

REGISTERED NUMBER: 04985527 (England and Wales)

**Group Strategic Report, Directors' Report and
Audited Consolidated Financial Statements for the Year Ended 31 March 2021
for
Falcon Support Services (Holdings)
Limited**

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**Falcon Support Services (Holdings)
Limited (Registered number: 04985527)**

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for the Year Ended 31 March 2021**

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**Falcon Support Services (Holdings)
Limited**

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

Directors:	J S Gordon G M Beazley-Long A J Watson H O'Gorman I D Lamerton
Secretary:	W L Rapley
Registered office:	c/o Albany SPC Services Limited 3rd Floor 3-5 Charlotte Street Manchester M1 4HB
Registered number:	04985527 (England and Wales)
Independent auditor:	BDO LLP 55 Baker Street London W1U 7EU
Solicitors:	Pinsent Masons LLP Third Floor Quay 2 139 Fountainbridge Edinburgh EH3 9QG

**Falcon Support Services (Holdings)
Limited (Registered number: 04985527)**

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

The directors present their strategic report for the group for the year ended 31 March 2021. These financial statements have been prepared under FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

The company was incorporated in Great Britain, registered in England and Wales and is domiciled in the United Kingdom.

Business review and principal activities

The company is a holding company, owned by its ultimate parent parties as detailed in Note 20, with one wholly-owned subsidiary undertaking, Falcon Support Services Limited (together "the group").

Falcon Support Services Limited's principal activity is undertaking a Private Finance Initiative (PFI) concession contract with the MOD, to design, build, finance and operate accommodation facilities at the Fleet Accommodation Centre in Devonport, Plymouth. The contract was signed on 6 July 2004. Building activities commenced from that date and completed on 28 March 2008. Interim service operations on the existing buildings commenced in October 2004 and increased in stages to reach full service operations for the whole site from April 2008. The contract is scheduled to complete in March 2029.

There have not been any changes in the company's activities in the year under review, and the directors are not aware, at the date of this report, of any likely changes next year.

As shown in the group's statement of comprehensive income on page 10, the group's turnover increased by £1,515,000 to £21,409,000 (2020: turnover reduced by £824,000). The increase in turnover was mainly due to a increase in pass through variations processed in the year as well as a part-indexation of sales revenue. The group declared a profit before tax of £2,066,000 this year (2020: £2,283,000) and declared a profit after tax of £1,674,000 (2020: £1,858,000). A small increase in operating costs has led to a reduction in profit.

The group's statement of financial position on page 11 shows that the group is in a net liability position, which is primarily due to the inclusion of the hedge reserve on the statement of financial position. The group has sufficient distributable reserves available and the payment of dividends during the year has contributed towards the increased net liability position. In the year there has been a decrease in the fair value of the interest swap recorded as a liability. The fair value of the interest rate swap has to be recorded in the statement of financial position under FRS 102 accounting requirements.

Dividends of £4,318,000 (2020: £Nil) were paid in the year.

The group's operations are managed under the supervision of its shareholders and lender and are largely determined by the detailed terms of the PFI contract. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the performance of financial position of the business.

The PFI contract and related subcontracts are fixed for the life of the contract and this enables the company to have reasonable certainty over its income and expenditure over the term of the contract. In addition, the company has a Credit Agreement in place with its lender which fixes the level of borrowing and repayments due until the loan is fully repaid in 2027.

The delivery of operational services is generally running well and is expected to continue to do so.

**Falcon Support Services (Holdings)
Limited (Registered number: 04985527)**

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

Principal risks and uncertainties

The trading company's principal activity as detailed above is risk averse as its trading relationships with its customer, lender and subcontractors are determined by the terms of their respective detailed PFI contracts. Its main exposure is to financial risks as detailed in the following section.

One of the risks of the trading company is that services may not continue due to the financial failure of the company's subcontractor. The financial stability of the facilities management company is being monitored on a continuous basis. The directors have reviewed the benchmarking information on the facilities management contract service fee and are comfortable that this is a market rate which would enable replacement of the subcontractor for a similar fee.

Interest rate risk

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

Inflation risk

The company's contract 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 as they fall due. Due to the nature of the project, cash flows are reasonably predictable and so in normal course of business this is not a major risk area for the company.

Credit risk

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

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

Lifecycle risk

Lifecycle expenditure is a significant risk to the business. The risk being that the allowance for lifecycle costs factored into the financial model is insufficient to cover future lifecycle expenditure, thus resulting in lower profitability and reduced distributions. This is mitigated by regular lifecycle reviews undertaken by the management services provider and a detailed lifecycle review performed every 5 years. Any savings against the lifecycle cost profile forecast at the inception of the contract are retained by the group with 25% of such savings reserved for the lifecycle contractor, to be paid at the end of the concession..

