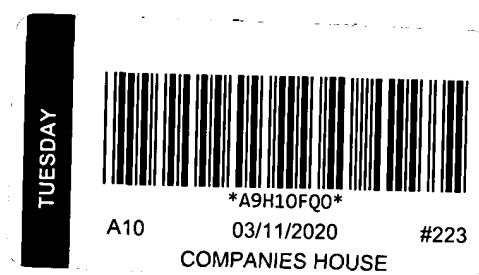


Registered number: 07984599

**West Yorkshire PFI Operational Training & Accommodation  
Ltd**

**Annual report and financial statements**

**For the year ended 31 March 2020**



# **West Yorkshire PFI Operational Training & Accommodation Ltd**

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# **West Yorkshire PFI Operational Training & Accommodation Ltd**

## **Company Information for the year ended 31 March 2020**

### **Directors**

Richard Daniel Knight  
Amit Rishi Jaysukh Thakrar

### **Company Secretary**

Wendy Lisa Rapley

### **Registered Office**

C/O Albany SPC Services Limited  
3<sup>rd</sup> Floor  
3-5 Charlotte Street  
Manchester  
M1 4HB  
England

### **Registered Number**

07984599 (England and Wales)

### **Bankers**

Royal Bank of Scotland  
London Corporate SC  
P O Box 39952  
2 ½ Devonshire Square  
London  
EC2M 4XJ

### **Auditor**

Goodman Jones LLP  
29/30 Fitzroy Square  
London  
W1T 6LQ

# **West Yorkshire PFI Operational Training & Accommodation Ltd**

## **Strategic report**

The directors present their annual report on the affairs of the company, together with the audited financial statements and auditor's report, for the year ended 31 March 2020. The directors, in preparing this strategic report, have complied with section 414C of the Companies Act 2006.

### **Principal activities**

The company undertakes a Private Finance Initiative (PFI) concession to design, build, finance and operate three police facilities in West Yorkshire, being Leeds DHQ and Custody Facility, Wakefield DHQ and Custody Facility and Carrgate Operational Training Facility. The company's operations are managed under the supervision of its shareholders and funders. They are largely determined by the detailed terms and the key performance indicators in the PFI contract with the Police and Crime Commissioner for West Yorkshire. They are also determined by the subcontracts with Interserve Construction Limited, (ICL) who supply the construction services and Interserve Facilities Management Limited (IFM), who supply the facilities maintenance services throughout the life of the concession. For this reason, the company's directors believe that no other key performance indicators apart from operating profit are necessary or appropriate for an understanding of the performance or position of the business.

The directors are not aware, at the date of this report, of any likely changes in the company's activities in the next year or for the foreseeable future.

### **Review of the business, future prospects and risks**

The Police and Crime Commissioner for West Yorkshire has entered into the Project Agreement with West Yorkshire PFI Operational Training & Accommodation Ltd to develop facilities on the three sites, which include the provision of two headquarters, custody suites, welfare and training facilities and a fire arms training facility. The concession is scheduled to last for a period of 27 years to March 2039, beginning with the design and construction phase which commenced in May 2012 and was due for staged completion of the construction works commencing November 2013 and completing in April 2014. Operations commenced at the Wakefield on 25 November 2013, followed by Carrgate on 24 February 2014 and Leeds HQ on 7 April 2014. Service Availability Date refers to the date at which construction completion is reached with all services delivered and the sites fully operational.

Britain exited from the European Union on 31 January 2020 and is in a transition period until 31 December 2020. The terms on which the United Kingdom may withdraw are not clear and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy. However, the company is not affected by the continued uncertainty surrounding the United Kingdom's membership of the European Union, as the cash flows generated from the PFI concession asset are secured under a contract with the client, which is a government body.

### **Principal risks and uncertainties**

The company's principal activity as detailed above is risk averse as its trading relationships with its customers, funders and sub-contractors 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 company is that services may not be able to continue due to the financial failure of one of the company's subcontractors. The financial stability of the facilities management and management services company is being monitored. The directors have reviewed the benchmarking information on the facilities management contract fee and are comfortable that this is market rate which would enable replacement of the contractor for a similar fee. The management service subcontractor fee has been reviewed and the directors feel comfortable that the service is at the market rate. The provision of management services were transferred to Albany SPC Services Limited, a third party on 21 December 2018.

