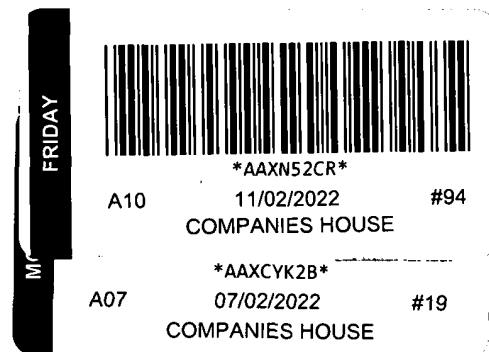


REGISTERED NUMBER: 04334205 (England and Wales)

**Strategic Report, Directors' Report and
Audited Financial Statements for the Year Ended 31 March 2021
for
Ashford Prison Services Limited**



Ashford Prison Services Limited (Registered number: 04334205)

**Contents of the Financial Statements
for the Year Ended 31 March 2021**

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Ashford Prison Services Limited

Company Information for the Year Ended 31 March 2021

Directors:

C R Field
S A Carter
J N E Cowdell
K A Cunningham
J S Gordon

Secretary:

W L Rapley

Registered office:

C/O Albany Spc Services Limited
3rd Floor, 3-5 Charlotte Street
Manchester
M1 4HB

Registered number:

04334205 (England and Wales)

Independent auditor:

Johnston Carmichael LLP
7-11 Melville Street
Edinburgh
EH3 7PE

Ashford Prison Services Limited (Registered number: 04334205)

Strategic Report for the Year Ended 31 March 2021

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

Ashford Prison Services Limited (the "Company") 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 Company 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 527 female prisoners.

In the year the Company made a profit for the financial year of £2,702,000 (2020: £1,013,000 profit) and closed the year with net liabilities of £1,893,000 (2020: £1,639,000).

The Company'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.

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 Company has a Credit Agreement with its lender which fixes the level of borrowing and repayments due until the loan is fully repaid in 2027. Its main exposure is to financial risks as detailed in the following section.

Principal risks and uncertainties

The Company's principal activity as detailed above is considered low risk as its trading relationships with its customer, funders and sub-contractors are determined by the terms of their respective detailed PFI contracts with the Company.

Financial risk management

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

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

Interest rate risk

The Company 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 Company's project revenue and most of its costs were linked to inflation at the inception of the project, resulting in the project being largely insensitive to inflation.

Liquidity risk

The Company adopts a prudent approach to liquidity management by 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.

Credit risk

The Company 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.

Ashford Prison Services Limited (Registered number: 04334205)

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

Going concern

On the 15 March 2019 Interserve PLC went into administration. This triggered an Event of Default under the Company's Credit Agreement with its lenders, as the Parent Company Guarantee (PCG) provided by Interserve PLC for the facilities management and building subcontracts was no longer valid. Services continued to be provided without interruption through Interserve Group Limited (IGL), a newly incorporated private company.

The Event of Default ended on 16 October 2020 when a replacement PCG was agreed and signed by the Company, its Lenders and IGL. Further, on 30 November 2020, IGL sold its FM business (including its FM contract with the Company) to Mitie. A Mitie PCG is under negotiation and is expected to be completed shortly which will replace the PCG currently in place with IGL. Following the change of control, on 3 December 2020 Interserve (Defence) Limited changed its name to Mitie (Defence) Limited.

Services have not been affected by these changes in Interserve structure.

The World Health Organisation declared the COVID-19 outbreak a health emergency in 30 January 2020 and a global pandemic in 11 March 2020. Many actions taken by the UK Government and the private sector to respond to the outbreak followed these announcements. A review of the financial impact on the Company in responding to COVID-19 has been assessed as low. This is because the Company is still able to provide the services required under the Project agreement as the sub-contracted Facilities Management Company are still able to provide the necessary services as the work is deemed to be essential and the persons delivering those services deemed to be key workers, as confirmed by a guidance note released by the Infrastructure and Projects Authority on 2 April 2020.

Since the COVID-19 outbreak, the Authority have continued making unitary payments in accordance with the guidance included in the Infrastructure and Projects Authority guidance note.

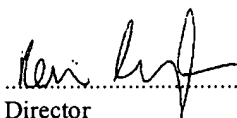
The directors have prepared a detailed model forecast to project completion incorporating the relevant terms of the PFI contract, subcontracts and Credit Agreement and reasonably prudent economic assumptions. This forecast and associated business model, which is updated regularly, predicts that the Company 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 Company 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 previous event of default under the terms of the Project Company's senior financing agreement.

