

# **SERVICES SUPPORT (AVON & SOMERSET) LIMITED**

**DIRECTORS' REPORT  
AND  
FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2012**

FRIDAY



\*A273MI02\*

A20

26/04/2013

#341

COMPANIES HOUSE

**Registered Number 4738635**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012**

<b>CONTENTS</b>	<b>Page</b>
Directors and advisors	1
Directors' report	2 - 3
Directors' responsibilities statement	4
Independent auditor's report to the members of Services Support (Avon & Somerset) Limited	5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8 - 13

**DIRECTORS AND ADVISORS**

**Directors**

J G Connelly

K Cottrell

K W Gillespie

R L Groome (resigned 24 October 2012) (reappointed 14 February 2013)

K Hill

S J Hudd (resigned 14 February 2013)

G D Micciche

**Company secretary and registered office**

R K Miller (resigned 27 September 2012)

M B Lewis (appointed 27 September 2012)

1 Kingsway

London

WC2B 6AN

**Auditor**

Deloitte LLP

Chartered Accountants

London

**Principal bankers**

Barclays Bank PLC

54 Lombard St

London

EC3V 9EX

**Solicitors**

Ashurst

Broadwalk House

5 Appold Street

London

EC2A 2HA

## DIRECTORS' REPORT

The Directors submit their Annual Report and the audited financial statements for the year ended 31 December 2012

The Directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption

The Company is a wholly owned subsidiary of Services Support (Avon & Somerset) Holdings Limited, which in turn is owned by JLIF Limited Partnership (40%), BOS Infrastructure Investments (No 3) Limited (40%) and Amey Ventures Investments Limited (20%)

## BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The principal activity of the Company is to design, build, finance and operate new courts and offices in Bristol and Worle in accordance with an agreement with the Lord Chancellor on behalf of Her Majesty's Court Service

Financial close was achieved on 23 August 2004. The concession period is until 18 March 2034. The completion certificate for the initial construction works was received on 28 September 2007.

There have not been any significant changes in the Company's principal activities in the year under review. The Directors are not aware, at the date of this report, of any major changes in the Company's activities in the next year.

In September 2007, the Company completed construction on Bristol Courts, the final phase. Full unitary revenue has been received from Her Majesty's Court Service in monthly instalments since the site became fully operational, with only minor performance deductions suffered during the year.

Via Services Support (Avon & Somerset) Holdings Limited, JLIF Limited Partnership, BOS Infrastructure Investments (No 3) Limited and Amey Ventures Investments Limited have invested £50,000 share capital and £6,930,000 subordinated debt of which £6,539,000 remains payable by Services Support (Avon & Somerset) Limited.

The Directors have considered the use of the going concern basis in the preparation of the financial statements in light of current market conditions and concluded that it is appropriate. More information is provided in note 1 to the financial statements.

## FUTURE DEVELOPMENTS

The Company will now continue to fully operate all facilities until the end of concession.

## FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk.

**Cash flow risk.** The Company's borrowings expose it to cash flow risk primarily due to the financial risks of changes in interest rates. The Company uses interest rate swap contracts to hedge these exposures.

**Credit Risk.** The Company's principal financial assets are cash, financial assets and trade and other receivables. The Company's credit risk is primarily attributable to its trade receivables which are with one counterparty although in the opinion of the board of directors this risk is limited as the receivables are with local governmental authorities.

**Liquidity Risk.** At the start of the PFI contract, the company negotiated debt facilities with an external party and the immediate parent company to ensure that the Company has sufficient funds over the life of the PFI concession.

## AUDITORS

Each of the persons who is a Director at the date of approval of this report confirms that:

- as far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of section 418 of the Companies Act 2006.

**DIRECTORS' REPORT (continued)**

**DIRECTORS**

The Directors who served throughout the year, except as noted, are shown on page 1


**EMPLOYEES**

Details of the number of employees and related costs can be found in note 5 to the financial statements on page 10

**AUDITOR**

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an AGM

On behalf of the Board



G D Micciche  
Director  
27 March 2013

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

The Directors are responsible for preparing the Annual 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 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 year. 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SERVICES SUPPORT (AVON & SOMERSET) LIMITED**

We have audited the financial statements of Services Support (Avon & Somerset) Limited for the year ended 31 December 2012 which comprise the profit and loss account, the balance sheet and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

### **Respective responsibilities of Directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies in the audited financial statements. If we become aware of any apparent material misstatement or inconsistencies we consider the implications of our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 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.

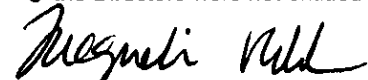
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where 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, or
- the Directors were not entitled to take advantage of the small companies exemption in preparing the Directors' Report.



Jacqueline Holden FCA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom

27 March 2013

**SERVICES SUPPORT (AVON & SOMERSET) LIMITED**

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

	Notes	2012 £'000	2011 £'000
Turnover	2	2,676	2,568
Cost of sales		<u>(2,148)</u>	<u>(2,155)</u>
<b>Operating profit</b>	3	<b>528</b>	<b>413</b>
Net interest payable	6	(114)	(141)
<b>Profit on ordinary activities before taxation</b>		<b>414</b>	<b>272</b>
Tax on profit on ordinary activities	7	(101)	(73)
<b>Profit for the financial year</b>	13	<b>313</b>	<b>199</b>

All items in the profit and loss account relate to continuing operations

There is no material difference between the results stated in the profit and loss account and their historical cost equivalents

All gains and losses are recognised in the profit and loss account in both the current and preceding year, and therefore no separate statement of total recognised gains and losses has been presented



**SERVICES SUPPORT (AVON & SOMERSET) LIMITED**

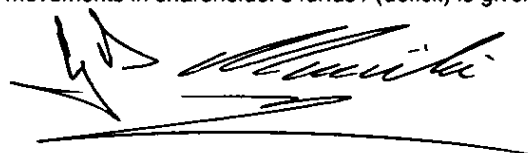
**BALANCE SHEET AS AT 31 DECEMBER 2012**

	Notes	2012 £'000	2011 £'000
<b>Current assets</b>			
Debtors		62,075	62,855
- due within one year	9	3,303	2,820
- due after more than one year	9	58,772	60,035
Cash at bank and in hand		1,668	1,677
		<u>63,743</u>	<u>64,532</u>
<b>Current liabilities</b>			
Creditors amounts falling due within one year	10	(5,291)	(5,168)
<b>Net current assets</b>		<u>58,452</u>	<u>59,364</u>
<b>Total assets less current liabilities</b>		58,452	59,364
Creditors: amounts falling due after more than one year	10	(58,239)	(59,374)
<b>Net assets / (liabilities)</b>		<u>213</u>	<u>(10)</u>
<b>Capital and reserves</b>			
Called up share capital	12	50	50
Profit and loss account	13	163	(60)
<b>Shareholder's funds / (deficit)</b>	14	<u>213</u>	<u>(10)</u>

The financial statements of Services Support (Avon & Somerset) Limited, registered number 4738635, were approved by the Board of Directors and authorised for issue on 27 March 2013. They were signed on its behalf by

A reconciliation of movements in shareholder's funds / (deficit) is given in note 14

G D Micciche  
Director  
27 March 2013



Notes to the financial statements for the year ended 31 December 2012

**1 ACCOUNTING POLICIES**

a) Basis of preparation of accounts

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards. A summary of the principal accounting policies adopted by the Directors, which have been applied consistently throughout the current and preceding year, is shown below.

The Company is a wholly owned subsidiary undertaking of Services Support (Avon & Somerset) Holdings Limited and as such is exempt under FRS1 (revised 1996) from the requirement to prepare its own cash flow statement.

The current economic conditions create some uncertainty, including with respect to

- (a) the ability of key sub-contractors to continue to meet contractual commitments,
- (b) the ability of the debt provider to continue to meet its contractual commitments, and
- (c) the ability of the SWAP provider to continue to meet their commitments.

The Directors are satisfied that key sub-contractors will be able to meet their contractual commitments for the foreseeable future.

The Directors have also considered the ability of government authorities to continue to pay unitary fees due to the Company and do not consider this to be a material risk.

The Company's forecasts and projections, taking account of reasonably possible changes in counterparty performance, show that the Company expects to be able to continue to operate.

After making enquiries and considering the net deficit in shareholders' funds as at 31 December 2012, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

b) Turnover

Turnover is derived entirely from within the United Kingdom and is net of VAT.

During the construction phase of the project, all attributable expenditure, including finance costs, are included in amounts recoverable on contracts and turnover. Upon the asset becoming operational, the costs are transferred to the finance debtor. During the operational phase, income is allocated between interest receivable and turnover using a constant operating margin on costs. The remainder of the PFI income will be allocated to the finance debtor.

c) Finance debtor

The Company is an operator under a PFI contract. Under the terms of the contract, substantially all the risks and rewards of ownership of the property asset remain with Her Majesty's Court Services. The underlying asset is therefore not a fixed asset of the Company under FRS5 Application Note F and SSAP 21.

d) Finance debtor and income recognition

During the construction phase of the project, all attributable expenditure including finance costs is included in amounts recoverable on contracts and turnover. Upon the asset becoming operational, the costs are transferred to the finance debtor. During the operational phase, income is allocated between interest receivable and turnover using a constant operating margin on costs. The remainder of the PFI income will be allocated to the finance debtor.

In 2012 amounts invoiced in line with the project agreement was £8,121,000 (2011 - £7,971,000).

e) Interest payable

Interest costs on borrowings used to fund the construction of courts and offices are added to amounts recoverable on contract during the construction period and following commissioning are expensed to the profit and loss accounts as incurred.

f) Operating costs

Operating costs are added to amounts recoverable on contracts during the construction period. Following commissioning, regular operating and maintenance costs and Services Support (Avon & Somerset) Limited central costs will be expensed to the profit and loss account as incurred.

Notes to the financial statements for the year ended 31 December 2012 (continued)

1 ACCOUNTING POLICIES (continued)

g) Taxation

Current tax, including United Kingdom Corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date

In accordance with FRS19 'Deferred Tax', deferred taxation 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 the Company's 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 when, on the basis of all available evidence, it can be regarded as more likely than 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 period in which the timing differences are expected to reverse, based on the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are not discounted

h) Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit or loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise

i) Financial Instruments

The Company uses financial instruments to reduce exposure to interest rate movements. The Company does not hold or issue derivative financial instruments for speculative purposes

j) Cash

Cash comprises of cash at bank and in hand and short term deposits with original maturity of less than three months

**SERVICES SUPPORT (AVON & SOMERSET) LIMITED**

**Notes to the financial statements for the year ended 31 December 2012 (continued)**

**2 TURNOVER**

	2012	2011
	£'000	£'000
Turnover in the year is analysed as follows		
Service fee revenue	2,628	2,416
Other operating income	48	152
	<u>2,676</u>	<u>2,568</u>

**3 OPERATING PROFIT**

	2012	2011
	£'000	£'000
Operating profit is stated after charging		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	10	10
Fees payable to the Company's auditor for the audit of Services Support (Avon & Somerset) Holdings Limited	3	3
	<u>3</u>	<u>3</u>

**4 DIRECTORS' REMUNERATION**

No Directors received any remuneration for services to the Company during the current or prior year. The Company is managed by secondees from the shareholder under a management services contract (2011 - nil)

**5 STAFF NUMBERS**

The Company had no employees during the year (2011 - nil)

**6 NET INTEREST PAYABLE**

	2012	2011
	£'000	£'000
<b>Interest receivable and similar income</b>		
Interest receivable on bank deposits	14	14
Interest receivable on finance debtor	4,323	4,398
	<u>4,337</u>	<u>4,412</u>
<b>Interest payable and similar charges</b>		
Interest payable on bank loans and overdrafts	(3,386)	(3,451)
Interest payable to parent undertaking	(1,016)	(1,052)
Amortised debt issue costs	(26)	(27)
Commitment fee on undrawn loan facility	(23)	(23)
	<u>(4,451)</u>	<u>(4,553)</u>
Net interest payable	<u>(114)</u>	<u>(141)</u>

**7 TAX ON PROFIT ON ORDINARY ACTIVITIES**

	2012	2011
	£'000	£'000
<u>Analysis of tax charge for the year</u>		
<b>Current tax</b>		
UK corporation tax	(83)	(4)
Adjustments in respect of previous periods	1	(3)
Total current tax	<u>(82)</u>	<u>(7)</u>
<b>Deferred tax</b>		
Changes to tax rates	(1)	2
Losses to be utilised against future profits/ (utilisation of losses)	(18)	(68)
Total deferred tax	<u>(19)</u>	<u>(66)</u>
<b>Total tax charge on profit on ordinary activities</b>	<u>(101)</u>	<u>(73)</u>

Notes to the financial statements for the year ended 31 December 2012 (continued)

7 TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

Factor affecting tax charge for the current year

The differences between the total current tax shown above and the amount calculated by applying the blended rate of UK corporation tax to the loss before tax are as follows

	2012 £'000	2011 £'000
Profit on ordinary activities before taxation	414	272
Profit on ordinary activities multiplied by the blended rate of corporation tax in the UK of 24.5% (2011 - 26.5%)	(101)	(72)
Effects of:		
Adjustments in respect of previous years	1	(3)
Tax losses recognised for deferred tax purposes	18	68
<b>Total current tax charge for the year</b>	<b>(82)</b>	<b>(7)</b>

For the year ended 31 December 2012, the blended UK rate of 24.5% is applied due to the change in the UK corporation tax rate from 26% to 24% with effect from 1 April 2012

8 DIVIDENDS

	2012 £'000	2011 £'000
<b>Equity shares</b>		
Interim and final dividend paid of £1.8 (2011 - £nil) per £1 share	(90)	-

9 DEBTORS

	2012 £'000	2011 £'000
<b>Due within one year</b>		
Finance debtor	988	857
Trade debtors	82	29
Financial assets	1,479	1,199
Deferred tax asset	-	19
Prepayments and accrued income	754	716
	<b>3,303</b>	<b>2,820</b>
<b>Due after more than one year</b>		
Finance debtor	58,772	60,035
	<b>58,772</b>	<b>60,035</b>

The finance debtor includes cumulative net interest costs of £6,802,000 (2011 - £6,931,000) in amounts recoverable on contract

Deferred tax asset arose as a result of tax losses to be utilised against future profits

	2011 £'000	2010 £'000
<b>Deferred tax asset</b>		
Balance as at 1 January	19	85
Increase/(utilisation) in recognised deferred tax	(18)	(68)
Changes to tax rates	(1)	2
<b>Balance as at 31 December</b>	<b>-</b>	<b>19</b>

Financial assets include amounts held within deposit accounts with a maturity of not less than 3 months from the initial deposit

Notes to the financial statements for the year ended 31 December 2012 (continued)

10 CREDITORS

	2012 £'000	2011 £'000
<b>Amounts falling due within one year</b>		
Bank loans (note 11)	1,216	1,180
Less unamortised debt issue costs	(25)	(25)
Amounts owed to parent undertaking	242	333
Amounts owed to group undertakings	212	181
Trade creditors	10	10
Corporation tax	84	4
Other taxation and social security	321	316
Other creditors	4	-
Accruals and deferred income	3,227	3,169
	<u>5,291</u>	<u>5,168</u>
<b>Amounts falling due after more than one year</b>		
Bank loans (note 11)	51,996	53,212
Less unamortised debt issue costs	(296)	(322)
Amounts owed to parent undertaking	6,539	6,484
	<u>58,239</u>	<u>59,374</u>
	2012 £'000	2011 £'000
<b>Analysis of debt.</b>		
Debt can be analysed as falling due		
In one year or less	1,216	1,271
Between one and two years	1,317	1,216
Between two and five years	4,543	4,228
In five years or more	52,675	54,252
	<u>59,751</u>	<u>60,967</u>
Less unamortised debt issue costs	(321)	(347)
	<u>59,430</u>	<u>60,620</u>

11 LOANS

**Bank loans**

The Company has a £59.2 million facility provided by a syndicate of banks in order to finance the construction of the project. The loan is repayable in instalments based on an agreed percentage amount of the total facility per annum until September 2032.

The loan is secured by a fixed and floating charge over all the shares of the Services Support (Avon & Somerset) Limited.

Interest on the facilities is charged at rates linked to LIBOR. The Company has entered into fixed interest rate swaps to mitigate its interest exposure which have a negative fair value at 31 December 2012 of £17,817,050 (2011 - £17,219,359). The fixed interest rate on the facility during the operational phase is 5.37%.

12 CALLED UP SHARE CAPITAL

	2012 £'000	2011 £'000
<b>Allotted, called up and fully paid</b>		
50,000 ordinary shares of £1 each	50	50

13 MOVEMENT IN RESERVES

	Profit and loss account £'000
<b>At 1 January 2012</b>	(60)
Profit for the financial year,	313
Dividends paid on equity shares (note 8)	(90)
<b>At 31 December 2012</b>	<u>163</u>

**Notes to the financial statements for the year ended 31 December 2012 (continued)**

**14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS / (DEFICIT)**

	2012	2011
	£'000	£'000
Profit for the financial year	313	199
Dividends paid on equity shares (note 8)	(90)	-
Net addition to shareholder's funds	<u>223</u>	<u>199</u>
Opening shareholder's deficit	(10)	(209)
Closing shareholder's funds / (deficit)	<u>213</u>	<u>(10)</u>

**15 TRANSACTIONS WITH RELATED PARTIES**

As a wholly owned subsidiary of Services Support (Avon & Somerset) Holdings Limited, the Company has taken advantage of the exemption under Financial Reporting Standard 8 not to provide information on related party transactions with other undertakings within the Services Support (Avon & Somerset) Holdings Limited Group. Note 16 gives details of how to obtain a copy of the published financial statements of Services Support (Avon & Somerset) Holdings Limited.

**16 ULTIMATE PARENT UNDERTAKING**

The Company's ultimate and immediate parent company and controlling entity, and the largest and smallest group in which its results are consolidated is Services Support (Avon & Somerset) Holdings Limited, a company incorporated in Great Britain and registered in England and Wales. Copies of the consolidated accounts are available from Companies House, Crown Way, Cardiff, CF14 3UZ.