

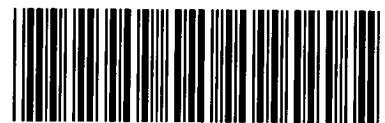
ASHFORD PRISON SERVICES HOLDINGS LIMITED

Annual Report and Financial Statements

For the year ended 31 March 2019

Company Registration No. 04334199

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ASHFORD PRISON SERVICES HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2019

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ASHFORD PRISON SERVICES HOLDINGS LIMITED

STRATEGIC REPORT

For the year ended 31 March 2019

The directors present their strategic report on the group for the year ended 31 March 2019.

The group is a Private Finance Initiative (“PFI”) vehicle whose purpose is to design, construct, finance and manage HMP Bronzefield. It has a 25 year contract with the Secretary of State for Justice (the “Authority”), due to complete in June 2029. On 24 October 2008 the group entered into a supplemental agreement with the Authority to construct and then operate a 77 cell extension to the prison. Construction of the extension was completed in December 2009 and the total operational capacity is now up to 527 female prisoners.

In the year the group made a profit for the financial year of £1,318,000 (2018: £1,165,000) and closed the year with net liabilities of £3,427,000 (2018: £5,275,000)

The group’s operations are managed under the supervision of its shareholders and funders and are monitored by key performance indicators in the PFI contract with the Authority and the subcontract with Sodexo Limited who supply the facilities maintenance services throughout the life of the concession. These key performance indicators are in place to monitor certain operational functions and failure to meet minimum targets result in financial penalties, which are ultimately payable by Sodexo Limited. In the year these penalties amounted to £128,000 (2018: £208,000).

The PFI contract and Subcontract with the Authority and Sodexo Limited, respectively, are fixed for the life of the contract and this enables the company to have certainty over its income and major expenses until 2028. Furthermore the subsidiary has a Credit Agreement with its lender which fixes the level of borrowing and repayments due until the loan is fully repaid in 2027. The directors have prepared a detailed forecast up to 2029 incorporating inter alia the terms of the PFI contract, Subcontract and Credit Agreement. This forecast, which is updated regularly, predicts that the company will be profitable and will have sufficient cash resources to operate within the terms of the PFI contract, Subcontracts and Credit Agreement. Therefore the directors, having considered the financial position of the company and its expected future cash flows, have prepared the financial statements on the going concern basis. Its main exposure is to financial risks as detailed in the following section.

PRINCIPAL RISK AND UNCERTAINTIES

The group’s principal activity as detailed above is risk free as its trading relationships with its customer, funders and sub-contractors are determined by the terms of their respective detailed PFI contracts with the subsidiary.

FINANCIAL RISK MANAGEMENT

The group has exposure to a variety of financial risks which are managed with the purpose of minimising any potentially adverse effect on the group’s performance.

The board has policies for managing each of these risks and they are summarised below:

INTEREST RATE RISK

The group hedged its interest rate risk at the inception of the project by swapping its variable rate debt into fixed rate by the use of an interest rate swap.

INFLATION RISK

The group’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 group adopts a prudent approach to liquidity management by maintaining sufficient cash and liquid resources to meet its obligations. Due to the nature of the project cash flows are reasonably predictable and so this is not a major risk area for the company.

ASHFORD PRISON SERVICES HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

For the year ended 31 March 2019

CREDIT RISK

The group receives the bulk of its revenue from a government agency and therefore is not exposed to significant credit risk.

Cash investments and interest rate swap arrangements are with institutions of a suitable credit quality.

EVENTS

There have been no significant events since the balance sheet date.

OWNERSHIP

The group is owned by its ultimate shareholders Sodexo Investment Services Limited, Dalmore Capital (Para 2) Limited and PFI Custodial (Holdings) Limited.

GOING CONCERN

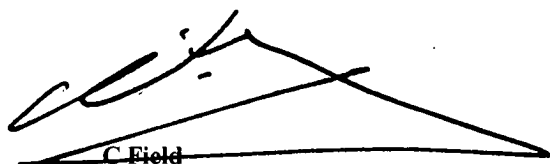
On 15th March 2019 Interserve Plc, the parent company of Interserve Construction Limited, went into administration and all its subsidiaries were sold to Interserve Group Limited, a newly incorporated private company controlled by its lenders. Interserve Construction Limited, which is a subsidiary of the company, with which the Project Company has a contractual relationship as it constructed the prison, is continuing business as usual within the newly formed group of Interserve Group Limited. Interserve Plc was classed as a Major Project Party under the Project Company's loan agreement as it provides a parent company guarantee for Interserve Construction Ltd. Under the credit agreement with the lenders, if any Major Project Party enters administration, this triggers an Event of Default. Once Interserve Plc entered administration an Event of Default occurred. The directors are working with legal advisors, Interserve Group Limited and the lenders to find a remedy for this default. The bank could demand immediate repayment of the loan as a result, and therefore this constitutes a material uncertainty which may cast significant doubt over the entity's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

The directors have prepared a detailed model forecast to project completion incorporating the relevant terms of the PFI contract, subcontracts and Credit Agreement and reasonably prudent economic assumptions. This forecast and associated business model, which is updated regularly, predicts that the company will be profitable and will have sufficient cash resources to operate within the terms of the PFI contract, Subcontract and Credit agreement. Therefore, the directors, having considered the financial position of the group and its expected future cash flows, have prepared the financial statements on a going concern basis. The directors confirm that they do not intend to liquidate the company or cease trading as we consider we have realistic alternatives to doing so.

In reaching this conclusion, the directors have specifically considered the matters above in respect of the event of default under the terms of the Project Company's senior financing agreement. The directors are working on finding a resolution of the default under the loan agreement and do not believe this will affect the viability of the company.

The directors confirm that the financial statements have been prepared on the going concern basis and do not intend to liquidate the company or cease trading as we consider we have realistic alternatives to doing so. The balance sheet on page 8 of the financial statements shows that the group is in a net liabilities position due largely to providing for the interest rate swap hedging costs under FRS 102 accounting requirements.

The directors believe the company will continue as a going concern. The directors confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including plans for future actions.



C Field
Director

16 January 2020

ASHFORD PRISON SERVICES HOLDINGS LIMITED

DIRECTORS' REPORT

For the year ended 31 March 2019

The directors present their annual report and the audited consolidated financial statements for the year ended 31 March 2019.

STRATEGIC REPORT

The information that fulfils the Companies Act requirements of the business review is included in the Strategic Report. This includes a review of the development of the business of the company during the year, of its position at the end of the year and of the likely future developments in its business.

Details of the principal risks and uncertainties are included in the Strategic Report.

RESULTS AND DIVIDENDS

The consolidated profit for the financial year was £1,318,000 (2018: £1,165,000). Dividends of £150,000 (2018: £644,000) were recommended and paid during the year. This has led to net liabilities of £3,427,000 (2018: £5,275,000).

EMPLOYEES

The group has no direct employees.

EVENTS AFTER REPORTING DATE

There have been no significant events since the balance sheet date.

DIRECTORS

The directors who served throughout the year and up to the date of signing the financial statements were as follows:

S Carter
M Templeton (Appointed 22 February 2019)
C Field
J Gordon
J Cowdell (appointed 30 August 2018)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 a going concern basis unless it is inappropriate to presume that the company will continue in business.

ASHFORD PRISON SERVICES HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

For the year ended 31 March 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES (CONTINUED)

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.

DISCLOSURE OF INFORMATION TO AUDITORS

In accordance with Section 418 of the Companies Act 2006, each of the persons who is a director at the date of approval of this report confirm that:

- (a) As far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) The director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

INDEPENDENT AUDITORS

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office as auditors and appropriate arrangement have been put in place for them to be deemed reappointed in the absence of an Annual General Meeting.

Approved by the Board of Directors and signed on its behalf on 16/01/2020.



C Field
Director

ASHFORD PRISON SERVICES HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ASHFORD PRISON SERVICES HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, Ashford Prison Services Holdings Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2019 and of the group's profit and cash flows 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 Annual Report and Financial Statements, which comprise: the consolidated and company balance sheets as at 31 March 2019; the consolidated profit and loss account and consolidated statement of comprehensive income, the consolidated cash flow statement, and the consolidated and company statements 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 group 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.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the group's and company's ability to continue as a going concern. Ashford Prison Services Limited, the project company, have defaulted on a covenant to their bank loan agreement and the lender has not waived the breach at the date of signing the financial statements. Management have concluded that the group and company are nonetheless a going concern although they recognise that there is a default on the loan, which they are working on resolving with the lender. This condition, along with the other matters explained in note 1 to the financial statements, indicates the existence of a material uncertainty which may cast significant doubt about the group's and company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and company were unable 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 Directors' Report, 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.

ASHFORD PRISON SERVICES HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ASHFORD PRISON SERVICES HOLDINGS LIMITED (CONTINUED)

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2019 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 group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

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 group's and 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 group or 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 company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Michael Jeffrey (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
16 January 2020

ASHFORD PRISON SERVICES HOLDINGS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2019

| | Note | 2019 £'000 | 2018 £'000 |
|--|------|---------------|---------------|
| Turnover | 2 | 31,519 | 29,806 |
| Cost of sales | | (29,235) | (27,656) |
| Gross profit | | 2,284 | 2,150 |
| Administrative expenses | | (441) | (427) |
| Operating profit | 3 | 1,843 | 1,723 |
| Interest receivable and similar income | 5 | 2,896 | 3,024 |
| Interest payable and similar expenses | 6 | (3,021) | (3,226) |
| Profit before taxation | | 1,718 | 1,521 |
| Tax on profit | 7 | (400) | (356) |
| Profit for the financial year | | 1,318 | 1,165 |

All activities are derived from continuing operations.

As permitted by Section 408 of the Companies Act 2006, the company has not presented its own profit and loss account. The profit of the company in the year was £150,000 (2018: £644,000).

There is no material difference between the profit before taxation and the profit for the financial year stated above and their historical cost equivalents.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Profit for the financial year | 1,318 | 1,165 |
| Other comprehensive income/(expense): | | |
| Change in value of hedging instrument | 819 | 2,845 |
| Tax relating to other income | (139) | (484) |
| Tax relating to movement in deferred tax rates | - | - |
| Total comprehensive income for the year | 1,998 | 3,526 |

ASHFORD PRISON SERVICES HOLDINGS LIMITED

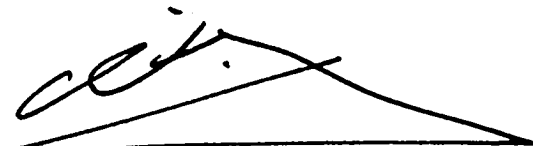
CONSOLIDATED BALANCE SHEET

As at 31 March 2019

| | Note | 2019 £'000 | 2018 £'000 |
|--|------|-----------------|-----------------|
| FIXED ASSETS | | | |
| Intangible assets | 10 | 612 | 735 |
| CURRENT ASSETS | | | |
| Debtors: | | | |
| Amounts falling due after more than one year | 11 | 41,583 | 44,070 |
| Amounts falling due within one year | 11 | 6,466 | 5,794 |
| Cash at bank and in hand | | 4,572 | 3,797 |
| | | <u>52,621</u> | <u>53,661</u> |
| CREDITORS: amounts falling due within one year | 12 | <u>(43,903)</u> | <u>(7,059)</u> |
| NET CURRENT ASSETS | | <u>8,718</u> | <u>46,602</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>9,330</u> | <u>47,337</u> |
| CREDITORS: amounts falling due after more than one year | 13 | <u>(12,757)</u> | <u>(52,612)</u> |
| NET LIABILITIES | | <u>(3,427)</u> | <u>(5,275)</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 15 | 60 | 60 |
| Hedging reserve | | (6,831) | (7,511) |
| Retained earnings | | 3,344 | 2,176 |
| TOTAL EQUITY | | <u>(3,427)</u> | <u>(5,275)</u> |

The Consolidated financial statements of Ashford Prison Services Holdings Limited, registered number 04334199 on pages 7 to 26, were approved by the Board of Directors and authorised for issue on 16 January 2020

Signed on behalf of the Board of Directors



C Field
Director

ASHFORD PRISON SERVICES HOLDINGS LIMITED

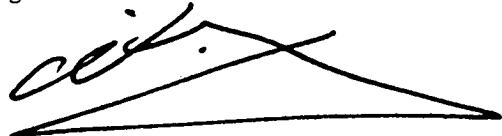
COMPANY BALANCE SHEET

As at year ended 31 March 2019

| | Note | 2019 £'000 | 2018 £'000 |
|--|------|---------------|---------------|
| FIXED ASSETS | | | |
| Subsidiary undertakings | 9 | 60 | 60 |
| CURRENT ASSETS | | | |
| Debtors: | | | |
| Amounts falling due after more than one year | 11 | 3,231 | 3,554 |
| Amounts falling due within one year | 11 | 359 | 558 |
| | | 3,590 | 4,112 |
| CREDITORS: amounts falling due within one year | 12 | (359) | (558) |
| NET CURRENT ASSETS | | 3,231 | 3,554 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 3,291 | 3,614 |
| CREDITORS: amounts falling due after more than one year | 13 | (3,231) | (3,554) |
| NET ASSETS | | 60 | 60 |
| CAPITAL AND RESERVES | | | |
| Called-up share capital | 15 | 60 | 60 |
| Retained earnings | | - | - |
| TOTAL EQUITY | | 60 | 60 |

The consolidated financial statements of Ashford Prison Services Holdings Limited, registered number 04334199 on pages 7 to 26, were approved by the Board of Directors and authorised for issue on 16 January 2020.

Signed on behalf of the Board of Directors



C Field
Director

ASHFORD PRISON SERVICES HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

| | Note | Called up share capital £'000 | Hedging reserve £'000 | Retained earnings £'000 | Total Equity £'000 |
|--|------|-------------------------------------|-----------------------------|-------------------------------|-----------------------|
| Balance as at 1 April 2017 | | 60 | (9,872) | 1,655 | (8,157) |
| Profit for the year | | - | - | 1,165 | 1,165 |
| Other comprehensive income for the year | | - | 2,361 | - | 2,361 |
| Total comprehensive income for the year | | - | 2,361 | 1,165 | 3,526 |
| Dividends | 8 | - | - | (644) | (644) |
| Balance as at 31 March 2018 | | 60 | (7,511) | 2,176 | (5,275) |
| Balance as at 1 April 2018 | | 60 | (7,511) | 2,176 | (5,275) |
| Profit for the year | | - | - | 1,318 | 1,318 |
| Other comprehensive income for the year | | - | 680 | - | 680 |
| Total comprehensive income for the year | | - | 680 | 1,318 | 1,998 |
| Dividends | 8 | - | - | (150) | (150) |
| Balance as at 31 March 2019 | | 60 | (6,831) | 3,344 | (3,427) |

The hedging reserve arose on the revaluation of a financial instrument on transition to FRS 102 and includes the associated deferred tax of £1,399,000 (2018: £1,538,000).

ASHFORD PRISON SERVICES HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

| | Note | Called-up share capital £'000 | Retained earnings £'000 | Total Equity £'000 |
|---|------|-------------------------------------|-------------------------------|-----------------------|
| Balance as at 1 April 2017 | | 60 | - | 60 |
| Profit for the year | | - | 644 | 644 |
| Other comprehensive income for the year | | - | - | - |
| Total comprehensive income for the year | | <u>-</u> | <u>644</u> | <u>644</u> |
| Dividends | | - | (644) | (644) |
| Balance as at 31 March 2018 | | <u>60</u> | <u>-</u> | <u>60</u> |
| Balance as at 1 April 2018 | | 60 | - | 60 |
| Profit for the year | | - | 150 | 150 |
| Other comprehensive income for the year | | - | - | - |
| Total comprehensive income for the year | | <u>-</u> | <u>150</u> | <u>150</u> |
| Dividends | | - | (150) | (150) |
| Balance as at 31 March 2019 | | <u>60</u> | <u>-</u> | <u>60</u> |

Retained earnings represent accumulated comprehensive income for the year and prior periods.

ASHFORD PRISON SERVICES HOLDINGS LIMITED

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2019

| | Note | 2019 £'000 | 2018 £'000 |
|---|------|----------------|----------------|
| CASH FLOW FROM OPERATING ACTIVITIES | 18 | 4,285 | 3,777 |
| Taxation paid | | - | - |
| Net cash generated from operating activities | | 4,285 | 3,777 |
| Cash flow from investing activities | | | |
| Interest received | | 2,905 | 3,024 |
| Net cash generated from investing activities | | 2,905 | 3,024 |
| Net cash flow from financing activities | | | |
| Repayment of bank loans | | (3,085) | (2,754) |
| Repayment of subordinated debt | | (159) | (324) |
| Dividends paid to owners of the parent | | (150) | (551) |
| Interest paid | | (3,021) | (3,230) |
| Net cash used in financing activities | | (6,415) | (6,859) |
| Net increase in cash and cash equivalents in the year | | 775 | (58) |
| Cash and cash equivalents at the beginning of the year | | 3,797 | 3,855 |
| Cash and cash equivalents at the end of the year | | 4,572 | 3,797 |

ASHFORD PRISON SERVICES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. ACCOUNTING POLICIES

The company and its subsidiary (together "the Group") are a Private Finance Initiative ("PFI") vehicle whose purpose is to design, construct, finance and manage HMP Bronzefield. The company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is Albany SPC Services Limited, 3rd Floor, 3-5 Charlotte Street, Manchester, M1 4HB.

Statement of compliance

The individual financial statements of Ashford Prison Services Holdings Limited have been prepared in compliance with United Kingdom Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements.

Basis of preparation

These consolidated and separate financial statements are prepared on a going concern basis, under the historic cost convention, as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit and loss. The Group has a 25 year agreement with H M Principal Secretary of State for Justice which envisages losses in the early years, but overall a substantial profit. The Group is currently performing in line with expectations and has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its financial statements.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions are estimates are significant to the financial statements are disclosed where appropriate.

The company has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual profit and loss account.

Exemptions

Under the provision of FRS 102, the company is exempt from the requirement to produce a cash flow statement on the grounds that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows.

Turnover and Private Finance Initiative ("PFI") contract accounting

Turnover, which excludes VAT and originates solely in the United Kingdom, represents amounts receivable from the operation of the prison, provided in the normal course of the subsidiary's business. On commencement of its management of the prison, the group recorded a financial asset, being the amounts due for the completed property. This asset was deemed to be sold at fair value and was recorded as turnover at the inception of the lease. This amount reduces each year as payments are received (the "Capital Repayment").

In addition, finance income on this asset is recorded as interest receivable using a project property specific interest rate of 6.285% (the "Imputed Finance Charge"). The remaining PFI payments, being the full amounts received less the Capital Repayment and less the Imputed Finance Charge, are recorded as turnover.

Basis of consolidation

The group consolidated financial statements include the financial statements of the company and its subsidiary undertaking to 31 March each year. The subsidiary does not have differing accounting policies to the Group.

ASHFORD PRISON SERVICES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

1. ACCOUNTING POLICIES (Continued)

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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. Timing differences are differences between taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely that not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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 enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Intangible assets

Intangible assets are included at cost less amortisation and any impairment losses. The assets relate to a sales rebate agreement with the Authority over the remaining life of the contract. They are amortised over the useful economic life of 15 years from July 2014 using the sum of digits methodology and this amortisation is charged to Administrative expenses in the Profit and loss account. On an annual basis the carrying amounts of intangible assets are compared to recoverable amounts to determine whether those assets have suffered an impairment loss.

Subsidiary undertakings

Investment in the subsidiary is held at cost less accumulated impairment losses.

Derivative financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Basic financial assets and liabilities, including trade debtors, cash at bank and in hand, trade creditors and bank loans are initially recognised at transaction value. Such assets and liabilities are subsequently carried at amortised cost.

The company holds derivative financial instruments which hedge its exposure to interest rate risk. This has the effect of fixing the interest rate payable on bank borrowings. 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 within the company's balance sheet at each balance sheet date. The changes in fair value of these financial instruments that are designated as effective hedges of future cash flows are recognised directly in the other comprehensive income statement. Any ineffective portion is recognised immediately in the income statement.

Going concern

The financial statements are prepared on a going concern basis. As explained in the strategic report (p.2), the project company defaulted on a loan covenant of its bank loan. The bank could demand immediate repayment of the loan as a result, and therefore this constitutes a material uncertainty which may cast significant doubt over the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern. The directors are in advanced negotiations with the bank to resolve the event of default, and believe the possibility of the bank demanding the immediate repayment of the loan as highly unlikely.

ASHFORD PRISON SERVICES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

1. ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

Related party transactions

The Group discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the Group financial statements.

Share capital

Share capital recognised at amortised cost represents the amount of equity in the form of shares invested by the shareholders.

Distribution to equity holders

Dividends and other distributions to the Group'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 shareholder. These amounts are recognised in the statement of changes in equity.

Profit and loss account

The profit and loss reserve represents cumulative profit and losses.

Hedging reserve

The hedging reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in hedging variable interest rate risk of recognised financial instruments. Amounts accumulated in this reserve are reclassified to profit or loss in the periods in which the hedged item effects profit or loss or when the hedging relationship ends.

Critical accounting policies and key judgements

The preparation of financial statements in conformity with FRS 102 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The 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 differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Certain critical accounting judgements in applying the group's accounting policies are described below:

- Accounting for the service concession contract and financial assets require an estimation of service margins, financial assets interest rates and associated amortisation profile which is based on forecast results of the PFI contract detailed below;
- Derivative financial instruments are held at fair value detailed below;
- Applicability of hedge accounting detailed below.

Other financial instruments

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Group's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

ASHFORD PRISON SERVICES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

1. ACCOUNTING POLICIES (Continued)

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Loans and receivables

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

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 initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the obligation specified in the contract is discharged, cancelled, or expires.

ASHFORD PRISON SERVICES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

Hedge accounting

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the fair value of the derivative financial instrument is recognised directly in the statement of comprehensive income as other comprehensive income or expense. Any ineffective portion of the hedge is recognised immediately in profit or loss. Where hedge accounting recognises a liability or asset then an associated deferred tax asset or liability is also recognised.

2. TURNOVER

All turnover is generated from the principal activity of the company. All turnover arose within the United Kingdom.

3. OPERATING PROFIT

| | 2019 £'000 | 2018 £'000 |
|---|---------------|---------------|
| Operating profit is stated after charging: | | |
| Amortisation of intangible assets | 123 | 135 |
| Auditors' remuneration | | |
| - audit fee | 11 | 11 |
| - non audit fee – corporate tax advice | 3 | 3 |
| Directors' services | 96 | 95 |

4. EMPLOYEES AND DIRECTORS

The group and company have no employees (2018: none).

No directors' emoluments for services in respect of the group and company were paid during the year (2018: £nil). Amounts paid as a management fee to related parties for directors' services for the group and company totalled £96,000 (2018: £95,000).

5. INTEREST RECEIVABLE AND SIMILAR INCOME

| | 2019 £'000 | 2018 £'000 |
|------------------------------------|---------------|---------------|
| Interest income on financial asset | 2,882 | 3,020 |
| Bank interest received | 14 | 4 |
| | 2,896 | 3,024 |

6. INTEREST PAYABLE AND SIMILAR EXPENSES

| | 2019 £'000 | 2018 £'000 |
|---|---------------|---------------|
| Interest expense payable to controlling parties (note 16) | 439 | 478 |
| Interest expense on senior bank loan | 2,582 | 2,748 |
| | 3,021 | 3,226 |

ASHFORD PRISON SERVICES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

7. TAX ON PROFIT

| | 2019 £'000 | 2018 £'000 |
|---|-------------------|-------------------|
| Tax expense included in profit and loss account | | |
| Current tax: | | |
| UK corporation tax on profits for the year | 2 | - |
| Total current tax | <u>2</u> | <u>-</u> |
| Deferred tax: | | |
| Origination and reversal of timing differences | 445 | 397 |
| Change in tax rates or laws | (47) | (41) |
| Total deferred tax (note 11) | <u>398</u> | <u>356</u> |
| Tax on profit | <u><u>400</u></u> | <u><u>356</u></u> |
| Tax expense included in other comprehensive income | | |
| Deferred tax: | | |
| Origination and reversal of timing differences | 139 | 541 |
| Change in tax rates or laws | - | (57) |
| Total tax expense included in other comprehensive income | <u><u>139</u></u> | <u><u>484</u></u> |
| Reconciliation of tax charge | | |
| The tax assessed for the year is higher (2018: higher) than the standard rate of corporation tax in the UK of % 19% (2018: 19%). The differences are explained below: | | |
| Profit before taxation for the year – continuing operations | <u>1,718</u> | <u>1,521</u> |
| Tax on profit at standard UK tax rate of 19% (2018: 19%) | 327 | 289 |
| Effects of; | | |
| Expenses not deductible | 120 | 108 |
| Tax rate changes | (47) | (41) |
| Tax charge for the year | <u><u>400</u></u> | <u><u>356</u></u> |

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

ASHFORD PRISON SERVICES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

8. DIVIDENDS

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Equity – Ordinary share | | |
| Interim paid £2.50 (2018: £4.18) per £1 share | 150 | 251 |
| Final approved £Nil (2018: £6.55) per £1 share | - | 393 |
| | <hr/> | <hr/> |
| | 150 | 644 |
| | <hr/> | <hr/> |

The final dividend has been proposed and approved for the year ended 31 March 2019. This was paid after year end on.