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Johnston Carmichael LLP will therefore continue in office.

On behalf of the board:

 (K.A. CUNNINGHAM)
Director

Date: 03/02/2022.....

Ashford Prison Services Limited (Registered number: 04334205)

Directors' Report for the Year Ended 31 March 2021

The directors present their annual report and audited financial statements for the year ended 31 March 2021.

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.

Dividends

The profit for the financial year was £2,702,000 (2020: £1,013,000 profit). £4,388,000 of dividends were recommended and paid during the year (2020: £Nil). The company has net liabilities of £1,893,000 (2020: £1,639,000). Dividends of £1,302,000 have been paid out after the year end up to the date of this report.

Directors

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

S Carter
C Field
J Gordon
J Cowdell
K Cunningham

Other changes in directors holding office are as follows:

M Templeton - resigned 19 April 2021

The Articles of Association of the Company provide that in certain circumstances the directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the UK Companies Act 2006. Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the directors.

Employees

The Company has no direct employees.

Events after the reporting date

There have been no significant events since the statement of financial position date other than those referred to in the going concern section of the Strategic Report.

Statement as to disclosure of information to auditors

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

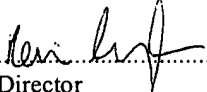
Ashford Prison Services Limited (Registered number: 04334205)

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

Auditor

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

On behalf of the board:

 (K.A. CUNNINGHAM)
Director

Date: 03/02/2022.....

Ashford Prison Services Limited (Registered number: 04334205)

**Statement of Directors' Responsibilities
for the Year Ended 31 March 2021**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of Ashford Prison Services Limited (Registered number: 04334205)

Opinion

We have audited the financial statements of Ashford Prison Services Limited (the 'Company') for the year ended 31 March 2021 which comprise the Income Statement, Statement of Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the 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; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

Independent Auditor's Report to the Members of Ashford Prison Services Limited (Registered number: 04334205)

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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.

Extent to which the audit is considered capable of detecting irregularities, including fraud

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:

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the company, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- FRS 102
- Companies Act 2006
- Corporation Tax legislation
- VAT legislation

We gained an understanding of how the company is complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries by review of submitted returns and board meeting minutes.

Independent Auditor's Report to the Members of Ashford Prison Services Limited (Registered number: 04334205)

We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. In areas of the financial statements where the risks were considered to be higher, we performed procedures to address each identified risk.

The following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing minutes of meetings of those charged with governance;
- Reviewing the level of and reasoning behind the company's procurement of legal and professional services; and
- Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that 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 intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Grant Roger (Senior Statutory Auditor)
For and behalf of Johnston Carmichael LLP
7-11 Melville Street
Edinburgh
EH3 7PE

4 February 2022
Date:

Ashford Prison Services Limited (Registered number: 04334205)

**Income Statement
for the Year Ended 31 March 2021**

	Notes	2021 £'000	2020 £'000
Turnover	4	36,440	33,375
Cost of sales		<u>(32,322)</u>	<u>(31,036)</u>
Gross profit		4,118	2,339
Administrative expenses		<u>(827)</u>	<u>(447)</u>
Operating profit	6	3,291	1,892
Interest receivable and similar income	7	<u>2,561</u>	<u>2,758</u>
		5,852	4,650
Interest payable and similar expenses	8	<u>(2,714)</u>	<u>(2,836)</u>
Profit before taxation		3,138	1,814
Tax on profit	9	<u>(436)</u>	<u>(801)</u>
Profit for the financial year		<u>2,702</u>	<u>1,013</u>

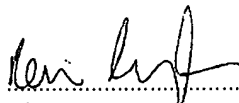
The notes form part of these financial statements

Ashford Prison Services Limited (Registered number: 04334205)

Balance Sheet
31 March 2021

	Notes	2021 £'000	2020 £'000
Fixed assets			
Intangible assets	11	399	500
Current assets			
Debtors: amounts falling due within one year	12	6,889	8,174
Debtors: amounts falling due after more than one year	12	37,486	39,025
Cash at bank		3,544	6,457
		<u>47,919</u>	<u>53,656</u>
Creditors: amounts falling due within one year	13	<u>(9,393)</u>	<u>(41,408)</u>
Net current assets		<u>38,526</u>	<u>12,248</u>
Total assets less current liabilities		<u>38,925</u>	<u>12,748</u>
Creditors: amounts falling due after more than one year	14	(37,051)	(11,070)
Provisions for liabilities	17	<u>(3,767)</u>	<u>(3,317)</u>
Net liabilities		<u><u>(1,893)</u></u>	<u><u>(1,639)</u></u>
Capital and reserves			
Called up share capital	18	60	60
Hedging reserve		(4,806)	(6,238)
Retained earnings		<u>2,853</u>	<u>4,539</u>
Shareholders' funds		<u><u>(1,893)</u></u>	<u><u>(1,639)</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on 03/02/2022..... and were signed on its behalf by:



 Director
 K. A. RUNNINGHAM

The notes form part of these financial statements

Ashford Prison Services Limited (Registered number: 04334205)

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

	Notes	2021 £'000	2020 £'000
Profit for the year		2,702	1,013
Other comprehensive income			
Change in value of hedging instrument		1,768	529
Income tax relating to other comprehensive income		(336)	64
Other comprehensive income for the year, net of income tax		1,432	593
Total comprehensive income for the year		4,134	1,606

The notes form part of these financial statements

Ashford Prison Services Limited (Registered number: 04334205)

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

	Called up share capital £'000	Retained earnings £'000	Hedging reserve £'000	Total equity £'000
Balance at 1 April 2019	60	3,526	(6,831)	(3,245)
Changes in equity				
Profit for the year	-	1,013	-	1,013
Other comprehensive income	-	-	593	593
Total comprehensive income	-	1,013	593	1,606
Balance at 31 March 2020	60	4,539	(6,238)	(1,639)
Changes in equity				
Profit for the year	-	2,702	-	2,702
Other comprehensive income	-	-	1,432	1,432
Total comprehensive income	-	2,702	1,432	4,134
Dividends	-	(4,388)	-	(4,388)
Balance at 31 March 2021	60	2,853	(4,806)	(1,893)

The notes form part of these financial statements

Ashford Prison Services Limited (Registered number: 04334205)

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

1. Statutory information

Ashford Prison Services Limited (the "Company") is a private company limited by shares and registered, incorporated and domiciled in England in the UK. The registered office is 3rd Floor, 3-5 Charlotte Street, Manchester, England, M1 4HB.

2. Accounting policies

Basis of preparing the financial statements

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 have been applied. The presentation currency of these financial statements is sterling. All amounts have been rounded to the nearest £1,000.

FRS 102 granted certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in the financial statements since transition:

- Service concession arrangements

- The Company entered into its Service concession arrangement before the date of transition to this FRS. Therefore, its service concession arrangements have continued to be accounted for using the same accounting policies being applied at the date of transition to this FRS.

The Company's parent undertaking, Ashford Prison Services (Holdings) Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Ashford Prison Services (Holdings) Limited are prepared in accordance with FRS 102 and are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Ashford Prison Services (Holdings) Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3.

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

2. Accounting policies - continued

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 Company 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.

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.

Derivative financial instruments

The Company holds derivative financial instruments which have the effect of fixing the interest rate payable on bank borrowings. Amounts payable or receivable in respect of interest rate derivatives are recognised as adjustments to interest over the period of the contract. See hedge accounting below for how the derivative is accounted for.

Hedge accounting

The Company designates certain derivatives as hedging instruments in cash flow hedges.

At the inception of the hedge relationship, the entity documents the economic relationship between the hedging instrument and the hedged item, along with its risk management objectives, and clear identification of the risk in the hedged item that is being hedged by the hedging instrument. Furthermore, at the inception of the hedge the entity determines and documents causes for the hedge ineffectiveness. Where hedge accounting recognises a liability then an associated deferred tax is also recognised.

Taxation

The charge for taxation is based on the profit or loss for the year and considers deferred tax.

Deferred tax is recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes 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.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of 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 been enacted, or substantively enacted, by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Ashford Prison Services Limited (Registered number: 04334205)

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

2. Accounting policies - continued

Going concern

On the 15 March 2019 Interserve PLC went into administration. This triggered an Event of Default under the Company's Credit Agreement with its lenders, as the Parent Company Guarantee (PCG) provided by Interserve PLC for the facilities management and building subcontracts was no longer valid. Services continued to be provided without interruption through Interserve Group Limited (IGL), a newly incorporated private company.