Ownership

In the directors' opinion there is no ultimate controlling party and the ultimate parent companies are PPP Equity PIP LP which is interested in 50% of the company, together with Innisfree PFI Secondary Fund which is interested in 16% of the company and Innisfree PFI Secondary Fund 2 LP which is interested in 34% of the company.

Both Innisfree Secondary Funds are English limited partnerships managed by Innisfree Limited, and PPP Equity PIP LP is also an English limited partnership managed by Dalmore Capital Limited.

**Falcon Support Services (Holdings)
Limited (Registered number: 04985527)**

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

Going concern

On 7 October 2020 a new parent company guarantee was signed with Interserve Group Limited and Falcon Support Services Limited. This means that there is no longer an Event of Default as Interserve Group Limited is now providing the parent company guarantee.

On 1 December 2020 Interserve Group Limited completed the sale of its FM businesses, including Interserve Defence Ltd, to Mitie PLC. Interserve (Defence) Ltd has now changed name to be Mitie (Defence) Limited.

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

The directors have prepared a detailed model forecasting the performance of the contract to completion incorporating the relevant terms of the contract, subcontracts, Credit Agreement and reasonably prudent economic assumptions. This forecast, which is updated regularly, predicts that the company will be profitable and will have sufficient cash resources to operate within the terms of the contract, subcontracts and Credit Agreement. The directors have assessed the viability of its main sub-contractors and are satisfied in their ability to provide the services in line with the contractual terms. The directors have also sensitised the impact of increased lifecycle costs over the remainder of the concession period and consider there to be sufficient headroom for the group to operate in without breaching lender covenants. 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 group or cease trading as they consider they have realistic alternatives to doing so.

Although there is no longer an event of default, this was in occurrence at the prior year end and as a consequence, the senior debt liability at 31 March 2020 is shown as being due in less than one year.

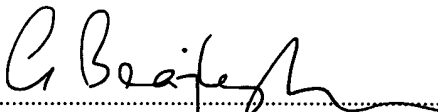
The net current assets of the business are positive. However, the group is in a deficit position due to the inclusion of the hedge reserve on the statement of financial position and this will unwind completely over the term of the hedge.

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

The World Health Organisation declared the Covid-19 outbreak a health emergency on 30 January 2020 and a global pandemic on 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 group in responding to Covid-19 has been assessed as low. This is because the group 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.

Since the Covid-19 outbreak, the customer, the Ministry of Defence, have continued making timely unitary payments in accordance with the guidance included in the Infrastructure and Projects Authority guidance note.

On behalf of the board:


Director G M BEAZLEY-LONQ

Date: 20/10/2021

**Falcon Support Services (Holdings)
Limited (Registered number: 04985527)**

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

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

Principal activity

The subsidiary company's principal activity is undertaking a Private Finance Initiative (PFI) concession contract with the MOD, to design, build, finance and operate accommodation facilities at the Fleet Accommodation Centre in Devonport, Plymouth.

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 financial position at the end of the year including a going concern statement, financial risk exposure and management together with the likely future developments in its business.

Details of the principal risks, uncertainties and financial risk management are included in the strategic report.

Environment

The company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and implements policies through its subcontractors to reduce any damage that might be caused by the company's activities.

Employees

The company has no direct employees as detailed in Note 4.

Results

The results of the company are as set out in the statement of comprehensive income.

Dividends

The directors have recommended and paid dividends of £4,318,000 in the year (2020: £Nil). £1,037,000 of dividends have been declared after the year end and up to the date of this report.

Directors

The directors during the year under review were:

J S Gordon
G M Beazley-Long
A J Watson
H O'Gorman
I D Lamerton

The directors holding office at 31 March 2021 did not hold any beneficial interest in the issued share capital of the company at 1 April 2020 or 31 March 2021.

No appointments or resignations of directors occurred between the year end and the date of approval of these financial statements.

Directors' indemnity insurance

Certain directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Political donations and expenditure

There have been no political donations or political expenditure made during the year (2020: No such expenditure).

**Falcon Support Services (Holdings)
Limited (Registered number: 04985527)**

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

Statement of directors' responsibilities

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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 comprehensive income 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 UK Accounting Standards have been followed, subject to any material departures being 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 to 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.

Statement as to disclosure of information to auditors

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

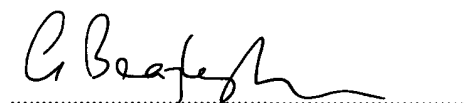
- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be made aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Auditor

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

On behalf of the board:



Director G M BEAZLEY-LONG

Date: 20/10/2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FALCON SUPPORT SERVICES (HOLDINGS) LIMITED

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group and of the Parent 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.

We have audited the financial statements of Falcon Support Services (Holdings) Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2021 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows, and the 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 Group'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. 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 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.

