Registered number: 04738635

SERVICES SUPPORT (AVON & SOMERSET) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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Contents

Officers and Professional Advisers

Directors	C T Solley L J Falero R W F Burge J S Gordon T Ryan
Company Secretary	Imagile Secretariat Services Limited
Registered office	Third Floor Broad Quay House Prince Street Bristol United Kingdom BS1 4DJ
Principal banker	Barclays Bank plc 54 Lombard St London EC3V 9EX
Solicitors	Addleshaw Goddard LLP Milton Gate 60 Chiswell Street London EC1Y 4AG
Auditor	BDO LLP 55 Baker Street London W1U 7EU

Directors' Report

for the year ended 31 December 2020

The Directors present their Annual Report and the audited financial statements of Services Support (Avon & Somerset) Limited (the "Company") for the year ended 31 December 2020.

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.

Principal activities and business review

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.

Key performance indicators

The key performance indicators for the Company are in line with the financial model and in compliance with banking covenants. As at 31 December 2020 the Group's financial performance and financial position was in line with that anticipated by the financial model and the Group was not in breach of any banking covenants imposed by the lenders.

Results and dividends

The profit for the year after taxation amounted to £515,000 (2019: £563,000). The Company paid an interim dividends of £nil during the year (2019: £nil). The Directors do not recommend a final dividend to be paid (2019: £nil).

Going concern

In assessing the going concern status of the company, and with due regard to potential implications of the COVID pandemic, the directors have reviewed the company's projected cash flows by reference to a financial model covering accounting periods up to March 2034. The financial model has been prepared on the basis of a detailed analysis of the company's finances and contracts. In light of the Government's Procurement Policy Note (PPN 02/20) the Directors are satisfied that future income streams are secured and therefore that cash inflows are not impaired.

The directors note the company's net liabilities of £8,144,000 (2019: £8,506,000) which are primarily caused by the fair value liability of the hedged interest rate swap contract.

Having examined the current status of the Company's principal contracts and likely developments in the foreseeable future, the directors consider that the company will be able to settle its liabilities as they fall due and accordingly the financial statements have been prepared on a going concern basis. More information is provided in note 1 to the financial statements.

Directors' Report *(continued)*
for the year ended 31 December 2020

Qualifying third party indemnity provision *(continued)*

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

Details of the number of employees and related costs can be found in note 5 to the financial statements on page 15.

Directors

The Directors who served the Company during the year and to the date of signing these financial statements are as follows:

K M Hill (Resigned 10 February 2021)
C T Solley
L J Falero
R W F Burge
J S Gordon
T Ryan (Appointed 7 June 2021)

Strategic Report exemption

No Strategic report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption under section 415 of the Companies Act 2006.

Political contributions

The Company made no political contributions during the current year (2019: £nil).

Future developments

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

Principal risks and uncertainties

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 a governmental authority.

Directors' Report *(continued)*
for the year ended 31 December 2020

Principal risks and uncertainties *(continued)*

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.

Disclosure of information to auditor

In so far as the Directors are aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- each Director has taken all steps that he/she ought to have taken as a director to make himself/herself 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 provisions of Section 418(2) of the Companies Act 2006.

Auditor

BDO LLP are deemed to be reappointed under Section 487 of the Companies Act 2006 and will therefore continue in office.

Approved by the Directors on 28 September 2021.

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C T Solley
Director

Statement of directors' responsibilities in respect of the Directors' report and the financial statements

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;
- state whether UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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

Opinion on the 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 2020 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.

We have audited the financial statements of Services Support (Avon & Somerset) Limited ("the Company") for the year ended 31 December 2020 which comprise the Profit and Loss Account and Statement of Comprehensive Income, Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain 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.

Conclusions relating to going concern

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

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 directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

Independent auditor's report to the members of Services Support (Avon & Somerset) Limited *(continued)*

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.

Other Companies Act 2006 reporting

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

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

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 Directors' report.