The Event of Default ended on 16 October 2020 when a replacement PCG was agreed and signed by the Company, its Lenders and IGL. Further, on 30 November 2020, IGL sold its FM business (including its FM contract with the Company) to Mitie. A Mitie PCG is under negotiation and is expected to be completed shortly which will replace the PCG currently in place with IGL. Following the change of control, on 3 December 2020 Interserve (Defence) Limited changed its name to Mitie (Defence) Limited.

Services have not been affected by these changes in Interserve structure.

The World Health Organisation declared the COVID-19 outbreak a health emergency in 30 January 2020 and a global pandemic in 11 March 2020. Many actions taken by the UK Government and the private sector to respond to the outbreak followed these announcements. A review of the financial impact on the Company in responding to COVID-19 has been assessed as low. This is because the Company is still able to provide the services required under the Project agreement as the sub-contracted Facilities Management Company are still able to provide the necessary services as the work is deemed to be essential and the persons delivering those services deemed to be key workers, as confirmed by a guidance note released by the Infrastructure and Projects Authority on 2 April 2020.

Since the COVID-19 outbreak, the Authority have continued making unitary payments in accordance with the guidance included in the Infrastructure and Projects Authority guidance note.

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.

Event of default rectified, the directors have specifically considered the matters above in respect of the previous event of default under the terms of the Project Company's senior financing agreement.

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

2. Accounting policies - continued

Finance debtor and service income

The Company is an operator of a PFI contract. The underlying asset is not deemed to be an asset of the Company under old UK GAAP, because the risks and rewards of ownership as set out in that Standard are deemed to lie principally with the Authority.

During the construction phase of the project, all attributable expenditure was included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs were transferred to the finance debtor. During the operational phase income is allocated between interest receivable and the finance debtor using a project specific interest rate. The remainder of the PFI unitary charge income is included within turnover in accordance with FRS 102 section 23. The Company recognises income in respect of the services provided as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services.

Major maintenance costs are recognised on a contractual basis and the revenue in respect of these services is recognised when these services are performed.

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.

Investments

Cash investments are stated at cost excluding any accrued interest and with no provisions for impairment in value.

Related party transactions

The Company 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 Company's shareholder is 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.

Retained Earnings

The retained earnings 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.

Other financial instruments

The Company 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.

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

2. Accounting policies - continued

Financial instruments are recognised in the Company'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.

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 Company 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.

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

2. Accounting policies - continued

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.

3. Critical accounting judgements and key sources of estimation uncertainty

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 Company'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 above;

4. Turnover

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

5. Employees and directors

The Company has no employees (2020: none).

6. Operating profit

	2021 £'000	2020 £'000
Operating profit is stated after charging:		
Amortisation of intangible assets	101	112
Director's services	156	153
Auditor's remuneration:		
- Audit Fee	11	10
- Non-audit fee - corporate tax advice	5	6

Ashford Prison Services Limited (Registered number: 04334205)

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

7. Interest receivable and similar income

	2021	2020
	£'000	£'000
Bank interest received	4	21
Interest income on financial asset	2,557	2,737
	<u>2,561</u>	<u>2,758</u>

8. Interest payable and similar expenses

	2021	2020
	£'000	£'000
Senior loan interest	468	679
Interest expense payable to parent undertaking	514	453
Swap interest	1,732	1,704
	<u>2,714</u>	<u>2,836</u>

9. Taxation

Analysis of the tax charge

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

	2021	2020
	£'000	£'000
Current tax:		
UK corporation tax	(14)	801
Deferred tax	450	-
Tax on profit	<u>436</u>	<u>801</u>

UK corporation tax has been charged at 19% (2020 - 19%).

Ashford Prison Services Limited (Registered number: 04334205)

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

9. Taxation - continued

Reconciliation of total tax charge included in profit and loss

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

	2021	2020
	£'000	£'000
Profit before tax	3,138	1,814
	<u> </u>	<u> </u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	596	345
Effects of:		
Expenses not deductible for tax purposes	486	160
Income not taxable for tax purposes	(114)	-
Adjustments to tax charge in respect of previous periods	(271)	-
Changes in tax rate	(261)	296
	<u> </u>	<u> </u>
Total tax charge	436	801
	<u> </u>	<u> </u>

Tax effects relating to effects of other comprehensive income

	Gross	Tax	2021
	£'000	£'000	Net
	£'000	£'000	£'000
Change in value of hedging instrument	1,768	(336)	1,432
	<u> </u>	<u> </u>	<u> </u>
	Gross	Tax	2020
	£'000	£'000	Net
	£'000	£'000	£'000
Change in value of hedging instrument	529	64	593
	<u> </u>	<u> </u>	<u> </u>

Corporation tax will remain at 19% until March 2023. From 2023 the main rate will increase to 25% for business profits made by the Company over £250,000. A small profit rate (SPR) will also be introduced for companies with profits of £50,000 or less so that they will continue to pay corporation tax at 19%. Companies with profits between £50,000 and £250,000 will pay tax at the main rate reduced by a marginal relief providing a gradual increase in the effective corporation tax rate. The Company has assessed the impact of this change and this is estimated at £1,190,000.

