client and the full use of the accommodation asset. The environmental impact of the accommodation is considered to support statutory and other reporting. Where changes to the accommodation impact the community, these are considered with the client. Debt funders are provided with operational and financial performance reports on a quarterly basis. The operational management team work closely with the client and the maintenance and operations contractor, in order to programme lifecycle and major maintenance works to minimise disruption. The client receives regular updates on programmed works and access requests to enable those works.

The company does not have any employees but works with the maintenance and operations contractors to ensure that health and safety reporting is transparent, and the contractors provide a suitably skilled and sustainable workforce.

**Strategic Report (continued)
for the Year Ended 31 March 2020**

S172 statement (continued)

The Board of Directors is an experienced team which is appointed by the shareholders to represent their interests and ensure their instructions are considered and implemented for the long-term success of the company. The board members have experience of working with the other key stakeholders, which assists them in identifying and considering the long-term consequences of principal decisions. The board meet on a six monthly basis and reports are provided at these meetings by the operational and financial management teams. These reports will have regard to health and safety matters, the operational and financial performance of the project, planned lifecycle and major maintenance work and relationships with the client, and the main subcontractor. The operational and financial management team make recommendations to the board of directors. These recommendations and reports are considered at the board meetings and actions arising are monitored. Decisions made by the directors that have a financial impact are accounted for in a concession length forecast of financial performance.

Principal decisions of the company are those that are key to the company's success, these include but are not limited to: decisions impacting the relationships between the parties, decisions impacting the availability and safety of the accommodation, and decisions impacting the return to the shareholders.

The principal decisions made by the Board of Directors during the year ended 31 March 2020 were:

- Lifecycle and major maintenance expenditure
- Payment of dividends

Life cycle and major maintenance expenditure is planned following asset condition surveys to maintain the accommodation at the required statutory and contractual standards. It is also to ensure the asset will meet the required contractual standards at the end of the concession. The delivery of these works is carefully planned with the maintenance and operations contractors and client, to ensure minimum disruption to the users of the accommodation and the safety of the contractor's employees.

In agreeing to the extension of the operation and maintenance contract, the Board had regard to the excellent relationship between the contractor, the company and the client. The contractor's performance to date has been considered and it was noted the contractors record and focus on health and safety met expectations.

The above decisions ensured the relationships between the parties that work together in partnership continue and the accommodation is maintained with minimum disruption to users. The safety performance of the accommodation is maintained both in terms of users and the health and safety of the contractor's staff. These decisions ensure the long-term success of the project, which protects shareholder returns.

Dividends are declared only after having had regard to the company's ability to meet its debt payments and covenant ratios both now and in the future. This ensures the stability of the company to allow it to continue providing the accommodation to its client, for use by the public.

By order of the board:



.....
Semperian Secretariat Services Limited - Secretary

Date: 23 October 2020

**Report of the Directors
for the Year Ended 31 March 2020**

The directors present their report with the audited financial statements of the company for the year ended 31 March 2020.

Dividends

The profit for the financial year amounted to £626,425 (2019: £744,193).

Dividends of £2,165,063, £21,650.63 per share (2019: £1,235,433, £12,354.33 per share) have been paid during the year. No final dividends are proposed at the year end (2019: £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:

A E Birch (resigned 1 April 2019)
D R Hardingham (appointed 1 April 2019)
G M Nienaber (resigned 31 October 2019)
V J Patel (resigned 31 October 2019)
J K Petherick (resigned 31 May 2019)
J Whitwam (appointed 31 May 2019, resigned 31 October 2019)
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. In assessing the company's ability to continue as a going concern the directors have considered the impact of Covid-19, as described below.

Coronavirus (COVID-19) impact on the financial statements

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections. Measures taken to contain the virus have affected economic activity and include limiting the movement of people and the temporary closure of businesses and schools.

The company is working with its client, the National Offender Management Service, and its subcontractors, to ensure minimal interruption to contracted service provision during this period of disruption. This work is being carried out in conjunction with subcontractors, who are ensuring that the safety of their staff is maintained.