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; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

Responsibilities of Directors

As explained more fully in the Statement of directors' responsibilities in respect of the Directors' report and the financial statements, 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 was capable of detecting irregularities, including fraud

Independent auditor's report to the members of Services Support (Avon & Somerset) Limited *(continued)*

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 evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to management bias in accounting estimates and posting inappropriate journal entries to manipulate the fair value of the derivative financial instrument

Audit procedures performed by the engagement team included:

- Evaluation of management's controls designed to prevent and detect irregularities;
- Challenging assumptions and judgements made by management in areas involving significant estimates, with the key sources of estimations identified as the determination of service margins; and
- Identifying and testing journal entries, in particular any material journal entries posted and/or with unusual descriptions.

Our audit procedures were designed to respond to risks of material misstatement 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 deliberate concealment by, for example, forgery, misrepresentations or through collusion. 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/auditorsresponsibilities. 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.

DocuSigned by:
Alexander Tapp
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Alexander Tapp (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London

28 September 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Profit and Loss Account and Statement of Comprehensive Income

for the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Turnover	2	**3,573**	3,852
Cost of sales		**(2,766)**	(2,977)
Operating profit	3	**807**	875
Net interest payable	6	**(179)**	(181)
Profit on ordinary activities before taxation		**628**	694
Tax on profit on ordinary activities	7	**(113)**	(131)
Profit for the year		**515**	563
Other comprehensive (loss)/income			
Items that will or may be reclassified to profit or loss:			
Effective portion of fair value changes in cash flow hedges	14	**(538)**	54
Tax recognised in relation to change in fair value of cash flow hedge	7	**92**	(9)
Tax recognised in relation to tax rate change	7	**293**	-
Other comprehensive (loss)/income for year		**(153)**	45
Total comprehensive income for the year		**362**	608

All amounts above relate to continuing activities.

The notes on pages 12 to 22 form part of these financial statements.

Statement of Financial Position

as at 31 December 2020

	Notes	2020 £'000	2019 £'000
Current assets			
Debtors due after one year	8	**49,521**	49,719
Debtors due within one year	8	**3,061**	5,474
		52,582	55,193
Cash at bank		**4,678**	2,198
Total current assets		**57,260**	57,391
Current liabilities			
Creditors: amounts falling due within one year	9	**(5,102)**	(5,069)
Net current assets		**52,158**	52,322
Creditors: amounts falling due after more than one year	10	**(59,480)**	(60,828)
Provisions for liabilities and charges	18	**(822)**	-
Net liabilities		**(8,144)**	(8,506)
Capital and reserves			
Called up share capital	13	**50**	50
Profit and loss account	13	**3,691**	3,176
Cash flow hedge reserve	13	**(11,885)**	(11,732)
Shareholder's deficit		**(8,144)**	(8,506)

These accounts have been prepared in accordance with the provision applicable to the companies subject to the small companies' regime and in accordance with the provision of FRS 102 section 1A for small entities.

The notes on pages 12 to 22 form part of these financial statements.

These financial statements were approved by the board of directors on 28 September 2021 and were signed on its behalf by:

C T Solley
Director

Company registered number: 04738635

Statement of Changes in Equity
as at 31 December 2020

		Share capital £'000	Cash flow hedge reserve £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 January 2019		50	(11,777)	2,613	(9,114)
Profit for the year		-	-	563	563
Other comprehensive income (net of tax)		-	45	-	45
Total comprehensive income for the period		-	45	563	608
Contributions by and distribution to owners					
Dividends	17	-	-	-	-
Balance at 31 December 2019		50	(11,732)	3,176	(8,506)

		Share capital £'000	Cash flow hedge reserve £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 January 2020		**50**	**(11,732)**	**3,176**	**(8,506)**
Profit for the year		-	-	**515**	**515**
Other comprehensive income (net of tax)		-	**(153)**	-	**(153)**
Total comprehensive income for the period		-	**(153)**	**515**	**362**
Contributions by and distribution to owners					
Dividends	17	-	-	-	-
Balance at 31 December 2020		**50**	**(11,885)**	**3,691**	**(8,144)**

The notes on pages 11 to 21 form part of these financial statements.

Notes

for the year ended 31 December 2020

1. Accounting policies

Services Support (Avon & Somerset) Limited is a Company limited by shares and incorporated and domiciled in the UK, with registered office at Third Floor Broad Quay House, Prince Street, Bristol, BS1 4DJ.

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 section 1A small entities"). The presentation currency of these financial statements is sterling.

FRS 102 section 1A small entities grants certain first-time adoption exemptions from the full requirements of FRS 102 section 1A small entities. The following exemptions have been taken in these financial statements:

- 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.

Judgements in applying accounting policies and key sources of estimation uncertainty

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 below.

The preparation of financial statements in conformity with FRS102 section 1A small entities 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 finance debtors requires estimation of service margins, finance debtors interest rates and associated amortisation profile which is based on forecasted results of the PFI contract.
- Issue costs in relation to the loan arrangement fees are initially recognised as a reduction in the proceeds of the associated capital instrument. The capitalised fees are then released to the statement of comprehensive income account on a straight line bases over the term of the loan.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments.

1.2 Going concern

In assessing the going concern status of the company, and with due regard to potential implications of the COVID pandemic, the directors have reviewed the company's projected cash flows by reference to a financial model covering accounting periods up to March 2034. The financial model has been prepared on the basis of a detailed analysis of the company's finances and contracts. In light of the Government's Procurement Policy Note (PPN 02/20) the Directors are satisfied that future income streams are secured and therefore that cash inflows are not impaired.

Notes *(continued)*

for the year ended 31 December 2020

1. Accounting policies *(continued)*

1.2 Going concern (continued)

The directors note the company's net liabilities of £8,144,000 (2019: £8,506,000) which are primarily caused by the fair value liability of the hedged interest rate swap contract.

Having examined the current status of the Company's principal contracts and likely developments in the foreseeable future, the directors consider that the company will be able to settle its liabilities as they fall due and accordingly the financial statements have been prepared on a going concem basis.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements:

1.3 Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.4 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short term deposits, with original maturity of less than three months. Cash deposits with banks that cannot be accessed within a period of three months are not considered to be cash and cash equivalents.

Restricted cash

The Company is obligated to keep a separate cash reserves in respect of future major maintenance costs, a lifecycle reserve and change in law. This restricted cash balance, which is shown at the reporting date within the "cash at bank and in hand" balance and "Debtors due within one year", amounts to £3,026,000 at the year end (2019: £3,213,000).

Notes *(continued)*

for the year ended 31 December 2020

1. Accounting policies *(continued)*

1.5 Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- hedging instruments in a designated hedging relationship shall be recognised as set out below.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

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 derivative financial instrument is recognised directly in Other Comprehensive Income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in Other Comprehensive Income is included in the initial cost or other carrying amount of the asset or liability. Alternatively when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the profit or loss immediately.

1.6 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Accounting for the service contracts and finance receivables requires estimation of service margins, finance receivable interest rates and finance receivable amortisation profile which is based on forecasted results of the PFI contract.

Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Notes *(continued)*

for the year ended 31 December 2020

1. Accounting policies *(continued)*

1.7 Turnover

The Company is an operator of a PFI contract. The underlying asset is not deemed to be an asset of the Company under FRS 102 section 1A small entities, 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 1A small entities. 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.

1.8 Expenses

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account.

Other interest receivable and similar income include interest receivable on funds invested.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

1.9 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the reporting date. Deferred tax balances are not discounted.

1.10 Lifecycle costs

Costs relating to lifecycle expenditure are expensed on actual spend on lifecycle costs, and an accrual is recognised for profiled lifecycle expenditure which was included as part of financial close modelling.

Notes *(continued)*

for the year ended 31 December 2020

2. Turnover

An analysis of turnover is given below:

	2020 £'000	2019 £'000
Turnover in the year is analysed as follows:		
Service fee revenue	3,442	3,764
Variation income	131	88
	3,573	3,852

The company operates exclusively within the United Kingdom.

3. Operating profit

Operating profit is stated after charging:

	2020 £'000	2019 £'000
Operating profit is stated after charging:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	8	8
Fees payable to the Company's auditor for the audit of Services Support (Avon & Somerset) Holdings Limited	2	2

4. Directors' remuneration

No Directors received any remuneration for services to the Company during the current or prior year (2019: £ nil).

The Company is managed by an external Management Services Provider that reports to the Directors.

5. Staff numbers

The Company had no employees during the year (2019: £nil).

6. Net interest payable

	2020 £'000	2019 £'000
Interest receivable and similar income		
Interest receivable on finance debtor	3,475	3,608
Interest receivable on bank deposits	8	16
Total interest receivable	3,483	3,624
Interest payable and similar charges		
Interest payable on bank loans and overdrafts	(2,619)	(2,756)
Interest payable to parent undertaking	(999)	(1,004)
Amortised debt issue costs	(20)	(21)
Commitment fee on undrawn loan facility	(24)	(24)
Total interest payable	(3,662)	(3,805)
Net interest payable	(179)	(181)

Notes *(continued)*
for the year ended 31 December 2020

7. Tax

	2020 £'000	2019 £'000
Current tax		
UK corporation tax	**(113)**	(131)
Total current tax	**(113)**	(131)
Deferred tax		
Origination and reversal of timing differences	**92**	(9)
Change in tax value	**293**	-
Total deferred tax	**385**	(9)
Total tax	**272**	(140)

	2020			2019		
	Current tax £'000	Deferred tax £'000	Total tax £'000	Current tax £'000	Deferred tax £'000	Total tax £'000
Recognised in Profit and loss account	**(113)**	**-**	**(113)**	(131)	-	(131)
Recognised directly in equity	-	92	92	-	(9)	(9)
Total tax	**(113)**	**92**	**(21)**	(131)	(9)	(140)

Reconciliation of the effective tax rate

	2020 £'000	2019 £'000
Profit on ordinary activities before taxation	**628**	694
Profit on ordinary activities multiplied by the blended rate of corporation tax in the UK of 19% (2019: 19%)	**119**	131
Consortium relief in respect of prior periods	**(6)**	-
Tax expense for the year	**113**	131

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. An increase in the UK corporation tax rate from 17% to 19% (effective from 1 April 2020) was substantively enacted on 17 March 2020, and deferred tax as at 31 December 2020 has been calculated based on this rate (2019: 17%). An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This rate increase will have a consequential effect on the company's future tax charge.

Notes *(continued)*
for the year ended 31 December 2020

8. Debtors

	2020 £'000	2019 £'000
Due within one year		
Trade debtors	**909**	892
Finance debtor	**2,112**	1,936
Financial assets	**-**	2,602
Prepayments and accrued income	**40**	44
	3,061	5,474
Due after more than one year		
Finance debtor	**46,733**	47,316
Deferred tax (note 12)	**2,788**	2,403
	49,521	49,719

Financial assets include amounts held within cash deposits with a maturity of not less than 3 months from the initial deposit. Such deposits are held with Barclays Bank PLC.

9. Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Due within one year		
Bank loans (note 11)	**2,166**	2,102
Less: unamortised debt issue costs	**(19)**	(20)
Amounts owed to parent undertaking	**-**	260
Trade creditors	**24**	269
Corporation tax	**24**	55
Other taxation and social security	**331**	255
Accruals and deferred income	**2,576**	2,148
	5,102	5,069

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

	2020 £'000	2019 £'000
Due after more than one year		
Bank loans (note 11)	**38,111**	40,277
Less: unamortised debt issue costs	**(119)**	(138)
Amounts owed to parent undertaking	**6,814**	6,554
Interest rate swaps (note 14)	**14,674**	14,135
	59,480	60,828

Notes *(continued)*
for the year ended 31 December 2020

11. Interest – bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2020	2019
	£'000	£'000
Creditors falling due more than one year		
Bank loans	**38,111**	40,277
Amounts owed to parent undertaking	**6,814**	6,554
	44,925	46,831
Creditors falling within one year		
Bank loans	**2,166**	2,102
Amounts owed to parent undertaking	**-**	260
	2,166	2,362

Included within Bank loan is an amount repayable after five years of £28,247,000 (2019: £31,013,000) and included within Amounts owed to parent undertaking are amounts repayable after five years of £6,538,500 (2019: £6,554,000). During the year, subordinated loan-stock interest of £nil (2019: £nil) was capitalised.