Ashford Prison Services Limited (Registered number: 04334205)

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

10. Dividends

	2021 £'000	2020 £'000
Equity - ordinary share		
Interim paid £73.13 (2020: £nil) per £1 share	4,388	-
Final approved £nil (2020: £nil) per £1 share	<u>-</u>	<u>-</u>
	<u>4,388</u>	<u>-</u>

11. Intangible fixed assets

	Other £'000
Cost	
At 1 April 2020	1,300
Additions	-
at 31 March 2021	<u>1,300</u>
Accumulated Amortisation	
At 1 April 2020	800
Charge for the year	<u>101</u>
At 31 March 2021	<u>901</u>
Net book value	
At 31 March 2020	<u>500</u>
At 31 March 2021	<u>399</u>

Please see note 1 for further information on the intangible asset.

12. Debtors

	2021 £'000	2020 £'000
Amounts falling due within one year:		
Trade debtors	542	609
Finance debtor	2,350	2,557
Deferred tax asset	316	1,463
Corporation tax	188	-
Prepayments and accrued income	<u>3,493</u>	<u>3,545</u>
	<u>6,889</u>	<u>8,174</u>

Ashford Prison Services Limited (Registered number: 04334205)

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

12. Debtors - continued

	2021	2020
	£'000	£'000
Amounts falling due after more than one year:		
Finance debtor	36,675	39,025
Deferred tax asset	811	-
	<u>37,486</u>	<u>39,025</u>
 Aggregate amounts	 <u>44,375</u>	 <u>47,199</u>

The Financial Asset is unsecured and has an imputed finance charge of 6.285% pa. The asset is repayable in instalments over a 25 year period that commenced in 2004.

The deferred tax asset is split as follows:

	2021	2020
	£'000	£'000
	Provided	Provided
Accelerated capital allowances and other short term timing differences	(3,868)	(4,377)
Tax losses available	101	1,060
Deferred tax asset relating to derivative financial liability	<u>1,127</u>	<u>1,463</u>
	<u>(2,640)</u>	<u>(1,854)</u>

The movement in deferred tax in the year is

At 31 March 2020	(1,854)
Profit and loss account - total tax (charge)/credit	(450)
Other comprehensive income - total tax (charge)/credit	<u>(336)</u>
At 31 March 2021	<u>(2,640)</u>

The deferred tax asset of £1,127,000 is described above. The deferred tax liability of £3,767,000 is disclosed within provisions at note 17 (please note the comparatives have not been reclassified).

13. Creditors: amounts falling due within one year

	2021	2020
	£'000	£'000
Bank loans (see note 15)	3,485	37,155
Trade creditors	890	198
Amounts owed to related parties	2,219	2,454
Amounts owed to group undertakings	467	850
Corporation tax	-	3
Other taxation and social security	455	389
Derivative financial instrument	1,664	-
Accruals and deferred income	213	359
	<u>9,393</u>	<u>41,408</u>

Ashford Prison Services Limited (Registered number: 04334205)

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

13. Creditors: amounts falling due within one year - continued

The amounts owed to group undertakings totalling £467,000 is comprised of £407,000 of subordinated debt principle and £60,000 of interest.

The bank loan was classified as a current liability in prior year, due to the breach of covenant which existed at year end, as explained in note 1. A waiver has been received in November 2020 and event of default no longer exists and therefore bank loans have been classified as current / non-current in current year.

The bank loan is secured by a fixed and floating charge over the assets of the Company. 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 Company 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.

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

	2021 £'000	2020 £'000
Loans (see note 15)	29,731	-
Amounts owed to group undertakings	3,051	3,369
Derivative financial instruments	4,269	7,701
	<u>37,051</u>	<u>11,070</u>

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.

The maturity analysis of amounts owed to group undertakings is:

	2021 £'000	2020 £'000
Within one year	467	396
Between one and two years	407	396
Between two and five years	1,220	1,189
Over five years	<u>1,424</u>	<u>1,785</u>
	<u>3,518</u>	<u>3,766</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.