In the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or 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.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, 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 and Group'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

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 obtained an understanding of the legal and regulatory framework applicable to the entity and the industry in which it operates. We considered the significant laws and regulations to be Companies Act 2006 and the applicable accounting standards.

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 Group's assets.

Audit procedures performed by the engagement team included:

- We considered the processes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud and how management monitors those processes and controls;
- We challenged assumptions and judgements made by management in areas involving significant estimates, with the key sources of estimation identified as the determination of service margins and lifecycle costs;
- We performed substantive testing on account balances and transactions, which were considered to be a greater risk of susceptibility to fraud;
- We targeted journal entry testing based on identified characteristics the audit team considered could be indicative of fraud, as well as a focus on large and unusual transactions based upon our knowledge of the business;
- We made enquiries of Management, those charged with governance and those responsible for legal and compliance procedures as to whether there was any correspondence from regulators in so far as the correspondence related to financial statements; and
- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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:


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Cassie Forman-Kotsapa (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London

Date: 20 October 2021

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

**Falcon Support Services (Holdings)
Limited (Registered number: 04985527)**

**Consolidated Consolidated Statement of Comprehensive Income
for the Year Ended 31 March 2021**

	Notes	2021 £'000	2020 £'000
Turnover	3	21,409	19,894
Cost of sales		<u>(17,729)</u>	<u>(16,530)</u>
Gross profit		3,680	3,364
Administrative expenses		<u>(1,279)</u>	<u>(865)</u>
Operating profit	5	2,401	2,499
Interest receivable and similar income	6	<u>3,580</u>	<u>4,019</u>
		5,981	6,518
Interest payable and similar expenses	7	<u>(3,915)</u>	<u>(4,235)</u>
Profit before taxation		2,066	2,283
Tax on profit	8	<u>(392)</u>	<u>(425)</u>
Profit for the financial year		1,674	1,858
Other comprehensive income			
Effective portion of changes in fair value of hedges		2,154	780
Income tax relating to other comprehensive income		<u>(186)</u>	<u>52</u>
Other comprehensive income for the year, net of income tax		1,968	832
Total comprehensive income for the year		3,642	2,690
 Profit attributable to: Owners of the parent		 <u>1,674</u>	 <u>1,858</u>
 Total comprehensive income attributable to: Owners of the parent		 <u>3,642</u>	 <u>2,690</u>

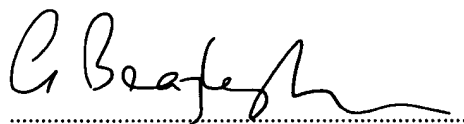
The notes on pages 16 to 32 form part of these financial statements

**Falcon Support Services (Holdings)
Limited (Registered number: 04985527)**

**Consolidated Statement of Financial Position
31 March 2021**

	Notes	2021 £'000	2020 £'000
Current assets			
Debtors: amounts falling due within one year	12	7,703	9,346
Debtors: amounts falling due after more than one year	12	31,782	36,530
Cash at bank		16,689	18,073
		<u>56,174</u>	<u>63,949</u>
Creditors: amounts falling due within one year	13	<u>(16,720)</u>	<u>(54,622)</u>
Net current assets		<u>39,454</u>	<u>9,327</u>
Total assets less current liabilities		<u>39,454</u>	<u>9,327</u>
Creditors: amounts falling due after more than one year	14	<u>(44,812)</u>	<u>(14,009)</u>
Net liabilities		<u>(5,358)</u>	<u>(4,682)</u>
Capital and reserves			
Called up share capital	17	10	10
Cash flow hedging reserves	18	(5,493)	(7,461)
Retained earnings	18	125	2,769
Shareholders' funds		<u>(5,358)</u>	<u>(4,682)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 20/10/2021 and were signed on its behalf by:



Director G M BEAZLEY-LONG

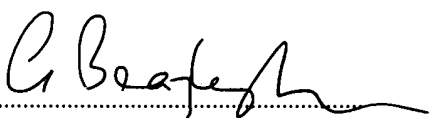
The notes on pages 16 to 32 form part of these financial statements

**Falcon Support Services (Holdings)
Limited (Registered number: 04985527)**

**Company Statement of Financial Position
31 March 2021**

	Notes	2021 £'000	2020 £'000
Fixed assets			
Investments	11	<u>6,674</u>	<u>9,125</u>
Total assets less current liabilities		<u>6,674</u>	<u>9,125</u>
Creditors: amounts falling due after more than one year	14	<u>(6,664)</u>	<u>(9,115)</u>
Net assets		<u><u>10</u></u>	<u><u>10</u></u>
Capital and reserves			
Called up share capital	17	<u>10</u>	<u>10</u>
Shareholders' funds		<u><u>10</u></u>	<u><u>10</u></u>
Company's profit for the financial year		<u><u>4,318</u></u>	<u><u>-</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on20/10/2021..... and were signed on its behalf by:



 Director G M BEAZLEY-LONG

**Falcon Support Services (Holdings)
Limited (Registered number: 04985527)**

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

	Called up share capital £'000	Retained earnings £'000	Cash flow hedging reserves £'000	Total equity £'000
Balance at 1 April 2019	10	911	(8,293)	(7,372)
Total comprehensive income	-	1,858	832	2,690
Balance at 31 March 2020	10	2,769	(7,461)	(4,682)
Total comprehensive income	-	1,674	1,968	3,642
Dividends	-	(4,318)	-	(4,318)
Balance at 31 March 2021	10	125	(5,493)	(5,358)

The notes on pages 16 to 32 form part of these financial statements

**Falcon Support Services (Holdings)
Limited (Registered number: 04985527)**

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

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2019	10	-	10
Changes in equity			
Profit for the year	-	-	-
Balance at 31 March 2020	10	-	10
Changes in equity			
Profit for the year	-	4,318	4,318
Total comprehensive income	-	4,318	4,318
Dividends	-	(4,318)	(4,318)
Balance at 31 March 2021	10	-	10

The notes on pages 16 to 32 form part of these financial statements

**Falcon Support Services (Holdings)
Limited (Registered number: 04985527)**

**Consolidated Statement of Cash Flows
for the Year Ended 31 March 2021**

	Notes	2021 £'000	2020 £'000
Cash flows from operating activities			
Cash generated from operations	21	10,413	5,124
Interest paid		(3,751)	(2,958)
Tax paid		(476)	(396)
Net cash from operating activities		<u>6,186</u>	<u>1,770</u>
Cash flows from investing activities			
Interest received		<u>3,580</u>	<u>4,019</u>
Net cash from investing activities		<u>3,580</u>	<u>4,019</u>
Cash flows from financing activities			
Repayment of subordinated loan stock		(2,452)	-
Repayment of secured senior loan		(4,380)	(4,010)
Equity dividends paid		(4,318)	-
Net cash from financing activities		<u>(11,150)</u>	<u>(4,010)</u>
(Decrease)/increase in cash and cash equivalents		<u>(1,384)</u>	<u>1,779</u>
Cash and cash equivalents at beginning of year	22	<u>18,073</u>	<u>16,294</u>
Cash and cash equivalents at end of year	22	<u><u>16,689</u></u>	<u><u>18,073</u></u>

The notes on pages 16 to 32 form part of these financial statements

**Falcon Support Services (Holdings)
Limited (Registered number: 04985527)**

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

1. Statutory information

Falcon Support Services (Holdings) Limited (the parent company) is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the company's registered office is shown on page 1.

2. Accounting policies

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Financial Reporting Standard 102 - reduced disclosure exemptions

The group has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of paragraphs 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertaking. As a consolidated statement of comprehensive income is published, a separate statement of comprehensive income for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006. The comprehensive income for the financial year of the parent company was £4,318,000 (2020: £Nil).

Related party exemption

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Transactions between group entities which have been eliminated on consolidation are not disclosed within the financial statements.

**Falcon Support Services (Holdings)
Limited (Registered number: 04985527)**

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

2. Accounting policies - continued

Going concern

On 7 October 2020 a new parent company guarantee was signed with Interserve Group Limited and Falcon Support Services Limited. This means that there is no longer an Event of Default as Interserve Group Limited is now providing the parent company guarantee.

On 1 December 2020 Interserve Group Limited completed the sale of its FM businesses, including Interserve Defence Ltd, to Mitie PLC. Interserve (Defence) Ltd has now changed name to be Mitie (Defence) Limited.

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

The directors have prepared a detailed model forecasting the performance of the contract to completion incorporating the relevant terms of the contract, subcontracts, Credit Agreement and reasonably prudent economic assumptions. This forecast, which is updated regularly, predicts that the company will be profitable and will have sufficient cash resources to operate within the terms of the contract, subcontracts and Credit Agreement. The directors have assessed the viability of its main sub-contractors and are satisfied in their ability to provide the services in line with the contractual terms. The directors have also sensitised the impact of increased lifecycle costs over the remainder of the concession period and consider there to be sufficient headroom for the company to operate in without breaching lender covenants. 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 group or cease trading as they consider they have realistic alternatives to doing so.

Although there is no event of default (as defined in the group's senior loan agreement) in existence at 31 March 2021, this was in existence at the prior year end and, as a consequence, the senior debt liability at 31 March 2020 is shown as being due in less than one year.

The net current assets of the business are positive. However, the group is in a deficit position due to the inclusion of the hedge reserve on the statement of financial position and this will unwind completely over the term of the hedge.

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

The World Health Organisation declared the Covid-19 outbreak a health emergency on 30 January 2020 and a global pandemic on 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 group in responding to Covid-19 has been assessed as low. This is because the group 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.

