

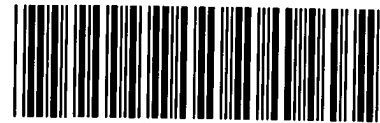
Registered number: 07110108

JUSTICE SUPPORT SERVICES (NORFOLK AND SUFFOLK) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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JUSTICE SUPPORT SERVICES (NORFOLK AND SUFFOLK) LIMITED

COMPANY INFORMATION

Directors	R L J Deeley D M M Vermeer
Company secretary	D T Adams
Registered number	07110108
Registered office	3rd Floor (South) 200 Aldersgate Street London EC1A 4HD
Independent auditor	Ryecroft Glenton Chartered Accountants and Statutory Auditors 32 Portland Terrace Newcastle upon Tyne NE2 1QP

JUSTICE SUPPORT SERVICES (NORFOLK AND SUFFOLK) LIMITED

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JUSTICE SUPPORT SERVICES (NORFOLK AND SUFFOLK) LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

The Directors present their report and the financial statements for the year ended 31 December 2019.

Directors' responsibilities statement

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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.

Principal activity

The principal activities of Justice Support Services (Norfolk & Suffolk) Limited ("the Company") are the design, construction, financing, supply of certain services and maintenance of a number of Police Investigation Centres in accordance with the terms of an agreement with Norfolk and Suffolk Police Authorities. This agreement together with a loan facilities agreement, a construction contract, a facilities management contract and other related contracts were signed on 22 February 2010. The concession period runs for a period of 29 years from this date.

Business review

The Company continued to operate the Police Investigation Centres in Norfolk and Suffolk with the local police authorities.

During the year, on 30 October 2019, the Company refinanced its existing senior debt with The Royal Bank of Scotland Plc. The capital of the Bank of Scotland debt was repaid in full and a new loan was drawdown for £85,208,442. Simultaneously, the existing interest rate SWAP is terminated and repaid at market value. The total interest rate on the new loan with AVIVA Public Finance Limited 2.20%. As part of the refinancing transaction, up front cash was paid to the authorities as part of their share of the gain on the refinancing, in line with the project totalling to £4,829,298 and an upstream loan was issued to the shareholders for a total of £3,378,947.

The project continues to operate in line with the PFI concession and is expected to do so in the future.

JUSTICE SUPPORT SERVICES (NORFOLK AND SUFFOLK) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Results and dividends

The loss for the year, after taxation, amounted to £19,517k (2018 - profit £286k).

The directors do not recommend the payment of a dividend (2018: £nil).

Directors

The Directors who served during the year were:

R L J Deeley
D M M Vermeer

Principal risks and uncertainties

The Company's operations expose it to a variety of financial risks including the effects of changes in interest rates on debt, credit risk and liquidity risk.

The Company's principal financial instruments comprise sterling cash and bank deposits, bank loans and shareholder loans together with trade debtors and trade creditors that arise directly from its operations. The main risks arising from the Company's financial instruments can be analysed as follows:

Liquidity risk

The use of a financial model mitigates liquidity risk by modelling expected cash flows throughout the life of the project. Funding requirements were assessed and arranged prior to commencement. Liquidity risk is low because cash flows are predictable and not prone to significant unexpected fluctuations.

Credit risk

The Company's principal financial assets are bank balances, cash, and trade debtors, which represent the Company's maximum exposure to credit risk in relation to financial assets.

The Company's credit risk is primarily attributable to its trade debtors. Credit risk is managed by use of a financial model which shows when payments should be received. Credit risk is low because the customer is a local authority and therefore government-backed.

Cash flow interest rate risk

Interest bearing assets comprise cash and bank deposits, all of which earn interest at a fixed rate. The Company's policy is to maintain other borrowings at fixed rates to fix the amount of future interest cash flows. The financial model dictates the overall level of borrowings and interest costs to limit any adverse effects on financial performance of the Company.

Future developments

The Directors of the Company are not aware of any circumstances by which the principal activity of the Company would alter or cease.

Disclosure of information to auditor

The directors confirm that at the time when this Directors' report is approved has confirmed that:

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

JUSTICE SUPPORT SERVICES (NORFOLK AND SUFFOLK) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Going concern

At 30 October 2019, the Company refinanced its debt which has resulted in net liabilities of £19,169,000 (2018: £15,773,000). Justice Support Services (Norfolk and Suffolk) Limited is a profitable company and as the per the operating model is expected to be profitable going forward.