### **Financial risk management**

West Yorkshire PFI Operational Training & Accommodation Ltd is a Special Purpose Vehicle created solely to deliver this project. Therefore, our principal activity as detailed above is low risk as our trading relationships with our customer, funders and sub-contractors are determined by the terms of their respective detailed PFI contracts, while competitive forces do not exist within our market. Our main exposure is to financial risks as detailed in the following section.

# **West Yorkshire PFI Operational Training & Accommodation Ltd**

## **Strategic report (continued)**

### **Financial risk management (continued)**

#### *Inflation risk:*

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

#### *Liquidity risk:*

West Yorkshire PFI Operational Training & Accommodation Ltd adopts a prudent approach to liquidity management by maintaining sufficient cash and liquid resources to meet its obligations. Due to the nature of the project, cash flows are reasonably predictable and so this is not a significant risk area.

#### *Credit risk:*

West Yorkshire PFI Operational Training & Accommodation Ltd receives the bulk of its revenue from the Police and Crime Commissioner for West Yorkshire and therefore is not exposed to significant credit risk. Cash investments are with institutions of a suitable credit quality.

#### *Environment:*

West Yorkshire PFI Operational Training & Accommodation Ltd recognises the importance of its environmental responsibilities, monitors its impact on the environment, and implements policies via its sub-contractors to reduce any damage that might be caused by the company's activities.

### **Corporate social responsibility (CSR)**

CSR aims to embrace responsibility for corporate actions and to encourage a positive impact on the environment and stakeholders including employees, investors, communities and others. The company is committed to a CSR action plan which incorporates equality and diversity training and a community cohesion impact training and consultancy program. The plan has been developed to source the supply chain within a fifty miles radius of the projects and to provide training and apprenticeships to the unemployed. This plan is regularly reviewed with the various community stakeholders.

### **Performance in the year:**

We measure the success of the company, now that all three sites are operational, on our ability to deliver operational services in accordance with the contract and to do this profitably. There has been un-forecast pass through income / deductions which does not affect the overall profit for the company and we have performed in line with the detailed forecasting model. The profitability and cash flow is as expected. The company was in default on the senior loan on 31 March 2019 due to Interserve Plc entering Administration. The default ended on 27<sup>th</sup> November 2019 when a waiver was signed by the lender, accepting the parent company guarantee of Interserve Group Limited for Interserve Construction Limited and Interserve (Facilities Management) limited. As the project matures, the split between operational profit and interest changes. The company continues to manage the project effectively, resulting in a continuing good relationship with the client.

As such, the company will record an operating profit during the year of £102k (2019: 130k). The decrease in operating profit was mainly attributable to the increased cost of sales from benchmarking the facility management fees at a market rate. We expect the company to continue to be profitable during the operations phase and we expect the cash flows of the project as a whole to have a positive net present value. Further explanation of the company's performance and result is included in the directors' report.

On 11 September 2019, Browning Developments No.10 Limited sold its interests in West Yorkshire PFI Operational Training & Accommodation (Holdings) Limited, to Equitix Bluelight 2 Limited.

### **Subsequent Events**

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.

## **West Yorkshire PFI Operational Training & Accommodation Ltd**

### **Strategic report (continued)**

#### **Subsequent Events (continued)**

Since the COVID-19 outbreak, the customer, West Yorkshire Police and Crime Commissioner, have continued making unitary payments in accordance with the guidance included in the Infrastructure and Projects Authority guidance note.

Furthermore, on 25 June 2020 Interserve and Mitie announced that they had signed a Sale and Purchase Agreement which is planned to lead to the merger of Interserve's Facilities Management (FM) business with that of Mitie, by the end of 2020. Completion of the transaction is subject to certain conditions, including the approval of Mitie's shareholders in August 2020.

Approved by the Board of Directors and signed on behalf of the Board.



Amit Rishi Jaysukh Thakrar

Director

28-10-20

# **West Yorkshire PFI Operational Training & Accommodation Ltd**

## **Directors' report (continued)**

The directors present their annual report and the audited financial statements for the year ended 31 March 2020.