The Cabinet Office have issued a notice (Procurement Policy Note - Supplier relief due to COVID-19, PPN 02/20) that all supplier payments will be maintained as per their individual contracts. Further guidance was also issued on 2 April by the Infrastructure and Projects Authority (IPA Guidance) specifically relating to PFI contracts. The IPA guidance is consistent with PPN 02/20. The company will continue to receive the monthly unitary payment and will pay its suppliers in a timely manner. The notice stipulates that suppliers will continue to be paid the contractual amounts due, regardless of service interruptions until at least the end of June 2020. Thus, securing contractual cashflows for the immediate future.

The revenue of the company is linked to the availability of the facility and services delivered in that facility. Availability is not materially adversely impacted by the current measures limiting the movement of people, and service provision is subject to working arrangements that have been agreed with the client.

The company does not employ any staff directly. The main operating costs are agreed, under contract, with the subcontractors and therefore will not be impacted by factors arising due to the coronavirus outbreak. As the majority of costs are contractual, no other measures to control costs are deemed necessary. The timing of lifecycle and major maintenance works is being reviewed as the situation develops.

**Report of the Directors (continued)
for the Year Ended 31 March 2020**

Coronavirus (COVID-19) impact on the financial statements (continued)

The company produces regular financial model updates that forecast the company cashflows to the end of the concession period. This financial model indicates that the company will be able to meet its financing covenant ratios and that no additional funding will be required in the next 12 months. The directors therefore consider the COVID-19 outbreak will have minimal impact on the financial statements, and no impact on the ability of the company to continue as a going concern.

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, these are summarised below. The company also reviews the performance of the subcontractor on a monthly basis and takes action if the performance levels fall below the required standard. 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 derivative 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 ongoing major maintenance and replacement expenditure but the risks associated with this activity, including management of the work, are largely passed to the subcontractors.

Brexit risk

The directors have assessed the impact, on the company, arising from the uncertainty attached to the outcome of the Brexit negotiations and the shape of any eventual withdrawal deal with the EU. At this stage the impact cannot be fully understood, and political and economic commentators differ significantly in their assessment of the potential severity of the risks associated with each potential outcome.

As the company operates solely in the United Kingdom the directors do not expect the company will be directly impacted by changes to future trading arrangements, with the EU and the rest of the world, however the directors continue to monitor any potential impact arising from the wider financial markets and the company's supply chain.

**Report of the Directors (continued)
for the Year Ended 31 March 2020**

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 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.

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.

Directors' confirmations

In the case of each director in office at the date the Report of the Directors 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, Chartered Accountants and Statutory Auditors, have signified their willingness to continue in office.

By order of the board:



.....
Semperian Secretariat Services Limited - Secretary

Date: 23 October 2020

Independent Auditors' Report to the Members of Onley Prison Services Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 March 2020 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: the Balance Sheet as at 31 March 2020; the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; 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 where:

- 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.

Independent Auditors' Report to the Members of Onley Prison Services Limited (continued)

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 2020 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 in respect of the financial statements, 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
23 October 2020

Onley Prison Services Limited (Registered number: 03682678)

**Income Statement
for the Year Ended 31 March 2020**

	Note	2020 £	2019 £
Turnover		20,694,934	18,678,365
Cost of operations		<u>(19,133,815)</u>	<u>(17,312,226)</u>
Gross profit		1,561,119	1,366,139
Administrative expenses		<u>(625,521)</u>	<u>(610,332)</u>
Operating profit	5	935,598	755,807
Interest receivable and similar income	6	1,638,138	1,885,367
Interest payable and similar expenses	7	<u>(1,262,073)</u>	<u>(1,454,347)</u>
Profit before taxation		1,311,663	1,186,827
Tax on profit	8	<u>(685,238)</u>	<u>(442,634)</u>
Profit for the financial year		<u>626,425</u>	<u>744,193</u>

The notes form part of these financial statements

Onley Prison Services Limited (Registered number: 03682678)

**Statement of Comprehensive Income
for the Year Ended 31 March 2020**

	2020 £	2019 £
Profit for the financial year	626,425	744,193
Other comprehensive (expense)/income		
Change in fair value of cash flow hedge	(262,812)	(332,899)
Reclassification to profit and loss	908,413	1,084,895
Income tax relating to other comprehensive (expense)/income	(70,365)	(127,840)
	<hr/>	<hr/>
Other comprehensive income		
For the year, net of income tax	<u>575,236</u>	<u>624,156</u>
Total comprehensive income for the year	<u><u>1,201,661</u></u>	<u><u>1,368,349</u></u>

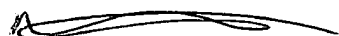
The notes form part of these financial statements

Onley Prison Services Limited (Registered number: 03682678)

Balance Sheet as at 31 March 2020

	Note	2020 £	2019 £
Current assets			
Debtors: amounts falling due within one year	10	6,316,775	5,730,559
Debtors: amounts falling due after more than one year	10	16,642,946	20,531,915
Cash at bank and in hand		<u>4,132,085</u>	<u>5,671,130</u>
		27,091,806	31,933,604
Creditors			
Amounts falling due within one year	11	<u>(8,784,012)</u>	<u>(8,778,248)</u>
Net current assets		<u>18,307,794</u>	<u>23,155,356</u>
Total assets less current liabilities		18,307,794	23,155,356
Creditors			
Amounts falling due after more than one year	12	(13,703,652)	(17,513,971)
Provisions for liabilities	14	<u>(1,522,628)</u>	<u>(1,596,469)</u>
Net assets		<u>3,081,514</u>	<u>4,044,916</u>
Capital and reserves			
Called up share capital	15	100	100
Cash flow hedge reserve		(1,595,172)	(2,170,408)
Retained earnings		<u>4,676,586</u>	<u>6,215,224</u>
Total shareholders' funds		<u>3,081,514</u>	<u>4,044,916</u>

The financial statements on pages 9 to 22 were approved by the Board of Directors on 23-10-2020 and were signed on its behalf by:



David Hardingham
Director

Onley Prison Services Limited (Registered number: 03682678)

**Statement of Changes in Equity
for the Year Ended 31 March 2020**

	Called up share capital £	Retained earnings £	Cash flow hedge reserve £	Total shareholders' funds £
Balance at 1 April 2018	100	6,706,464	(2,794,564)	3,912,000
Changes in equity				
Profit for the financial year	-	744,193	-	744,193
Other comprehensive income	-	-	624,156	624,156
Dividends	-	(1,235,433)	-	(1,235,433)
Balance at 31 March 2019	<u>100</u>	<u>6,215,224</u>	<u>(2,170,408)</u>	<u>4,044,916</u>
Changes in equity				
Profit for the financial year	-	626,425	-	626,425
Other comprehensive income	-	-	575,236	575,236
Dividends	-	(2,165,063)	-	(2,165,063)
Balance at 31 March 2020	<u>100</u>	<u>4,676,586</u>	<u>(1,595,172)</u>	<u>3,081,514</u>

The notes form part of these financial statements

Onley Prison Services Limited (Registered number: 03682678)

Notes to the Financial Statements for the Year Ended 31 March 2020

1. General information

The company is engaged under a 26 year contract, signed on 23 July 1999, for the provision of the design, construction and management services, including related financing arrangements, for a prison, HMP Rye Hill, which has been established near Onley, Warwickshire. Its registered number is 03682678.

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. In assessing the company's ability to continue as a going concern the directors have considered the impact of Covid-19, as described in the Report of the Directors.

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 represents the value of work done and services rendered, excluding sales related 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.

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.

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2020**

2. Accounting policies - continued

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 income statement at a constant rate on the carrying value of the debt.

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 the income statement 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 income statement.

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 income statement 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.

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2020**

2. Accounting policies – continued

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 subcontractors. The company recognises an accrual for costs relating to this activity and holds an amount in line with lender restrictions in a restricted bank account. The balance in the restricted bank account at the year-end was £1,382,501 (2019: £3,002,562).

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:

Judgements

Treatment of derivatives

The directors have adopted a policy of cash flow 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 income statement at the same time as the hedged cash flows.

Estimates

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.

Measurement of derivatives

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.

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2020**

3. Critical accounting judgements and estimation uncertainty - continued

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

There company has no employees (year ended 31 March 2019: none) and there were no staff costs for the year ended 31 March 2020 nor for the year ended 31 March 2019. 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.

5. Operating profit

The audit fee in respect of the company was £10,080 (year ended 31 March 2019: £9,787) for the year. In addition, the company bore £1,680 (year ended 31 March 2019: £1,631) 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 (year ended 31 March 2019: £1,000).

6. Interest receivable and similar income

	2020	2019
	£	£
Deposit account interest	24,215	15,754
Imputed interest on contract debtor	<u>1,613,923</u>	<u>1,869,613</u>
	<u>1,638,138</u>	<u>1,885,367</u>

Interest is imputed on the contract debtor using a property specific rate of 7.05% (2019: 7.05%).

7. Interest payable and similar expenses

	2020	2019
	£	£
Bank loan interest	273,315	315,295
Sub debt interest payable	84,230	84,000
Swap interest	897,133	1,046,928
Commitment fees	<u>7,395</u>	<u>8,124</u>
	<u>1,262,073</u>	<u>1,454,347</u>

Onley Prison Services Limited (Registered number: 03682678)

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2020**

8. Tax on profit

Analysis of the tax charge

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

	2020 £	2019 £
Current tax:		
UK corporation tax	<u>829,444</u>	<u>745,704</u>
Deferred tax:		
Timing differences	(384,325)	(338,725)
Impact of rate change	<u>240,119</u>	<u>35,655</u>
Total deferred tax	<u>(144,206)</u>	<u>(303,070)</u>
Tax on profit	<u><u>685,238</u></u>	<u><u>442,634</u></u>

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is higher (2019: higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	2020 £	2019 £
Profit before taxation	<u>1,311,663</u>	<u>1,186,827</u>
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	249,216	225,497
Effects of:		
Amortisation of non-qualifying expenditure	195,903	181,482
Impact of rate change	<u>240,119</u>	<u>35,655</u>
Total tax charge	<u><u>685,238</u></u>	<u><u>442,634</u></u>

Tax effects relating to other comprehensive income/(expense)

	Gross £	2020 Tax £	Net £
Change in fair value of cash flow hedge and reclassification to profit and loss	<u>645,601</u>	<u>(70,365)</u>	<u>575,236</u>
	<u><u>645,601</u></u>	<u><u>(70,365)</u></u>	<u><u>575,236</u></u>

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2020**

8. Taxation on profit - continued

	Gross £	2019 Tax £	Net £
Change in fair value of cash flow hedge And reclassification to profit and loss	751,995	(127,839)	624,156
	<u>751,995</u>	<u>(127,839)</u>	<u>624,156</u>

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

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.

The main rate of UK corporation tax for the year commencing 1 April 2019 was 19% (2018: 19%).

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. Deferred tax at 31 March 2020 has been measured at this rate.

Deferred tax at 31 March 2020 has been measured at the rate applicable during the period in which the provision is expected to reverse.

9. Dividends

	2020 £	2019 £
Interim dividends of £21,650 (2019: £12,354) per ordinary share	<u>2,165,063</u>	<u>1,235,433</u>

10. Debtors

	2020 £	2019 £
Amounts falling due within one year:		
Trade debtors	10,129	-
Contract debtor	3,888,969	3,791,167
Prepayments and accrued income	<u>2,417,677</u>	<u>1,939,392</u>
	<u>6,316,775</u>	<u>5,730,559</u>

Onley Prison Services Limited (Registered number: 03682678)

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2020**

10. Debtors - continued

	2020	2019
	£	£
Amounts falling due after more than one year:		
Contract debtor	<u>16,642,946</u>	<u>20,531,915</u>
Aggregate amounts	<u>22,959,721</u>	<u>26,262,474</u>

11. Creditors: amounts falling due within one year

	2020	2019
	£	£
Bank loans and overdrafts (see note 13)	3,170,042	2,960,128
Trade creditors	1,878,819	1,716,128
VAT	323,918	408,102
Corporation tax	54,038	343,919
Accruals and deferred income	<u>3,357,195</u>	<u>3,349,971</u>
	<u>8,784,012</u>	<u>8,778,248</u>