9. SUBSIDIARY UNDERTAKINGS

| | Company 2019 £'000 | Company 2018 £'000 |
|---|--------------------------|--------------------------|
| Shares in subsidiary undertaking – cost | 60 | 60 |
| | <hr/> | <hr/> |

The company holds the following interest in:

| Name of company | Country of registration | Class of share | Proportion held | Nature of business |
|------------------------------------|----------------------------|----------------|-----------------|-------------------------------------|
| Ashford Prison Services Limited | England | Ordinary | 100% | Prison construction & management |

The directors believe that the carrying value of the investment is supported by its operating cash flows.

The above subsidiary is included in the consolidation and the address of its registered office is Albany SPC Services Limited, 3rd Floor, 3-5 Charlotte Street, Manchester, M1 4HB

ASHFORD PRISON SERVICES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

10. INTANGIBLE ASSETS

| | Group Other £'000 |
|---------------------------------|-------------------------|
| Cost | |
| At 1 April 2018 | 1,300 |
| Additions | - |
| | <hr/> |
| At 31 March 2019 | 1,300 |
| | <hr/> |
| Accumulated amortisation | |
| At 1 April 2018 | 565 |
| Charge for the year | 123 |
| | <hr/> |
| At 31 March 2019 | 688 |
| | <hr/> |
| Net book value | |
| At 31 March 2018 | 735 |
| | <hr/> |
| At 31 March 2019 | 612 |
| | <hr/> |

Refer to note 1 for further information on the intangible asset. The company had no intangible assets at 31 March 2019.

11. DEBTORS

| | Group 2019 £'000 | Company 2019 £'000 | Group 2018 £'000 | Company 2018 £'000 |
|--------------------------------------|------------------------|--------------------------|------------------------|--------------------------|
| Amounts falling due within one year: | | | | |
| Trade debtors | 3,540 | - | 3,248 | - |
| Financial asset | 2,488 | - | 2,374 | - |
| Amounts owed by group undertakings | - | 359 | - | 558 |
| Prepayments and accrued income | 438 | - | 172 | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 6,466 | 359 | 5,794 | 558 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

Trade debtors are stated after provision for impairment of £Nil (2018: £Nil)

| | Group 2019 £'000 | Company 2019 £'000 | Group 2018 £'000 | Company 2018 £'000 |
|---|------------------------|--------------------------|------------------------|--------------------------|
| Amounts falling due after more than one year: | | | | |
| Amounts owed by group undertakings | - | 3,231 | - | 3,554 |
| Financial asset | 41,583 | - | 44,070 | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 41,583 | 3,231 | 44,070 | 3,554 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

ASHFORD PRISON SERVICES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

11. DEBTORS (Continued)

Interest is received on the amounts owed by group undertakings balance at the rate of 12%. The debtor is unsecured and repayable in variable instalments over a period of 25 years, which commenced in 2004.

The deferred tax (liability)/asset is split as follows:

| | 2019 £'000 Provided | 2018 £'000 Provided |
|--|---------------------------|---------------------------|
| Accelerated capital allowances and other short term timing differences | (4,100) | (4,265) |
| Tax losses available | 1,579 | 2,144 |
| Deferred tax asset relating to derivative financial liability | 1,401 | 1,538 |
| | <hr/> | <hr/> |
| | (1,120) | (583) |
| | <hr/> | <hr/> |
| | | £'000 |
| The movement in deferred tax in the year is | | |
| At 31 March 2018 | | (583) |
| Profit and loss account- total tax charge | | (398) |
| Other comprehensive income-total tax charge | | (139) |
| | | <hr/> |
| At 31 March 2019 | | (1,120) |
| | | <hr/> |

ASHFORD PRISON SERVICES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | Group | Company | Group | Company |
|--|---------------|------------|--------------|------------|
| | 2019 | 2019 | 2018 | 2018 |
| | £'000 | £'000 | £'000 | £'000 |
| Bank loans (note 13) | 39,426 | - | 3,098 | - |
| Trade creditors | 8 | - | - | - |
| Amounts owed to controlling undertakings (note 16) | 359 | 359 | 558 | 558 |
| Amounts owed to related parties (note 16) | 2,656 | - | 2,438 | - |
| Corporation tax | 1 | - | - | - |
| Other taxation and social security | 462 | - | 299 | - |
| Accruals and deferred income | 991 | - | 666 | - |
| | 43,903 | 359 | 7,059 | 558 |

The bank loan has been reclassified to a current liability, due to the breach of covenant as explained in note 1

See note 13 for details of terms and security in respect of amounts owed to related parties.