### **Financial Risk Management Objectives and Policies**

Details of the principal risks and uncertainties are included in the strategic report.

### **Strategic Report**

The information that fulfils the Companies Act requirement of the business review is included in the directors' report and the strategic report. This includes a review of the development of the business of the company during the year, of its position at the end of the year and of the likely future developments in its business.

### **Employees**

The company has no direct employees (2019: nil).

### **Results and dividends**

During the year to 31 March 2020 West Yorkshire PFI Operational Training & Accommodation Ltd has performed in accordance with our expectations. The company made an interim dividend payment of £1,090k in November 2019 (2019: £257k).

The Company delivered operational services at all three sites during the year. Total cost of sales in the year to 31 March 2020 equalled £2,225k, and wholly related to the direct cost of delivering operational services. Our cash and cash equivalents position is good with a balance of £1,262k at the balance sheet date. Total operating costs including facilities management service fees, management service costs, insurance costs, directors' fees and administrative costs were all within our expectations and totalled £434k.

We view our overall performance as strong and expect to continue to meet our financial targets and continue to be profitable during 2020 and beyond.

Browning Developments No.10 Limited sold its interests in West Yorkshire PFI Operational Training & Accommodation (Holdings) Limited, to Equitix Bluelight 2 Limited in the year.

Details of events since the balance sheet date are contained in note 23 to the financial statements.

### **Going concern**

The Company has a Credit Agreement with lenders. Under the agreement, Interserve PLC is acting as a parent company guarantee (PCG) for both the facilities management subcontractor, Interserve (Facilities Management) Limited, and the building subcontractor, Interserve Construction Limited, both of which are subsidiaries of Interserve PLC. On 15 March 2019, Interserve PLC went into administration, as a result of which Interserve (Facilities Management) Limited and Interserve Construction Limited were sold to Interserve Group Limited, a newly incorporated private company controlled by its lenders.

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

Under the Credit Agreement with the lenders, if the PCG enters administration, this triggers an Event of Default. Once Interserve PLC entered administration, an Event of Default occurred. On 27 November 2019, Aviva has signed a waiver accepting the PCG of Interserve Group Limited for Interserve Construction Limited and Interserve (Facilities Management) Limited. As a result, the company is no longer in default due to the administration of Interserve PLC.

The directors have prepared a detailed model forecast to project completion incorporating the relevant terms of the PFI contract, subcontracts and Credit Agreement and reasonably prudent economic assumptions. This forecast and associated business model, which is updated regularly, predicts that the company will be profitable and will have sufficient cash resources to operate within the terms of the PFI contract, Subcontract and Credit agreement. Therefore, the directors, having considered the financial position of the company and its expected future cash flows, have prepared the financial statements on a going concern basis. The directors confirm that they do not intend to liquidate the company or cease trading as we consider we have realistic alternatives to doing so.

# **West Yorkshire PFI Operational Training & Accommodation Ltd**

## **Directors' report (continued)**

In reaching this conclusion, the directors have specifically considered the matters above in respect of the Event of Default under the terms of the company's senior financing agreement. The directors have found a resolution to the default under the project company's loan agreement in the form of a waiver.

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, West Yorkshire Police and Crime Commissioner, have continued making unitary payments in accordance with the guidance included in the Infrastructure and Projects Authority guidance note. The Directors have committed to carrying out regular reviews of the Company's cash flows to monitor the ongoing situation.

Furthermore, on 25 June 2020 Interserve and Mitie announced that they had signed a Sale and Purchase Agreement which is planned to lead to the merger of Interserve's Facilities Management (FM) business with that of Mitie, by the end of 2020. Completion of the transaction is subject to certain conditions, including the approval of Mitie's shareholders in August 2020.

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.

### **Event since the end of the year**

Information relating to events since the end of the year is given in the strategic report and in the notes to the financial statements.

### **Directors**

The directors set out in the table below have held office during the whole of the period from 1 April 2019 to the date of this report unless otherwise stated.