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

	2020	2019
	£	£
Bank loans and overdrafts (see note 13)	10,924,349	14,094,391
Subordinated debt (see note 13)	700,000	700,000
Derivative financial instruments	<u>2,079,303</u>	<u>2,719,580</u>
	<u>13,703,652</u>	<u>17,513,971</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2020**

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

Bank borrowings relate to a senior term loan facility granted to the company. The senior term loan facility was syndicated to a group of banks for a total value of £47,500,000 (2019: £47,500,000) of which £46,500,000 (2019: £46,500,000) was drawn down. At 31 March 2020, £14,109,960 (2019: £17,079,450) remains outstanding. The company has an additional working capital facility of £2,000,000 (31 March 2019: £2,000,000) also granted by Bayerische Landesbank. £nil was drawn down against this facility during the year (31 March 2019: £600,000 was drawn down on 20 July 2018 and fully repaid on 31 August 2018, and £1,200,000 was drawn down on 18 January 2019 and fully repaid on 6 March 2019). Loan issue costs have been offset against bank borrowings and are amortised over the term of the loan in accordance with the provisions of FRS 102 s11.

The senior loan facility is repayable in forty-five six monthly instalments which commenced on 21 January 2002. Interest is charged on balances remaining on the facilities based on the floating LIBOR rate. Interest is charged on balances remaining under the facilities based on the floating LIBOR rate. The company has entered into swap arrangements with Bayerische Landesbank in order to fix the interest rate at 6.04% (plus margin) applied to those balances on the facilities to 22 July 2024. The fair value of this swap at 31 March 2020 was £2,079,303 out of the money (31 March 2019: £2,719,580 out of the money).

The movement in the year consisted of £908,413 (2019: £1,084,895) reclassified to interest expense in respect of amounts settled, and (£262,812) (2019: (£332,900)) 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 other loan balance of £700,000 (31 March 2019: £700,000) relates to 12% unsecured subordinated loan stock issued at par to Semperian (Onley) Limited (formerly G4S Joint Ventures (Onley) Limited). Semperian (Onley) Limited has in turn issued corresponding loan stock to its shareholder. The company intends to make redemptions in the future.

13. Loans

An analysis of the maturity of loans is given below:

	2020	2019
	£	£
Amounts falling due within one year or on demand:		
Bank loans	3,177,345	2,969,490
Unamortised issue cost	(7,303)	(9,362)
	<u>3,170,042</u>	<u>2,960,128</u>
Amounts falling due between one and two years:		
Bank loans	3,400,545	3,177,345
Unamortised issue cost	(5,098)	(7,303)
	<u>3,395,447</u>	<u>3,170,042</u>

Onley Prison Services Limited (Registered number: 03682678)

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2020**

13. Loans - continued

	2020	2019
	£	£
Amounts falling due between two and five years:		
Bank loans	7,532,070	10,932,615
Unamortised issue cost	<u>(3,168)</u>	<u>(8,266)</u>
	<u>7,528,902</u>	<u>10,924,349</u>
Amounts falling due in more than five years:		
Subordinated debt	700,000	700,000
	<u>700,000</u>	<u>700,000</u>

14. Provisions for liabilities

	2020	2019
	£	£
Deferred tax		
Accelerated capital allowances	1,896,804	2,041,010
Derivatives	<u>(374,176)</u>	<u>(444,541)</u>
	<u>1,522,628</u>	<u>1,596,469</u>
		Deferred tax
		£
Balance at 1 April 2019		1,596,469
Credit to Income Statement during year		(144,206)
Other comprehensive income		<u>70,365</u>
Balance at 31 March 2020		<u>1,522,628</u>

15. Called up share capital

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	2020	2019
			£	£
100 (2019: 100)	Ordinary	£1	<u>100</u>	<u>100</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2020**

16. Other financial commitments

Under the terms of the original contract, dated 23 July 1999, the company is committed to pay fixed and variable fees to G4S Care & Justice (UK) Limited (formerly GSL UK Limited), based on the number of prisoner places for the remainder of the contract. Charges in the year ended 31 March 2020 were £18,681,522 (2019: £16,830,095).

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 Semperian (Onley) 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.