The directors are also mindful of the potential impacts of Covid-19 and Brexit, and feel that, because of the tight controls over financing and the fixed agreements in place, the company will continue to operate as expected.

The directors also consider the biggest risk to going concern is the potential impacts of Brexit and Covid-19 on the FM contractor's position. The credit and performance risk of the FM contract supplier is monitored on a regular basis to ensure that the services are delivered on a continuing timely basis to the appropriate standard.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they adopt the going concern basis in preparing the annual report and accounts.

Auditor

The Directors of the Company have appointed the auditor, Ryecroft Glenton, for the period ending 31 December 2019 and will be proposed for reappointment in accordance with section 485 of the companies Act 2006.

Small companies note

In preparing this report, the Directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



D M M Vermeer
Director

Date: 30 June 2020

JUSTICE SUPPORT SERVICES (NORFOLK AND SUFFOLK) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JUSTICE SUPPORT SERVICES (NORFOLK AND SUFFOLK) LIMITED

Opinion

We have audited the financial statements of Justice Support Services (Norfolk and Suffolk) Limited (the 'Company') for the year ended 31 December 2019, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes, 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).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our

JUSTICE SUPPORT SERVICES (NORFOLK AND SUFFOLK) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JUSTICE SUPPORT SERVICES (NORFOLK AND SUFFOLK) LIMITED (CONTINUED)

knowledge obtained in 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 there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the 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.

Matter on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the 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 for the financial statements

As explained more fully in the Directors' responsibilities statement on page 1, 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.

JUSTICE SUPPORT SERVICES (NORFOLK AND SUFFOLK) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JUSTICE SUPPORT SERVICES (NORFOLK AND SUFFOLK) LIMITED (CONTINUED)

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

Other matters

This report is made solely to the Company's members 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 for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Ryecroft Glenton

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Grahame Maughan (Senior statutory auditor)

for and on behalf of

Ryecroft Glenton

32 Portland Terrace
Newcastle upon Tyne
NE2 1QP

30 June 2020

JUSTICE SUPPORT SERVICES (NORFOLK AND SUFFOLK) LIMITED

STATEMENT OF COMPREHENSIVE INCOME
31 DECEMBER 2019

	Note	2019 £000	2018 £000
Turnover		3,939	4,200
Cost of sales		(3,356)	(3,590)
Gross profit		583	610
Administrative expenses		(373)	(266)
Operating profit		210	344
Interest receivable and similar income	5	4,582	4,591
Interest payable and similar charges	6	(28,855)	(4,747)
(Loss)/profit before tax		(24,063)	188
Tax on (loss)/profit	7	4,546	98
(Loss)/profit for the financial year		(19,517)	286
Other comprehensive income for the year			
Movement in cash flow hedge		16,121	2,234
Taxation in respect of items of other comprehensive income		-	(380)
Other comprehensive income for the year		16,121	1,854
Total comprehensive income for the year		(3,396)	2,140

The notes on pages 10 to 21 form part of these financial statements.

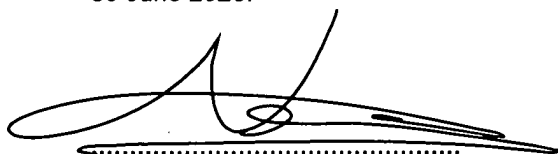
JUSTICE SUPPORT SERVICES (NORFOLK AND SUFFOLK) LIMITED
REGISTERED NUMBER: 07110108

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Current assets			
Debtors: amounts falling due after more than one year	8	67,344	59,003
Debtors: amounts falling due within one year	8	1,508	1,319
Current asset investments	9	3,799	5,410
Cash at bank and in hand		2,455	1,913
		<u>75,106</u>	<u>67,645</u>
Creditors: amounts falling due within one year	10	(4,398)	(4,684)
Net current assets		<u>70,708</u>	<u>62,961</u>
Total assets less current liabilities		<u>70,708</u>	<u>62,961</u>
Creditors: amounts falling due after more than one year	11	(88,043)	(77,536)
Provisions for liabilities			
Lifecycle provisions		(1,834)	(1,198)
		<u>(1,834)</u>	<u>(1,198)</u>
Net liabilities		<u>(19,169)</u>	<u>(15,773)</u>
Capital and reserves			
Called up share capital	15	100	100
Other reserves	16	-	(16,121)
Profit and loss account	16	(19,269)	248
		<u>(19,169)</u>	<u>(15,773)</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 June 2020.



D M M Vermeer
 Director

The notes on pages 10 to 21 form part of these financial statements.