Other changes in directors holding office are as follows:

Robert Alistair Martin Gillespie - resigned 23 April 2019  
Christopher Richard Field - resigned 11 September 2019  
Matthew Templeton - resigned 11 September 2019

The directors show below were in the office at 31 March 2020 but did not hold any interest in the Ordinary shares of £1 each at 1 April 2019 or 31 March 2020.

Richard Daniel Knight  
Amit Rishi Jaysukh Thakrar

### **Auditor**

Each of the persons who are a director at the date of approval of this annual 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 he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

Deloitte LLP resigned as auditor in the year and Goodman Jones LLP have been appointed to hold the office as new auditor to the company for this financial year 2020. Goodman Jones LLP have expressed their willingness to continue in office.



## **West Yorkshire PFI Operational Training & Accommodation Ltd**

### **Directors' report (continued)**

3<sup>rd</sup> Floor  
3-5 Charlotte Street  
Manchester  
M1 4HB  
By order of the Board

*Amit Thakrar*

Amit Rishi Jaysukh Thakrar  
Director

28-10-20

## **West Yorkshire PFI Operational Training & Accommodation Ltd**

### **Directors' responsibilities statement**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# **West Yorkshire PFI Operational Training & Accommodation Ltd**

## **Independent auditor's report to the members of West Yorkshire PFI Operational Training & Accommodation Ltd**

### **Opinion**

We have audited the financial statements of West Yorkshire PFI Operational Training & Accommodation Ltd (the 'Company') for the year ended 31 March 2020, which comprise of the Income Statement, the Balance Sheet, the Cash Flow Statement, 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 IFRSs as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of the profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 Auditors' 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 Auditors' 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 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.

# **West Yorkshire PFI Operational Training & Accommodation Ltd**

## **Independent auditor's report to the members of West Yorkshire PFI Operational Training & Accommodation Ltd (continued)**

### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any 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 Directors' Responsibilities Statement on page 10, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://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 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 Auditors' 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.

## **West Yorkshire PFI Operational Training & Accommodation Ltd**

### **Independent auditor's report to the members of West Yorkshire PFI Operational Training & Accommodation Ltd (continued)**

Paul Bailey (Senior Statutory Auditor)

*Goodman Jones LLP*

for and on behalf of  
**Goodman Jones LLP**

29/30 Fitzroy Square London  
W1T 6LQ

28-10-20

## West Yorkshire PFI Operational Training & Accommodation (Holdings) Ltd

### Income statement

For the year ended 31 March 2020

|  | Notes | 2020<br>£'000 | 2019<br>£'000<br>*Restated |
|--|-------|---------------|----------------------------|
| Revenue  | 4     | 2,761         | 2,767                      |
| Cost of sales                                  |       | (2,225)       | (2,178)                    |
| <b>Gross profit</b>                            |       | <u>536</u>    | <u>589</u>                 |
| Administrative expenses                        |       | (434)         | (459)                      |
| <b>Operating profit</b>                        | 5     | <u>102</u>    | <u>130</u>                 |
| Finance income                                 | 6     | 5,314         | 5,519                      |
| Finance costs                                  | 7     | (4,974)       | (5,157)                    |
| <b>Profit before tax</b>                       |       | <u>442</u>    | <u>492</u>                 |
| Tax charge on profit                           | 8     | (89)          | (93)                       |
| <b>Profit for the financial year</b>           | 15    | <u>353</u>    | <u>399</u>                 |
| <b>Other comprehensive income</b>              |       | <u>-</u>      | <u>-</u>                   |
| <b>Total comprehensive income for the year</b> |       | <u>353</u>    | <u>399</u>                 |

\* Lifecycle costs have been reclassified from Administration expenses to Cost of sales to better reflect their nature. The comparatives have been restated.

All results in the current and prior year derive from continuing operations.

## West Yorkshire PFI Operational Training & Accommodation Ltd

### Balance Sheet

As at 31 March 2020

|                                  |    | 2020<br>£'000   | 2019<br>£'000<br>*Restated |
|----------------------------------|----|-----------------|----------------------------|
| <b>Non-current assets</b>        |    |                 |                            |
| Financial asset - PFI receivable | 10 | 85,761          | 89,704                     |
|                                  |    | <u>85,761</u>   | <u>89,704</u>              |
| <b>Current assets</b>            |    |                 |                            |
| