

REGISTERED NUMBER: 04164167 (England and Wales)

**Strategic Report, Report of the Directors and
Financial Statements for the Year Ended 31 March 2021
for
UK Court Services (Manchester) Limited**



UK Court Services (Manchester) Limited (Registered number: 04164167)

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for the Year Ended 31 March 2021**

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UK Court Services (Manchester) Limited

**Company Information
for the Year Ended 31 March 2021**

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:

04164167 (England and Wales)

Independent auditors:

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

UK Court Services (Manchester) Limited (Registered number: 04164167)

**Strategic Report
for the Year Ended 31 March 2021**

The directors present their strategic report for the year ended 31 March 2021.

Principal activities and business review

The company is engaged under a 28 year contract, signed 29 March 2001 with the Council of the City of Manchester, for the provision of the design, construction and management services, including related financing arrangements, for serviced accommodation for magistrates' courts in Manchester, together with associated development and facilities and the provision of maintenance and operation of the same. Its registered number is 04164167. The company is a private company limited by shares.

The company commenced the full operation of the new magistrates' court buildings in May 2005 following the completion of construction and decant.

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 expectations of the project, and its prospects for the future to be satisfactory.

The profit for the year under review as set out in the statement of comprehensive income relates to the 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 (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 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.

UK Court Services (Manchester) Limited (Registered number: 04164167)

**Strategic Report (continued)
for the Year Ended 31 March 2021**

Section 172 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 Manchester Magistrates Court over a concession period of 28 years under an agreement with our client, Her Majesty's Courts and Tribunals 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.

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 2021 were:

- o Lifecycle and major maintenance expenditure
- o Re configuration of courtrooms for high profile hearing
- o 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.

UK Court Services (Manchester) Limited (Registered number: 04164167)

**Strategic Report (continued)
for the Year Ended 31 March 2021**

By order of the board:

Sue Taberner

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Semperian Secretariat Services Limited - Secretary

Date: 26 July 2021

UK Court Services (Manchester) Limited (Registered number: 04164167)

**Report of the Directors
for the Year Ended 31 March 2021**

The directors present their report with the audited financial statements of the company for the year ended 31 March 2021.

Dividends

The profit for the financial year amounted to £1,108,382 (2020: £465,529). Net assets at year end were £3,794,711 (2020: £3,418,458).

Dividends of £732,129, £244.04 per share (2020: £1,003,351, £334.45 per share) have been paid during the year. No further dividends are proposed in respect of the whole financial year end (2020: £nil).

Future developments

No significant changes are expected to the company's activities in the foreseeable future.

Directors

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

D R Hardingham
A C Ritchie

Going concern

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 above in the Report of the Directors.

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 subcontractors on a monthly basis and takes action if the performance levels fall below the required standard.

Interest rate risk

The company is exposed to interest rate risk on the mezzanine loan and to RPI risk on the senior bond. The RPI risk is largely mitigated as it is a natural hedge of the RPI indexation on income.

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 movements in 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 responsible for managing the ongoing major maintenance and replacement expenditure on the building fabric, plant and equipment. The company has passed operational responsibility of life expired service assets (furniture, fittings and equipment) to its operating sub-contractor, for which it pays a fixed fee within the sub-contractor's contractual remuneration. The company bears the risk associated with the capital replacement cost of other life expired building fabric, plant and equipment over the contract term.

UK Court Services (Manchester) Limited (Registered number: 04164167)

**Report of the Directors (continued)
for the Year Ended 31 March 2021**

Brexit risk

The company operates solely in the United Kingdom and has not been directly impacted by changes to trading arrangements, with the EU and the rest of the world resulting from the United Kingdom's withdrawal from the European Union on 31st January 2020. The directors continue to monitor any potential impact arising from the wider financial markets and the company's supply chain.

Coronavirus (covid-19) impact on the financial statements

The COVID-19 outbreak has resulted in measures being taken to contain the virus and has resulted in the temporary closure of businesses and public services.

The company continues to work with its client, Her Majesty's Courts and Tribunal Service, and its subcontractors, to ensure minimal interruption to contracted service provision during this period of disruption.