The bank loan is secured by a fixed and floating charge over the assets of the group. Interest is charged on the above loan at the rate of LIBOR +0.9%. The loan is repayable in instalments over a period of 23 years, which commenced in 2005. The bank loan is with Royal Bank of Scotland.

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | Group | Company | Group | Company |
|--|---------------|--------------|---------------|--------------|
| | 2019 | 2019 | 2018 | 2018 |
| | £'000 | £'000 | £'000 | £'000 |
| Bank loans and overdrafts | - | - | 39,426 | - |
| Amounts owed to controlling undertakings (note 16) | 3,407 | 3,231 | 3,554 | 3,554 |
| Derivative financial instruments (note 14) | 8,230 | - | 9,049 | - |
| Deferred tax liability | 1,120 | - | 583 | - |
| | 12,757 | 3,231 | 52,612 | 3,554 |

The bank loan is secured by a fixed and floating charge over the assets of the group. Interest is charged on the above loan at the rate of LIBOR +0.9%. The loan is repayable in instalments over a period of 23 years, which commenced in 2005. The bank loan is with Royal Bank of Scotland.

In December 2002 the group entered into a twenty five year fixed interest rate swap arrangement (amended August 2008 and March 2011) to hedge its exposure to the effect of interest rate fluctuations.

The swap converts the bank loan to a fixed rate of 5.27% and is payable in semi-annual amounts between 31 March 2005 and 30 September 2027.

ASHFORD PRISON SERVICES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (CONTINUED)

The maturity analysis of amounts owed to group undertakings (note 16) is:

| | Group | Company | Group | Company |
|----------------------------|--------------|--------------|--------------|--------------|
| | 2019 | 2019 | 2018 | 2018 |
| | £'000 | £'000 | £'000 | £'000 |
| Within one year | 359 | 535 | 323 | 323 |
| Between one and two years | 359 | 323 | 323 | 323 |
| Between two and five years | 1,075 | 969 | 969 | 969 |
| Over five years | 1,973 | 1,939 | 2,262 | 2,262 |
| | <u>3,766</u> | <u>3,766</u> | <u>3,877</u> | <u>3,877</u> |

Interest is charged on controlling undertakings loan balances at the rate of 12%. The loans are unsecured and repayable in variable instalments over a period of 25 years, which commenced in 2004.

14. FINANCIAL INSTRUMENTS

The company has the following financial instruments:

| | Group | Company | Group | Company |
|---|----------------|--------------|----------------|--------------|
| | 2019 | 2019 | 2018 | 2018 |
| | £'000 | £'000 | £'000 | £'000 |
| Financial assets that are debt instruments measured at amortised cost | | | | |
| - Trade debtors (note 11) | 3,540 | - | 3,248 | - |
| - Amounts owed by group undertakings | - | 3,766 | - | 4,112 |
| Financial asset | 44,071 | - | 46,444 | - |
| | <u>47,611</u> | <u>3,766</u> | <u>49,692</u> | <u>4,112</u> |
| Financial liabilities measured at fair value through other comprehensive income | | | | |
| - Derivative financial instruments | (8,230) | - | (9,049) | - |
| | <u>(8,230)</u> | <u>-</u> | <u>(9,049)</u> | <u>-</u> |

ASHFORD PRISON SERVICES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

14. FINANCIAL INSTRUMENTS (Continued)

| | Group | Company | Group | Company |
|---|-----------------|----------------|-----------------|----------------|
| | 2019 | 2019 | 2018 | 2018 |
| | £'000 | £'000 | £'000 | £'000 |
| Financial liabilities measured at amortised cost | | | | |
| - Bank loans (note 12) | (39,426) | - | (42,524) | - |
| - Trade creditors (note 12) | (8) | - | - | - |
| - Amounts owed to group undertakings (note 12 and 13) | (3,766) | (3,766) | (4,112) | (4,112) |
| - Amounts owed to related parties (note 12) | (2,656) | - | (2,438) | - |
| | <u>(45,856)</u> | <u>(3,766)</u> | <u>(49,074)</u> | <u>(4,112)</u> |
| | <u>(6,475)</u> | <u>-</u> | <u>(8,431)</u> | <u>-</u> |

On 20 December 2002, in order to hedge against interest variations the company entered into a 25 year interest rate swap agreement with the MitsubishiUFJ Securities International plc whereby, at monthly intervals during construction and six monthly intervals during operations, sums are exchanged reflecting the difference between the floating and fixed interest rates, calculated on a predetermined notional principal amount. The fixed interest rate is 5.27% on the senior loan. The interest rate swap is considered to be effective and has been designated a cash flow hedge. The fair value of the swap is calculated using valuation models operated by the counterparty financial institution. No charges have gone through the profit and loss account (2018: £nil) but £680,000 of gain (2018: £2,361,000) has gone through other comprehensive income in respect to changes in fair value of the hedge.

15. CALLED UP SHARE CAPITAL

| | 2019 | 2018 |
|--|-------|-------|
| | £'000 | £'000 |
| Group and Company | | |
| Called up, allotted and fully paid: | | |
| 60,000 (2018: 60,000) ordinary shares of £1 each | 60 | 60 |

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends.