JUSTICE SUPPORT SERVICES (NORFOLK AND SUFFOLK) LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital	Hedging reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2019	100	(16,121)	248	(15,773)
Comprehensive income for the year				
Loss for the year	-	-	(19,517)	(19,517)
Hedge effectiveness portion of change in fair value of designated hedge	-	16,121	-	16,121
Other comprehensive income for the year	-	16,121	-	16,121
Total comprehensive income for the year	-	16,121	(19,517)	(3,396)
At 31 December 2019	100	-	(19,269)	(19,169)

The notes on pages 10 to 21 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital	Hedging reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2018	100	(17,975)	(38)	(17,913)
Comprehensive income for the year				
Profit for the year	-	-	286	286
Taxation in respect of items of other comprehensive income	-	(380)	-	(380)
Hedge effectiveness portion of change in fair value of designated hedge	-	2,234	-	2,234
Other comprehensive income for the year	-	1,854	-	1,854
Total comprehensive income for the year	-	1,854	286	2,140
At 31 December 2018	100	(16,121)	248	(15,773)

The notes on pages 10 to 21 form part of these financial statements.

JUSTICE SUPPORT SERVICES (NORFOLK AND SUFFOLK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1. General information

Justice Support Services (Norfolk and Suffolk) Limited (the "Company") is a private limited company by shares and incorporated and domiciled in the UK. The Company's registered address is 3rd Floor (South), 200 Aldersgate Street, London, EC1A 4HD. The principal activities of Justice Support Services (Norfolk & Suffolk) Limited ("the Company") are the design, construction, financing, supply of certain services and maintenance of a number of Police Investigation Centres in accordance with the terms of an agreement with Norfolk and Suffolk Police Authorities

2. Accounting policies

2.1 Basis of preparation of financial statements

These financial statements were prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The presentation currency of these financial statements is sterling and monetary amounts are rounded to the nearest £'000.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. On first time adoption of FRS 102, the Company did not retrospectively change its accounting under old UK GAAP for accounting estimates.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

2.2 Going concern

The financial statements are prepared on the going concern basis for reasons stated in the Director's Report.

As at the balance sheet date the Company was in a net liability position of £19.3m (2018: £15.7m) as a result of the refinancing and the increased debt recognised on the statement of financial position. The Company meets its day to day working capital requirements principally through a senior debt facility, with interest payments fixed for the term of the loan. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance show that the Company should be able to operate within the level of its current facilities.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they adopt the going concern basis in preparing the annual report and accounts.

2.3 Revenue

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Income received in respect of the service concession is allocated between revenue and capital repayment of, and interest income on, the PFI financial asset using the effective interest rate method. Service revenue is recognised as a margin on non-pass-through operating and maintenance costs.

JUSTICE SUPPORT SERVICES (NORFOLK AND SUFFOLK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.4 Finance Debtor

The Company is an operator under a PFI contract. Under the terms of the contract, substantially all the risks and rewards of ownership of the property asset remain with Cambridgeshire County Council. The underlying asset is therefore treated not as a fixed asset of the Company.

During the construction phase of the project, all attributable expenditure including finance costs are included in amounts recoverable on contracts and turnover. Operating costs are added to the amounts recoverable on contract during the construction period. Upon the asset becoming operational, the costs are transferred to the finance debtor. During the operational phase, income is allocated between interest receivable and turnover using a constant operating margin on costs. Also during the operational phase, regular operating, maintenance costs and general overheads will be expensed to the profit and loss as incurred. The remainder of the PFI income will be allocated to the finance debtor.

2.5 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.6 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.7 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.8 Hedge accounting

The Company uses variable to fixed interest rate swaps to manage its exposure to fair value risk on its variable rate debt. These derivatives are measured at fair value at each balance sheet date.

To the extent the cash flow hedge is effective, movements in fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any ineffective portions of those movements are recognised in profit or loss for the year.

Gains and losses on the hedging instruments and the hedged items are recognised in profit or loss for the year. When a hedged item is an unrecognised firm commitment, the cumulative hedging gain or loss on the hedged item is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

JUSTICE SUPPORT SERVICES (NORFOLK AND SUFFOLK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.9 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.10 Current and deferred taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.11 Financial instruments

The Company enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each

JUSTICE SUPPORT SERVICES (NORFOLK AND SUFFOLK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.11 Financial instruments (continued)

reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an 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.

Derivatives, including interest rate swaps 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 income as appropriate.