On 20 March 2020 the Cabinet Office issued a notice (Procurement Policy Note 02/20: Supplier relief due to coronavirus (COVID-19)) advising that all supplier payments would be maintained as per their individual contracts. Guidance was also issued on 2 April 2020 by the Infrastructure and Projects Authority (IPA Guidance) specifically relating to PFI contracts. The IPA guidance being consistent with PPN 02/20. On 6 June 2020 the Cabinet Office issued a further notice (Procurement Policy Note 04/20: Recovery and Transition from COVID-19) supporting the transition to a steady state. PPN 02/20 guidance was in place until 30 June 2020, and PPN 04/20 was in place until 31 October 2020. The company has continued to receive the monthly unitary payment and pay its suppliers in a timely manner

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 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 are not impacted by factors arising due to the pandemic. As the majority of costs are contractual, no other measures to control costs are deemed necessary. The timing of lifecycle and major maintenance works continue to be reviewed as the situation develops.

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 no impact on the ability of the company to continue as a going concern. However, the directors are monitoring usual movements in short and long term economic indicators that may impact the valuation of assets and liabilities, and may therefore have an impact on financial statements.

UK Court Services (Manchester) Limited (Registered number: 04164167)

**Report of the Directors (continued)
for the Year Ended 31 March 2021**

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, 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 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, Chartered Accountants and Statutory Auditors, have signified their willingness to continue in office.

By order of the board:

The financial statements on pages 10 to 13 were approved by the Board of Directors on 26 July 2021 and signed on its behalf by

Sue Taberner

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Semperian Secretariat Services Limited - Secretary

Date: 26 July 2021

UK Court Services (Manchester) Limited (Registered number: 04164167)

Independent auditors' report to the members of UK Court Services (Manchester) Limited

Report on the audit of the financial statements

Opinion

In our opinion, UK Court Services (Manchester) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 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 2021; the Income Statement, Other Comprehensive Income and 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

UK Court Services (Manchester) Limited (Registered number: 04164167)

Independent auditors' report to the members of UK Court Services (Manchester) Limited

Report on the audit of the financial statements (continued)

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2021 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, 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.

UK Court Services (Manchester) Limited (Registered number: 04164167)

Independent auditors' report to the members of UK Court Services (Manchester) Limited

Report on the audit of the financial statements (continued)

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management and internal audit to enquire of any known instances of non-compliance with Laws and Regulations and Fraud
- Reading board minutes for evidence of breaches of regulations and reading relevant correspondence
- Challenging assumptions and judgements made by management in their significant accounting estimates
- Identifying and testing journal entries, in particular journal entries posted with unexpected account combinations
- Incorporating unpredictability into the nature, timing and/or extent of our testing

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

UK Court Services (Manchester) Limited (Registered number: 04164167)

Independent auditors' report to the members of UK Court Services (Manchester) Limited

Report on the audit of the financial statements (continued)

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 obtained 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

16 August 2021

UK Court Services (Manchester) Limited (Registered number: 04164167)**Income Statement
for the Year Ended 31 March 2021**

	Notes	2021 £	2020 £
Turnover		4,076,856	4,003,199
Cost of sales		<u>(2,909,815)</u>	<u>(3,465,048)</u>
Gross profit		1,167,041	538,151
Administrative expenses		<u>(172,484)</u>	<u>(50,666)</u>
Operating profit	5	994,557	487,485
Interest receivable and similar income	6	<u>1,788,418</u>	<u>2,234,665</u>
		2,782,975	2,722,150
Interest payable and similar expenses	7	<u>(1,312,790)</u>	<u>(1,659,688)</u>
Profit before taxation		1,470,185	1,062,462
Tax on profit	8	<u>(361,803)</u>	<u>(596,933)</u>
Profit for the financial year		<u>1,108,382</u>	<u>465,529</u>

The notes on pages 16 to 24 form part of these financial statements

UK Court Services (Manchester) Limited (Registered number: 04164167)

**Other Comprehensive Income
for the Year Ended 31 March 2021**

	Notes	2021 £	2020 £
Profit for the year		1,108,382	465,529
Other comprehensive income		-	-
Total comprehensive income for the year		<u>1,108,382</u>	<u>465,529</u>

The notes on pages 16 to 24 form part of these financial statements

UK Court Services (Manchester) Limited (Registered number: 04164167)**Balance Sheet
31 March 2021**