16. RELATED PARTY TRANSACTIONS

| Name of company | Type of transaction | Year ended 31 March 2019 | Balance receivable/ (due) at 31 March 2019 |
|-------------------------------------|-----------------------------|--------------------------|--|
| | | £'000 | £,000 |
| Interserve plc and its subsidiaries | Sub-ordinated debt | - | (1,256) |
| Interserve plc and its subsidiaries | Sub-ordinated debt interest | (146) | (78) |
| Dalmore Capital (Para 2) Ltd | Sub-ordinated debt | - | (1,945) |
| Dalmore Capital (Para 2) Ltd | Sub-ordinated debt interest | (227) | (121) |
| Sodexo Investment Services Ltd | Sub-ordinated debt | - | (582) |
| Sodexo Investment Services Ltd | Sub-ordinated debt interest | (66) | - |
| Dalmore Capital Ltd | SPV Charges | (33) | - |
| Sodexo Limited | Operator fee & SPV Charges | (34,685) | (2783) |
| Sodexo Investment Services Ltd | SPV Charges | (33) | (21) |
| Interserve plc and its subsidiaries | SPV Charges | (92) | (31) |

ASHFORD PRISON SERVICES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

16. RELATED PARTY TRANSACTIONS (Continued)

| Name of company | Type of transaction | Year ended 31 March 2018 | Balance receivable/ (due) at 31 March 2018 |
|-------------------------------------|-----------------------------|-----------------------------|---|
| | | £'000 | £,000 |
| Interserve plc and its subsidiaries | Sub-ordinated debt | - | (1,292) |
| Interserve plc and its subsidiaries | Sub-ordinated debt interest | (159) | (78) |
| Dalmore Capital (Para 2) Ltd | Sub-ordinated debt | - | (2,003) |
| Dalmore Capital (Para 2) Ltd | Sub-ordinated debt interest | (247) | (121) |
| Sodexo Investment Services Ltd | Sub-ordinated debt | - | (582) |
| Sodexo Investment Services Ltd | Sub-ordinated debt interest | (72) | (35) |
| Dalmore Capital Ltd | SPV Charges | (32) | (69) |
| Sodexo Limited | Operator fee & SPV Charges | (27,404) | (2,438) |
| Sodexo Investment Services Ltd | SPV Charges | (32) | (16) |
| Interserve plc and its subsidiaries | SPV Charges | (84) | (31) |

Other than the transactions disclosed above the company's other related party transactions were with its wholly owned subsidiary and so have not been disclosed.

Interserve plc, Dalmore Capital Fund L.P. acting by its manager Dalmore Capital Limited and Sodexo Investment Services Limited hold either direct or indirect shareholdings of the Company and are therefore considered related parties. In addition, other Companies within these groups including Sodexo Limited provide other services for construction, operations and management. Refer to note 12 for information on sub-ordinated debt. Other transactions are unsecured and due within 30 days.

17. CONTROLLING PARTIES

Ashford Prison Services Holdings Limited is owned by three parties: Sodexo Investment Services Limited, Dalmore Capital (Para 2) Limited and PFI Custodial (Holdings) Limited. Although, after a transaction during the financial year, the Dalmore group now owns a majority interest in Ashford Prison Management Holdings, the directors believe that the company does not have an ultimate controlling party, as the shareholder agreement requires shareholder approval representing at least 80% of shares in the company for any significant decision relating to the company. These are the smallest and largest group financial statements that are prepared of which the company is a member.

ASHFORD PRISON SERVICES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

18. NOTES TO THE CASH FLOW STATEMENT

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Profit for the financial year | 1,318 | 1,165 |
| Adjustments for: | | |
| Tax on profit | 400 | 356 |
| Interest payable and similar expenses | 3,021 | 3,226 |
| Interest receivable and similar income | (2,896) | (3,024) |
| Operating Profit | 1,832 | 1,723 |
| Amortisation of intangible asset | 123 | 135 |
| Working capital movements: | | |
| (Decrease)/increase in debtors | 1,815 | 2,188 |
| (Increase)/decrease in payables | 515 | (269) |
| Cash flow from operating activities | 4,285 | 3,777 |

Analysis of changes in net debt

| | 1 April 2018 £'000 | Cash flows £'000 | Non-cash changes £'000 | 31 March 2019 £'000 |
|-----------------------------------|--------------------------|------------------------|------------------------------|---------------------------|
| Cash at bank and in hand | 3,797 | 775 | - | 4,572 |
| Cash and cash equivalents | 3,797 | 775 | - | 4,572 |
| Term loan within one year | (3,085) | 3,085 | (3,114) | (3,114) |
| Term loan after one year | (39,426) | - | 3,114 | (36,312) |
| Related party loans within 1 year | (323) | 111 | (147) | (359) |
| Related party loans after 1 year | (3,554) | - | 147 | (3,407) |
| Derivative financial instruments | (9,049) | - | 819 | (8,230) |
| Total | (51,640) | 3,971 | 819 | (46,850) |

Non-cash movements represent reallocations between categories based on timing and adjustments to fair values of derivative financial instruments.