Since the Covid-19 outbreak, the customer, the Ministry of Defence, have continued making timely unitary payments in accordance with the guidance included in the Infrastructure and Projects Authority guidance note.

**Falcon Support Services (Holdings)
Limited (Registered number: 04985527)**

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

2. Accounting policies - continued

Critical accounting judgements and key sources of estimation uncertainty

Hedge accounting

Hedge accounting has continued to be adopted for the group's derivative. This is due to the payments under the loan repayment schedule remaining highly probable, as the expectation was that the matters that give rise to the event of default would be resolved. This matter is as described in the going concern section of Note 2. All remaining instalments are anticipated to continue to be settled in line with the payment schedule per the initial bank agreement.

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.

Estimates

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.

Key sources of estimation uncertainty

Accounting for the service concession contract and finance asset require an estimation of service margins, finance debtors interest rate and associated amortisation profile which is based on forecast results of the PFI contract.

Critical judgements in applying the group's accounting policies as discussed in detail within the relevant Accounting Policy.

- Derivative financial instruments are held at fair value.
- Applicability of hedge accounting.

Service concessions

The group chose to adopt the transitional arrangements available within FRS 102, Section 35.10 (i) and as such the service concession arrangement has continued to be accounted for using the same accounting policies being applied at the date of transition to FRS 102 (1 January 2014). The nature of the asset has therefore not changed.

Under the terms of the arrangement, the group has the right to receive a baseline contractual payment stream for the provision of the services from the grantor (the Authority), and as such the asset is accounted for as a financial asset. The financial asset has initially been recognised at the fair value of the consideration received, based on the fair value of the construction (or upgrade) services, plus any directly attributable transaction costs, provided in line with FRS 102.

Revenue is recognised from the supply of services, which represents the timing of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable.

**Falcon Support Services (Holdings)
Limited (Registered number: 04985527)**

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

2. Accounting policies - continued

Turnover

Turnover is recognised in accordance with the PFI contracts accounting policy and excludes discounts, rebates and value added tax.

PFI contracts

The group has taken advantage of exemptions made available under section 35 10 (i) of FRS 102, which permits it to continue to account for the service concession arrangement under the accounting policies adopted under old UK GAAP. As such there has been no substantial change to the treatment of the financial asset receivable due to the adoption of the standard.

During the period of construction, costs incurred as a direct consequence of designing and constructing the facilities, excluding finance costs, were shown as work in progress. Costs of financing were expensed during the period of construction. On completion, credit was taken for the deemed sale, which was recorded within turnover. The construction expenditure and associated costs were reallocated to cost of sales. Amounts receivable were classified as a financial asset receivable (PFI contract debtor).

Contractual unitary payment revenues received from the customer in the operational phase are apportioned between capital repayments, finance income and operating revenue. Variation and income arising from additional works requests are recognised as they are incurred.

Financial instruments

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

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

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

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.

**Falcon Support Services (Holdings)
Limited (Registered number: 04985527)**

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

2. Accounting policies - continued

Financial instruments (continued)

Impairment of financial assets

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

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

Derecognition of financial assets

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

Classification of financial liabilities

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

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

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

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

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

Fair values for derivative contracts (Note 16) are based on mark-to-market valuations provided by the contract counterparty. Whilst these can be tested for reasonableness, the exact valuation methodology and forecast assumptions for future interest rates or inflation rates are specific to the counterparty.

Derecognition of financial liabilities

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

Hedge accounting

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

Where hedge accounting recognises a liability then an associated deferred tax asset is also recognised.

**Falcon Support Services (Holdings)
Limited (Registered number: 04985527)**

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

2. Accounting policies - continued

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 statement of comprehensive income in the periods in which the hedged item affects profit or loss comprehensive income or when the hedging relationship ends.

Cash flow hedges

The effective portion of the changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit and loss in the periods in which the hedged item affects profit or loss, or when the hedging relationship ends.

Hedge accounting is discontinued when the entity revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time is reclassified to profit or loss when the hedged item is recognised in profit or loss. When a forecast transaction is no longer expected to occur, any gain or loss that was recognised in other comprehensive income is reclassified immediately to profit or loss.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax

Deferred tax is provided in full on timing differences which result in an obligation at the statement of financial position date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items or income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Share capital

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

Profit and loss account

The profit and loss reserve represents cumulative profit and losses.

Interest

The group has hedged its interest rate risk at the inception of the project by swapping its variable debt into a fixed rate by the use of an interest rate swap. Interest is recognised on the accruals basis at the appropriate rate.

Lifecycle costs

Under the terms of the PFI contract, the group has a programme of expenditure for the maintenance of and replacement of non-moveable assets in the facilities. In recognition of this obligation, the group has created a lifecycle expenditure provision to record the difference between the annual charge for maintenance prescribed by the contract terms and those actually incurred.