	Notes	2021 £	2020 £
Current assets			
Debtors: amounts falling due within one year	10	2,349,150	2,270,699
Debtors: amounts falling due after more than one year	10	21,135,227	23,342,011
Cash at bank and in hand		<u>4,307,035</u>	<u>4,508,668</u>
		27,791,412	30,121,378
Creditors			
Amounts falling due within one year	11	<u>(4,124,911)</u>	<u>(4,461,773)</u>
Net current assets		<u>23,666,501</u>	<u>25,659,605</u>
Total assets less current liabilities		23,666,501	25,659,605
Creditors			
Amounts falling due after more than one year	12	(17,149,810)	(19,322,496)
Provisions for liabilities	15	<u>(2,721,980)</u>	<u>(2,918,651)</u>
Net assets		<u>3,794,711</u>	<u>3,418,458</u>
Capital and reserves			
Called up share capital	16	3,000	3,000
Retained earnings		<u>3,791,711</u>	<u>3,415,458</u>
Total shareholders' funds		<u>3,794,711</u>	<u>3,418,458</u>

The financial statements were approved by the Board of Directors and authorised for issue on26 July 2021..... and were signed on its behalf by:

David Hardingham

.....
D R Hardingham - Director

The notes on pages 16 to 24 form part of these financial statements

UK Court Services (Manchester) Limited (Registered number: 04164167)

**Statement of Changes in Equity
for the Year Ended 31 March 2021**

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 April 2019	3,000	3,953,280	3,956,280
Changes in equity			
Total comprehensive income	-	465,529	465,529
Dividends	-	(1,003,351)	(1,003,351)
Balance at 31 March 2020	<u>3,000</u>	<u>3,415,458</u>	<u>3,418,458</u>
Changes in equity			
Total comprehensive income	-	1,108,382	1,108,382
Dividends	-	(732,129)	(732,129)
Balance at 31 March 2021	<u>3,000</u>	<u>3,791,711</u>	<u>3,794,711</u>

The notes on pages 16 to 24 form part of these financial statements

UK Court Services (Manchester) Limited (Registered number: 04164167)

**Notes to the Financial Statements
for the Year Ended 31 March 2021**

1. General information

The company is engaged under a 28 year contract, signed 29 March 2001 with the Council of the City of Manchester, for the provision of the design, construction and management services, including related financing arrangements, for serviced accommodation for magistrates' courts in Manchester, together with associated development and facilities and the provision of maintenance and operation of the same. Its registered number is 04164167.

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. These 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.

UK Court Services (Manchester) Limited (Registered number: 04164167)

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2021**

2. Accounting policies - continued

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.

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.

Leased assets

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

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.

UK Court Services (Manchester) Limited (Registered number: 04164167)

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2021**

2. Accounting policies – continued

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.

Major maintenance replacement

As noted in the Report of the Directors, the Company is responsible for the major maintenance replacement activity associated with its principal activity, however the principal operating risk of this activity lies with a third party. Where appropriate, revenue is deferred to future periods, based on a forecast of the future major maintenance expenditure, in order to match that element of income with the costs to which it relates. The turnover and costs of sales are recorded, in the profit and loss account, in the period in which the costs of major maintenance replacement are incurred.

Restricted cash

Cash at bank and in hand includes restricted cash of £2,605,000 (2020: £2,415,000) relating to contractual requirement to set aside funds for future major maintenance obligations.

3. Critical accounting judgements and key sources of 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

There are no critical accounting judgements adopted by management applicable to this company.

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.

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.

UK Court Services (Manchester) Limited (Registered number: 04164167)

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2021**

4. Staff costs

There were no employees and no staff costs for the year ended 31 March 2021 nor for the year ended 31 March 2020. 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 £10,960 (2020: £10,640) for the year. In addition, the company bore £1,730 (2020: £1,680) in respect of the audit fee for its immediate parent company during the year which was not recharged. There were no fees for non audit services during the year (2020 £nil).

6. Interest receivable and similar income

	2021	2020
	£	£
Deposit account interest	12,825	34,659
Imputed interest on contract debtor	<u>1,775,593</u>	<u>2,200,006</u>
	<u>1,788,418</u>	<u>2,234,665</u>

Interest is imputed on the contract debtor using a property specific rate linked to the Retail Price Index of 8.1% (2020 7.8%).