	2020	2019
	£'000	£'000
Analysis of debt:		
Debt can be analysed as falling due:		
In one year or less	**2,166**	2,362
Between one and two years	**2,467**	2,166
Between two and five years	**7,672**	7,097
In five years or more	**34,786**	37,568
	47,091	49,194
Less: unamortised debt issue costs	**(138)**	(158)
	46,953	49,036

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of Maturity	Repayment	2020 £'000	2019 £'000
Bank loan	GBP	LIBOR + 1.0537%	2032	Semi-annual	**40,277**	42,379
Subordinated debt	GBP	14.60%	2033	Interest payable semi-annually	**6,814**	6,554

Notes *(continued)*
for the year ended 31 December 2020

11. Interest – bearing loans and borrowings *(continued)*

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 facility is charges at rates linked to LIBOR. Details of all swap transactions can be found within note 14.

12. Deferred tax asset

Deferred tax asset is attributable to the following:

	2020	2019
	£'000	£'000
Deferred tax on revaluation of fair value of derivatives	**2,788**	2,403

Deferred tax asset is recognised on the revaluation of the SWAP Derivatives on the interest rate SWAP held by the Company. These are accounted for under cash flow hedges (see note 14).

Reversal of the deferred tax asset is shown through the cash flow hedge reserve.

13. Called up share capital

	2020	2019
	£'000	£'000
Allotted, called up and fully paid:		
50,000 ordinary shares of £1 each	50	50
	50	50

Cash flow hedge reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred net of the deferred tax impact provided.

Profit and loss reserve

The profit and loss reserve contains the retained earnings carried forward.

Notes *(continued)*

for the year ended 31 December 2020

14. Financial instruments

(a) *Carrying amount of financial instruments*

The carrying amounts of the financial assets and liabilities include:

	2020	2019
	£'000	**£'000**
Assets measured at amortised cost		
- Finance debtor	**48,845**	49,252
- Trade and other debtors	**909**	3,494
	49,754	52,746
Assets measured at cost less impairment		
- Cash and cash equivalents	**4,678**	2,198
- Accrued income	**31**	35
	4,709	2,233
Liabilities measured at amortised cost		
- Bank loan	**40,139**	42,221
- Subordinated debt	**6,814**	6,554
- Accruals	**2,576**	2,148
- Amounts payable to group companies	**-**	260
- Trade Creditors	**24**	269
	49,553	51,452
Liabilities measured at fair value through profit and loss		
- Interest rate swaps	**14,674**	14,136

(b) *Financial instruments measured at fair value*

Derivative financial instruments

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

(c) Hedge accounting

Derivative financial instruments designated as hedges of variable interest rate risk of an interest rate swap.

To hedge the potential movement in the interest cash flows associated with the LIBOR rate used for the bank term loan described in note 11, the Company has entered into fixed interest rate swap with a nominal value equal to the initial borrowings with the same term as the loans and interest payment dates. These result in the Company paying 5.37% per annum and receiving LIBOR.

The derivatives are accounted for as a cash flow hedge in accordance with FRS 102 section 1A small entities and have the fair values as described in note 14(b). The cash flows arising from the interest rate swaps will continue until their maturity in 2032, coincidental with the repayment of the term loans. The change in fair value in the period was an increase of £538,000 (2019: decrease of £54,000) with the entire charge being recognised in other comprehensive income as the swaps are considered to be 100% effective.

Notes *(continued)*
for the year ended 31 December 2020

14. Financial instruments *(continued)*

d) Fair values

The amount for all financial assets and financial liabilities carried at fair value are as follows:

	2020	2019
	£'000	£'000
Amounts falling due after more than one year		
Financial liabilities designated as fair value through profit or loss		
- Interest rate swap contract	**14,674**	14,136

15. 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 102 not to provide information on related party transactions with other undertakings within the Services Support (Avon & Somerset) Holdings Limited Group. Note 16 gives detail on 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 Service Support (Avon & Somerset) Holdings Limited, a company incorporated and registered in England and Wales. Copies of the parent company accounts are available from Companies House, Crown Way, Cardiff, CF14 3UZ.

17. Dividends

	2020	2019
	£'000	£'000
Equity shares		
Interim and final dividend paid of £nil (2019: £nil) per £1 share	-	-

18. Provisions for liabilities and charges

A provision has been made in respect of fire stopping remedial works to the car park and other floors of the Bristol Magistrates Court. The provision is directors' best current estimate of the cost for the implied works. The process for a formal tender has started at the end of which the true costs will be known.

A proportion of this cost may be recoverable from other parties dependent on the result of negotiations surrounding the contractual responsibility for the structural work.