2.12 Financial asset

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

Service concession

The Company is a special purpose entity that has been established to provide services under certain private finance agreements with Norfolk and Suffolk Police Authorities. Under the terms of these Agreements, the public sector customer (as grantor) controls the services to be provided by the Company over the contract term.

Based on the contractual arrangements the Company has classified the project as a service concession arrangement, and has accounted for the principal assets of, and income streams from, the project in accordance with FRS 102, Section 34.12 Service Concession Arrangements. The Company has chosen 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 2015). The nature of the asset has therefore not changed; however, there has been a change in the description from Finance Debtor to Financial Asset.

Under the terms of the arrangement, the Company has the right to receive a baseline contractual payment stream for the provision of the services from or at the direction of the grantor, 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 receivable, based on the fair value of the construction (or upgrade) services, plus any directly attributable transaction costs, provided in line with FRS 102.

Pursuant to section 23 of FRS 102, revenue associated with the financial asset comprises service income related to facilities management, lifecycle maintenance and other administrative running costs of the Company.

2.13 Current asset investments

Current asset investments are amounts held in treasury accounts which pay a higher rate of interest. These amounts are placed on deposit for a period greater than 90 days.

JUSTICE SUPPORT SERVICES (NORFOLK AND SUFFOLK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.14 Lifecycle provision

Provisions are made in respect of lifecycle maintenance to the extent that the Company is obliged to undertake maintenance in future periods.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial period are as follows:

Key sources of estimation uncertainty

Financial Asset Interest Rate - The financial asset interest income is based on the weighted average cost of capital of the project and is applied to the carrying value of the Financial Asset on a quarterly basis. The interest rate used is 6.49% (2018: 7.39%) per annum.

Service Margin – revenue on facilities management and other operating costs is recognised at cost plus an estimated mark up.

4. Directors' fee

	2019	2018
	£000	£000
Directors' fee	55	54

No Directors received any remuneration for their services to the Company (2018: £nil); the Company is managed by secondees from a related party to the shareholders under a management services contract.

5. Interest receivable

	2019	2018
	£000	£000
Interest receivable on loan to shareholders	16	-
Interest on finance debtor	4,566	4,591
	4,582	4,591

JUSTICE SUPPORT SERVICES (NORFOLK AND SUFFOLK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

6. Interest payable and similar expenses

	2019 £000	2018 £000
Interest payable on term loans	3,115	3,642
Interest payable on loans from group undertakings	970	1,055
Bank charges	1	1
SWAP termination costs	23,764	-
Amortisation of issue costs	1,005	49
	<u>28,855</u>	<u>4,747</u>

7. Taxation

	2019 £000	2018 £000
Corporation tax		
Current tax on profits for the year	-	26
Adjustments in respect of previous periods	-	(135)
Total current tax	<u>-</u>	<u>(109)</u>
Deferred tax		
Origination and reversal of timing differences	(4,546)	11
Total deferred tax	<u>(4,546)</u>	<u>11</u>
Taxation on loss on ordinary activities	<u>(4,546)</u>	<u>(98)</u>

JUSTICE SUPPORT SERVICES (NORFOLK AND SUFFOLK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

7. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018 - *lower than*) the standard rate of corporation tax in the UK of 19% (2018 - 19.25%). The differences are explained below:

	2019 £000	2018 £000
(Loss)/profit on ordinary activities before tax	<u>(24,063)</u>	<u>188</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19.25%)	(4,572)	36
Effects of:		
Adjustments to tax charge in respect of prior periods	26	(135)
Other differences	-	1
Total tax charge for the year	<u>(4,546)</u>	<u>(98)</u>

JUSTICE SUPPORT SERVICES (NORFOLK AND SUFFOLK) LIMITED

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8. Debtors

	2019 £000	2018 £000
Due after more than one year		
Amounts owed by shareholders	3,379	-
Financial asset	59,393	55,701
Deferred tax asset	4,572	3,302
	67,344	59,003
 Due within one year		
Corporation tax	109	109
Prepayments and accrued income	19	22
Financial asset	1,380	1,188
	1,508	1,319

9. Current asset investments

	2019 £000	2018 £000
Cash on deposit	3,799	5,410
	3,799	5,410

It is management's intention to actively manage cash balances held. These are amounts held in treasury accounts which pay a higher rate of interest. These amounts are placed on deposit for a period greater than 90 days.