7. Interest payable and similar expenses

	2021	2020
	£	£
Bank loan interest	29,312	35,698
Interest payable on bond	707,415	790,802
Sub debt interest payable	286,676	287,403
Indexation interest capitalised on bond	<u>289,387</u>	<u>545,785</u>
	<u>1,312,790</u>	<u>1,659,688</u>

8. Tax on profit

Analysis of the tax charge

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

	2021	2020
	£	£
Current tax:		
UK corporation tax	<u>558,474</u>	<u>353,286</u>
Deferred tax:		
Timing differences	(196,671)	(71,384)
Impact of rate change	<u>-</u>	<u>315,031</u>
Total deferred tax	<u>(196,671)</u>	<u>243,647</u>
Tax on profit	<u>361,803</u>	<u>596,933</u>

UK Court Services (Manchester) Limited (Registered number: 04164167)**Notes to the Financial Statements - continued
for the Year Ended 31 March 2021****8. Tax on profit - continued****Reconciliation of total tax charge included in profit and loss**

The tax assessed for the year is higher (2020: higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	2021 £	2020 £
Profit before taxation	<u>1,470,185</u>	<u>1,062,462</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	279,335	201,868
Effects of:		
Amortisation of non qualifying expenditure	82,468	77,277
Deferred tax adjustment in respect of prior years	-	2,757
Impact of rate change	<u>-</u>	<u>315,031</u>
Total tax charge	<u>361,803</u>	<u>596,933</u>

The company has incurred significant expenditure in the construction of the magistrates' court 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.

Future tax rate reductions

The main rate of UK corporation tax for the year commencing 1 April 2020 was 19%.

The UK government announced in its 2021 budget an increase in the rate of Corporation Tax from 19% to 25% with effect from 1 April 2023. At the balance sheet date, the proposal to increase the rate to 25% had not been substantively enacted, substantive enactment took place on 24 May 2021, therefore, its effects are not included in these financial statements. The Finance Bill received Royal Assent on 10 June 2021 becoming Finance Act 2021. The estimated overall effect of this change, if it had applied to the deferred tax balance at the balance sheet date, would be to increase the deferred tax liability and increase the tax charge for the period by £860k.

9. Dividends

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

	2021 £	2020 £
Interim dividend of £244.04 (2020: £334.45) per ordinary share	<u>732,129</u>	<u>1,003,351</u>

UK Court Services (Manchester) Limited (Registered number: 04164167)**Notes to the Financial Statements - continued
for the Year Ended 31 March 2021****10. Debtors**

	2021 £	2020 £
Amounts falling due within one year:		
Trade debtors	-	29,999
Corporation tax	17,346	76,821
Finance receivable on contract debtor	2,308,947	2,032,752
Prepayments and accrued income	<u>22,857</u>	<u>131,127</u>
	<u>2,349,150</u>	<u>2,270,699</u>
Amounts falling due after more than one year:		
Finance receivable on contract debtor	<u>21,135,227</u>	<u>23,342,011</u>
	<u>21,135,227</u>	<u>23,342,011</u>
Aggregate amounts	<u>23,484,377</u>	<u>25,612,710</u>

11. Creditors: amounts falling due within one year

	2021 £	2020 £
Bank loans and overdrafts (see note 13)	70,387	64,408
Bond liabilities (see note 13)	2,284,805	2,229,296
Trade creditors	381,767	288,974
VAT	198,799	273,136
Accruals and deferred income	<u>1,189,153</u>	<u>1,605,959</u>
	<u>4,124,911</u>	<u>4,461,773</u>

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

	2021 £	2020 £
Subordinated debt (see note 13)	2,123,061	2,123,061
Bank loans and overdrafts (see note 13)	475,900	546,287
Bond liabilities (see note 13)	14,403,311	16,484,533
Deferred income	<u>147,538</u>	<u>168,615</u>
	<u>17,149,810</u>	<u>19,322,496</u>

UK Court Services (Manchester) Limited (Registered number: 04164167)**Notes to the Financial Statements - continued
for the Year Ended 31 March 2021****12. Creditors: amounts falling due after more than one year - continued**

The company has in issue £33,180,000 3.82% secured index linked bonds due 2027. Interest is payable on these bonds and indexation accumulates to the bond values at six-monthly intervals which commenced on 30 September 2002. Scheduled redemption by way of principal repayments commenced on 30 September 2004. These bonds were issued under a private placement.

The company has an additional mezzanine term loan facility of £1,300,000 granted by Société Générale, of which £546,287 had been drawn at 31 March 2021 (2020: £610,695). Scheduled interest payments and redemption by way of principal repayments commenced on 30 September 2004. Interest is charged at LIBOR plus 4.5%.

Bond and loan issue costs have been offset against bond liabilities and are amortised over the term of the appropriate instrument in accordance with the provisions of FRS 102 s11.

The bond liabilities rank in seniority to the bank loan. The bond liabilities and bank loan 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 value of capital and interest elements of the index linked bonds is linked to movements in the Retail Price Index. The increase in capital value during the year of £289,387 (2020 £545,785) has been taken to the profit and loss account as part of the interest payable.

UK Court Services (Manchester) Holdings Limited holds £2,123,061 (2020: £2,123,061) of 13.5% coupon loan notes due 2028 in the company.

13. Loans

An analysis of the maturity of loans is given below:

	2021 £	2020 £
Amounts falling due within one year or on demand:		
Bank loans and overdrafts	70,387	64,408
Bond liability less than 1 yr	2,291,705	2,237,227
Unamortised issue cost less 1y	<u>(6,900)</u>	<u>(7,931)</u>
	<u><u>2,355,192</u></u>	<u><u>2,293,704</u></u>
Amounts falling due between one and two years:		
Bank loans and overdrafts	76,909	70,387
Bond liability 1-2 years	2,327,040	2,283,003
Unamortised issue cost 1-2 yr	<u>(5,846)</u>	<u>(6,900)</u>
	<u><u>2,398,103</u></u>	<u><u>2,346,490</u></u>
Amounts falling due between two and five years:		
Bank loans and overdrafts	276,158	252,681
Bond liability 2-5 years	7,810,690	7,534,982
Unamortised issue cost 2-5 yr	<u>(10,425)</u>	<u>(13,981)</u>
	<u><u>8,076,423</u></u>	<u><u>7,773,682</u></u>

UK Court Services (Manchester) Limited (Registered number: 04164167)**Notes to the Financial Statements - continued
for the Year Ended 31 March 2021****13. Loans - continued**

	2021 £	2020 £
Amounts falling due in more than five years:		
Repayable by instalments		
Subordinated debt	2,123,061	2,123,061
Bank loans and overdrafts	122,833	223,219
Bond liability more 5 years	4,282,579	6,689,609
Unamortised issue cost >5 yr	<u>(727)</u>	<u>(2,180)</u>
	<u>6,527,746</u>	<u>9,033,709</u>

In respect of debts falling due after five years, shareholder loans are repayable in full in 2028. The remainder of loans are repayable in instalments.

14. Leasing agreements

The company has been granted an option to take a lease from the Council of the City of Manchester which it intends to take up. The lease premium for the right to receive this lease of £3,000,000 was paid in 2001 and is included within the contract debtor.

15. Provisions for liabilities

	2021 £	2020 £
Deferred tax		
Accelerated capital allowances	<u>2,721,980</u>	<u>2,918,651</u>
		Deferred tax
		£
Balance at 1 April 2020		2,918,651
Credit to Income Statement during year		<u>(196,671)</u>
Balance at 31 March 2021		<u>2,721,980</u>

16. Called up share capital**Allotted, issued and fully paid:**

Number:	Class:	Nominal value:	2021 £	2020 £
3,000 (2020: 3,000)	Ordinary	£1	<u>3,000</u>	<u>3,000</u>

17. Commitments

Under the terms of an operating agreement dated 29 March 2003 between the company and G4S Integrated Services (UK) Limited, the company is committed to pay fixed and variable fees based on the availability of the courts. The contract also covers capital replacement of life expired service equipment over the contract term. Payments commenced in 2004 and are subject to market testing at fixed intervals during the contract term which runs until 2029. Charges in the year ended 2021 were £1,854,558 (2020: £2,100,816).

UK Court Services (Manchester) Limited (Registered number: 04164167)

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2021**

18. Related party disclosures

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

19. Ultimate controlling party

The company's immediate parent is UK Court Services (Manchester) Holdings 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.