Bank debt policy

Interest bearing bank loans 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 statement of comprehensive income using the effective interest rate 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.

**Falcon Support Services (Holdings)
Limited (Registered number: 04985527)**

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

2. Accounting policies - continued

Financing charges

Costs of financing during both the construction and operational periods are expensed as they arise.

Capital Commitments

There are no capital commitments (2020: £nil).

Borrowing costs

It was group policy to expense borrowing costs during the construction phase. Cumulative borrowing costs of £11.3 million were expensed during that period.

All borrowing costs continue to be expensed since commencement of the operational phase in April 2008.

Investment in subsidiary undertaking

Investment in subsidiary undertaking is held at the cost of the share and the face value of the loan less any provision for impairment in value.

3. Turnover

The turnover and profit before taxation are attributable to the one principal activity of the group.

An analysis of turnover by class of business is given below:

	2021	2020
	£'000	£'000
Unitary payment revenue	16,760	16,197
Variation income	4,649	3,697
	<u>21,409</u>	<u>19,894</u>

The turnover arose entirely within the United Kingdom and through one principal activity.

Turnover, which is stated net of value added tax, represents amounts invoiced for services provided, and is recognised each year as the applicable portions of the amounts receivable relating to finance and operating costs calculated on a consistent basis (see accounting policy note 2).

4. Employees and directors

The company had no employees during the year (2020: nil).

Service fees are payable to the company's ultimate shareholders for the directors' services to the company during the year. The amounts paid are in note 19 (Related Parties) as Services.

5. Operating profit

The operating profit is stated after charging:

	2021	2020
	£'000	£'000
Auditors' remuneration	19	19
	<u>19</u>	<u>19</u>

**Falcon Support Services (Holdings)
Limited (Registered number: 04985527)**

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

6. Interest receivable and similar income

	2021	2020
	£'000	£'000
Bank account interest	22	143
Finance debtor interest	3,558	3,876
	<u>3,580</u>	<u>4,019</u>

7. Interest payable and similar expenses

	2021	2020
	£'000	£'000
Subordinated unsecured loan stock	1,057	1,095
Other financing fees	190	208
Interest rate swap	2,119	2,103
Senior secured loan	549	829
	<u>3,915</u>	<u>4,235</u>

8. 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	392	425
Tax on profit	<u>392</u>	<u>425</u>

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

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is the same as the standard rate of corporation tax in the UK.

	2021	2020
	£'000	£'000
Profit before tax	2,066	2,283
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	392	434
Effects of:		
Adjustments to tax charge in respect of previous periods	-	(9)
Total tax charge	<u>392</u>	<u>425</u>

**Falcon Support Services (Holdings)
Limited (Registered number: 04985527)**

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

8. Taxation - continued

Tax effects relating to effects of other comprehensive income

	Gross £'000	Tax £'000	2021 Net £'000
Effective portion of changes in fair value of hedges	2,154	(186)	1,968
	<u>2,154</u>	<u>(186)</u>	<u>1,968</u>
	Gross £'000	Tax £'000	2020 Net £'000
Effective portion of changes in fair value of hedges	780	52	832
	<u>780</u>	<u>52</u>	<u>832</u>

Factors that may affect future tax charges

A change to the future UK corporation tax rate was announced in the March 2021 Budget. The rate will increase to 25% with effect from 1 April 2023.

There is a deferred tax asset relating to the interest rate derivative which will unwind over the term of the hedging arrangement. All movements in the deferred tax have been recognised in other comprehensive income. The impact of the change in tax rate above means an increase of £200k to the deferred tax asset.

9. Individual consolidated statement of comprehensive income

As permitted by Section 408 of the Companies Act 2006, the Profit and Loss Account of the parent company is not presented as part of these financial statements.

10. Dividends

	2021 £'000	2020 £'000
Ordinary £1 (2019: £1) shares of £1 each		
Final	<u>4,318</u>	<u>-</u>

The dividend per share paid during the year is £431.77 (2020: £Nil).

11. Fixed asset investments

	Company	
	2021 £'000	2020 £'000
Shares in group undertakings	10	10
Loans to group undertakings	<u>6,664</u>	<u>9,115</u>
	<u>6,674</u>	<u>9,125</u>

**Falcon Support Services (Holdings)
Limited (Registered number: 04985527)**

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

11. Fixed asset investments - continued

Additional information is as follows:

Company

	Shares in group undertakings £'000
Cost	
At 1 April 2020 and 31 March 2021	10
Net book value	
At 31 March 2021	10
At 31 March 2020	10

Company

	Loans to group undertakings £'000
At 1 April 2020	9,115
Repayment in year	(2,451)
At 31 March 2021	6,664

The company's subsidiary undertaking, Falcon Support Services Limited, is wholly owned and incorporated in Great Britain. Its principal activity is to design, build, finance and provide operational services under a Private Finance Initiative concession contract. The address is the registered office shown on page 1.