JUSTICE SUPPORT SERVICES (NORFOLK AND SUFFOLK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

10. Creditors: Amounts falling due within one year

	2019	2018
	£000	£000
Bank overdrafts	499	-
Bank loans	2,806	1,424
Trade creditors	193	131
Other taxation and social security	224	344
Accruals and deferred income	676	2,785
	<u>4,398</u>	<u>4,684</u>

11. Creditors: Amounts falling due after more than one year

	2019	2018
	£000	£000
Bank loans	81,322	50,191
Amounts owed to group undertakings	6,721	7,922
Fair value of swap	-	19,423
	<u>88,043</u>	<u>77,536</u>

Amounts owed to group undertakings

The Unsecured Subordinated 11% Loan Stock is held 100% by Justice Support Service (Norfolk & Suffolk) Holdings Limited which is the company's immediate parent. This balance is not repayable until 2040.

JUSTICE SUPPORT SERVICES (NORFOLK AND SUFFOLK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

12. Loans

Analysis of the maturity of loans is given below:

	2019 £000	2018 £000
Amounts falling due within one year		
Bank loans	2,806	1,424
	2,806	1,424
Amounts falling due 1-2 years		
Bank loans	3,800	1,503
Amounts owed to group undertakings	237	-
	4,037	1,503
Amounts falling due 2-5 years		
Bank loans	9,631	5,526
Amounts owed to group undertakings	519	-
	10,150	5,526
Amounts falling due after more than 5 years		
Bank loans	67,891	43,162
Amounts owed to group undertakings	5,965	7,922
	73,856	51,084
	90,849	59,537

During the year, on 30 October 2019, the Company refinanced its existing senior debt with The Royal Bank of Scotland Plc. The capital of the Royal Bank of Scotland debt was repaid in full and a new loan was drawdown for £85,208,442. Simultaneously, the existing interest rate SWAP was terminated and repaid at market value. The total interest rate on the new loan with AVIVA Public Finance Limited 2.20%. Repayments of the loan is due semi-annually, ending in August 2040.

As part of the refinancing transaction, up front cash was paid to the authorities totalling to £4,829,298 and an upstream loan was issued to the shareholders for a total of £3,378,947. The loan is not repayable until 28 February 2041 and bears interest at a rate of 2.72%.

JUSTICE SUPPORT SERVICES (NORFOLK AND SUFFOLK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

13. Lifecycle Provision

	2019	2018
	£000	£000
At beginning of year	1,198	137
Actuals costs incurred in the year	(579)	(458)
Charge as per lifecycle	1,215	1,519
	<u>1,834</u>	<u>1,198</u>
At end of year	1,834	1,198

14. Financial instruments

	2019	2018
	£000	£000
Financial assets		
Financial assets measured at amortised cost	<u>67,452</u>	<u>64,039</u>
Financial liabilities		
Derivative financial instruments measured at fair value through profit or loss held as part of a trading portfolio	-	(19,423)
Financial liabilities measured at amortised cost	<u>(91,042)</u>	<u>(62,453)</u>
	<u>(91,042)</u>	<u>(81,876)</u>

Financial assets measured at amortised cost comprise cash at bank, service concession financial assets and cash asset investments.

Financial Liabilities measured at amortised cost comprise bank loans, trade and other creditors, accruals and deferred income and loan notes.

Derivative financial instruments designated as hedges of variable interest rate risk comprise an interest rate swap. The fair value of the interest rate swap has been determined by reference to prices available from the markets on which the instruments involved are traded.

JUSTICE SUPPORT SERVICES (NORFOLK AND SUFFOLK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

15. Share capital

	2019	2018
	£000	£000
Allotted, called up and fully paid		
100,000 (2018 - 100,000) Ordinary shares of £1.00 each	100	100

16. Reserves**Profit and loss account**

The profit and loss account includes all current and prior period retained profits and losses.

Cash flow hedge reserve

The cash flow hedge reserve represents the cumulative movements in fair value of fixed interest swaps, to the extent that the hedge is effective, net of associated deferred tax.

17. Related party transactions

The Company has taken advantage of the exemption in Financial Reporting Standard 102 and has not disclosed transactions with related parties where they are 100% owned.

During the period Equitix Management Services Limited provided management services to the Company amounting to £100,498 (2018: £96,078).

18. Parent undertakings

The Company is a wholly owned subsidiary of Justice Support Services (Norfolk and Suffolk) MidCo Limited, a company incorporated in the United Kingdom and registered in England and Wales, 3rd Floor (South), 200 Aldersgate Street, London EC1A 4HD.

The Company's ultimate parent and controlling entity is Equitix Fund III LP, an English limited partnership, registered at 3rd Floor (South), 200 Aldersgate Street, London EC1A 4HD.