Ashford Prison Services Limited (Registered number: 04334205)

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

15. Loans

An analysis of the maturity of loans is given below:

	2021	2020
	£'000	£'000
Amounts falling due within one year or on demand:		
Senior loan	<u>3,485</u>	<u>37,155</u>
Amounts falling due between one and two years:		
Senior loan	<u>4,137</u>	<u>-</u>
Amounts falling due between two and five years:		
Senior loan	<u>15,700</u>	<u>-</u>
Amounts falling due in more than five years:		
Repayable by instalments		
Senior loan	<u>9,894</u>	<u>-</u>

Additional narrative on loans disclosed in notes 13 and 14.

Ashford Prison Services Limited (Registered number: 04334205)

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

16. Financial instruments

	2021 £'000	2020 £'000
Financial assets that are debt instruments measured at amortised cost		
- Trade debtors	542	609
- Finance asset	<u>39,025</u>	<u>41,582</u>
	<u>39,567</u>	<u>42,191</u>
Financial liabilities measured at fair value through other comprehensive income		
- Derivative financial instruments	<u>(5,933)</u>	<u>(7,701)</u>
Financial liabilities measured at amortised cost		
- Bank loans	(33,216)	(37,155)
- Trade creditors	(891)	(199)
- Amounts owed to group undertakings	(3,518)	(4,219)
- Amounts owed to parent undertakings	<u>(2,219)</u>	<u>(2,454)</u>
	<u>(39,844)</u>	<u>(44,027)</u>
	<u>(6,210)</u>	<u>(9,537)</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 Mitsubishi UFJ 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 changes have gone through the profit and loss account (2020: £Nil) but £1,432,000 of profit (2020: £593,000) has gone through other comprehensive income in respect to changes in fair value of the hedge.

17. Provisions for liabilities

	2021 £'000	2020 £'000
Deferred tax	<u>3,767</u>	<u>3,317</u>
		Deferred tax
		£'000
Balance at 1 April 2020		3,317
Provided during year		<u>450</u>
Balance at 31 March 2021		<u>3,767</u>

Within the prior year accounts, the deferred tax provision was presented within the creditors note. Presentation of this balance has been updated in the current year in line with reporting guidance and best practice. The amount remains unchanged.

The deferred tax asset of £1,127,000 is disclosed in note 12. The deferred tax liability of £3,767,000 is described above (please note the comparatives have not been reclassified).

Ashford Prison Services Limited (Registered number: 04334205)

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

18. Called up share capital

	2021 £'000	2020 £'000
Called up, allotted and fully paid 60,000 (2020: 60,000) ordinary shares of £1 each	<u>60</u>	<u>60</u>

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

19. Related party transactions

Name of company	Type of transaction	Year ended 31 March 2021 £'000	Balance due at 31 March 2021 £'000
Ashford Prison Services Holdings Ltd	Parent company loan	-	(3,458)
Ashford Prison Services Holdings Ltd	Parent company loan interest	(7)	(7)
Dalmore Capital Ltd	SPV Charges	(71)	-
Sodexo Limited	Operator fee & SPV Charges	(32,883)	(2,995)
Sodexo Investment Services Ltd	SPV Charges	(36)	(18)

Name of company	Type of transaction	Year ended 31 March 2020 £'000	Balance due at 31 March 2020 £'000
Ashford Prison Services Holdings Ltd	Parent company loan	-	(3,766)
Ashford Prison Services Holdings Ltd	Parent company loan interest	(453)	(453)
Dalmore Capital Ltd	SPV Charges	(69)	(69)
Sodexo Limited	Operator fee & SPV Charges	(31,164)	(2,913)
Sodexo Investment Services Ltd	SPV Charges	(17)	(18)

Dalmore Capital Fund L.P. acting by its manager Dalmore Capital 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 13 for information on sub-ordinated debt. Other transactions are unsecured and due within 30 days.

Ashford Prison Services Limited (Registered number: 04334205)

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

20. Controlling parties

The Company's immediate parent undertaking is Ashford Prison Services Holdings Limited, which is the smallest and largest entity to consolidate these financial statements. Copies of the financial statements of Ashford Prison Services Holdings Limited are available from Ashford Prison Services Limited, 3rd Floor, 3-5 Charlotte Street, Manchester. M1 4HB

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.

21. Post balance sheet events

On 30 September 2021, a dividend was proposed and subsequently paid for £1,302,000.