12. Debtors

	Group	
	2021 £'000	2020 £'000
Amounts falling due within one year:		
Trade debtors	4	2,411
Finance debtor	3,679	3,384
Deferred tax asset	337	387
Prepayments and accrued income	3,683	3,164
	<u>7,703</u>	<u>9,346</u>

**Falcon Support Services (Holdings)
Limited (Registered number: 04985527)**

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

12. Debtors - continued

	Group	
	2021	2020
	£'000	£'000
Amounts falling due after more than one year:		
Finance debtor	30,556	35,167
Deferred tax asset	1,226	1,363
	31,782	36,530
Aggregate amounts	39,485	45,876

The deferred tax asset represents the deferred tax on the revaluation of the fair value of interest rate swap. The net reversal of the deferred tax asset expected to occur in the next reporting period is estimated to be £337,000 based on the anticipated recycling of cash flow hedges to profit and loss and changes in fair values of the cash flow hedging instruments.

	£'000
Deferred tax asset at 1 April 2020	1,750
Charged to Other Comprehensive Income in the year	(187)
Deferred tax asset at 31 March 2021	1,563

13. Creditors: amounts falling due within one year

	Group	
	2021	2020
	£'000	£'000
Loans (see note 15)	5,036	44,399
Trade creditors	3,213	2,264
Corporation tax	31	115
VAT	313	273
Interest rate swap liability	1,775	2,038
Accrued expenses	6,352	5,533
	16,720	54,622

The secured senior loan represents amounts borrowed under a facility agreement with Bank of Scotland. The loan bears interest at a margin of 1% over LIBOR and is repayable in six monthly instalments between 2008 and 2027. The loan is secured by fixed and floating charges over the property, assets and rights of Falcon Support Services Limited, and has certain covenants attached.

Although there is now no longer an Event of Default subsisting, it was in place at 31 March 2020 and so all Senior Debt in the prior year is shown under creditors falling due within 12 months.

**Falcon Support Services (Holdings)
Limited (Registered number: 04985527)**

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

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

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Loans (see note 15)	39,359	6,664	-	-
Amounts owed to group undertakings	-	-	6,664	9,115
Other financial liabilities	5,281	7,173	-	-
MOD insurance premium fund	172	172	-	-
	<u>44,812</u>	<u>14,009</u>	<u>6,664</u>	<u>9,115</u>

In July 2004 the group entered into a 24 year fixed interest rate swap agreement to hedge an exposure to the effect of interest rate fluctuations .

The swap was effected by Falcon Support Services Limited on a maximum notional amount of £86.9 million payable in monthly amounts between July 2004 and March 2008 and in six monthly amounts from March 2008 to September 2027. The fair value of the interest rate swap liability in the current and prior year has been determined by Bank of Scotland, which has used relevant market data to determine its valuation.

In addition to the utilised loan facility detailed above the company also has the following loan facility arrangements in place and have not been drawn, all of which bear non-utilisation costs at 0.45% per annum: Debt Service Reserve £4,284,153; Change of Law £1,292,808 (2020: Debt Service Reserve £4,284,153; Change of Law £1,292,808).

The subordinated unsecured loan stock was subscribed by the shareholders on 28 March 2008 and bears interest at 13.184% per annum payable in six monthly intervals in March and September each year, subject to approval of the lender. The stock is subordinated until all of the secured obligations of the company have been repaid or discharged in full.

**Falcon Support Services (Holdings)
Limited (Registered number: 04985527)**

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

15. Loans

An analysis of the maturity of loans is given below:

	Group	
	2021	2020
	£'000	£'000
Amounts falling due within one year or on demand:		
Subordinated unsecured loan stock	441	2,451
Senior secured loan	4,595	41,948
	<u>5,036</u>	<u>44,399</u>
Amounts falling due between one and two years:		
Subordinated unsecured loan stock	507	441
Senior secured loan	4,948	-
	<u>5,455</u>	<u>441</u>
Amounts falling due between two and five years:		
Subordinated unsecured loan stock	1,693	1,723
Senior secured loan	16,786	-
	<u>18,479</u>	<u>1,723</u>
Amounts falling due in more than five years:		
Repayable by instalments		
Subordinated unsecured loan stock	4,022	4,500
Senior secured loan	11,403	-
	<u>15,425</u>	<u>4,500</u>

**Falcon Support Services (Holdings)
Limited (Registered number: 04985527)**

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

16. Financial instruments

The company has the following financial instruments:

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Financial assets that are debt instruments measured at amortised cost:				
- Trade debtors	4	2,411	-	-
- PFI contract debtor	40,115	43,500	-	-
	<u>40,119</u>	<u>45,911</u>	<u>-</u>	<u>-</u>
Financial liabilities in effective hedging relationship:				
- Derivative financial instruments-interest rate swap	7,056	9,211	-	-
Financial liabilities measured at amortised cost:				
- Senior secured loan	37,732	41,948	-	-
- Subordinated unsecured loan stock	6,664	9,115	6,664	9,115
- Trade creditors	3,213	2,264	-	-
	<u>54,665</u>	<u>62,538</u>	<u>6,664</u>	<u>9,115</u>

17. Called up share capital

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	2021	2020
			£	£
10,000	Ordinary £1 (2019: £1)	£1	<u>10,000</u>	<u>10,000</u>

**Falcon Support Services (Holdings)
Limited (Registered number: 04985527)**

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

18. Reserves

Hedge Reserve

	2021	2020
	£'000	£'000
Derivatives that are designated and effective as hedging instruments carried at fair value		
Fair value of interest rate swap liability at year end	7,057	9,211
Deferred tax on above	(1,564)	(1,750)
Net liability	<u>5,493</u>	<u>7,461</u>

In July 2004 the group entered into a 24 year fixed interest rate swap agreement to hedge an exposure to the effect of interest rate fluctuations.

The swap was effected by Falcon Support Services Limited on a maximum notional amount of £86.9 million payable in monthly amounts between July 2004 and March 2008 and in six monthly amounts from March 2008 to September 2027. The fair value of the interest rate swap liability in the current and prior year has been determined by Bank of Scotland, which has used relevant market data to determine its valuation.

Retained earnings

Retained earnings represents cumulative profits and losses net of dividends paid.

19. Related party disclosures

The following disclosures are required by FRS 102 Section 33 "Related Party Disclosures":

PPP Equity PIP LP

	2021	2020
	£'000	£'000
Director services	51	53
Amount due to related party for Director services	<u>-</u>	<u>13</u>

50% interest in the company
Address: 1 Park Row, Leeds, LS1 5AB

Browning PFI 2003 Limited

	2021	2020
	£'000	£'000
Financing	528	547
Amount due to related party for financing	<u>3,332</u>	<u>4,578</u>

50% interest in the company
Address: 1 Park Row, Leeds, LS1 5AB

Innisfree PFI Secondary Funds

	2021	2020
	£'000	£'000
Director services	51	53
Financing	528	547
Amount due to related party for Director services	-	13
Amount due to related party for financing	<u>3,332</u>	<u>4,578</u>

**Falcon Support Services (Holdings)
Limited (Registered number: 04985527)**

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

19. Related party disclosures - continued

50% interest in the company

Address: 1st Floor Boundary House 91-93, Charterhouse Street, London, EC1M 6HR

Albany SPC Services Limited

	2021	2020
	£'000	£'000
Management services	369	372
Amount due to related party	22	160

Common management

Address: 3rd Floor, 3-5 Charlotte Street, Manchester M1 4HB

20. Controlling parties

On 15 March 2019, Interserve Investments Limited sold its entire indirect legal interests in the Falcon entities (through Browning PFI 2003 Limited) to PPD I Assetco Limited. This entity now holds an indirect interest of 50% in the Falcon entities.

In the directors' opinion there is no ultimate controlling party and the ultimate parent companies are PPP Equity PIP LP which is interested in 50% of the company, together with Innisfree PFI Secondary Fund which is interested in 16% of the company and Innisfree PFI Secondary Fund 2 LP which is interested in 34% of the company.

Both Innisfree Secondary Funds are English limited partnerships managed by Innisfree Limited, and PPP Equity PIP LP is also an English limited partnership managed by Dalmore Capital Limited.

21. Reconciliation of profit before taxation to cash generated from operations

	2021	2020
	£'000	£'000
Profit before taxation	2,066	2,283
Finance costs	3,915	4,235
Finance income	(3,580)	(4,019)
	2,401	2,499
Decrease in trade and other debtors	6,204	3,153
Increase/(decrease) in trade and other creditors	1,808	(528)
Cash generated from operations	10,413	5,124

**Falcon Support Services (Holdings)
Limited (Registered number: 04985527)**

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

22. Cash and cash equivalents

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 March 2021

	31/3/21	1/4/20
	£'000	£'000
Cash and cash equivalents	16,689	18,073

Year ended 31 March 2020

	31/3/20	1/4/19
	£'000	£'000
Cash and cash equivalents	18,073	16,294

23. Analysis of changes in net debt

	At 1/4/20	Cash flow	At 31/3/21
	£'000	£'000	£'000
Net cash			
Cash at bank	18,073	(1,384)	16,689
	18,073	(1,384)	16,689
Debt			
Debts falling due within 1 year	(44,399)	39,363	(5,036)
Debts falling due after 1 year	(6,664)	(32,695)	(39,359)
	(51,063)	6,668	(44,395)
Total	(32,990)	5,284	(27,706)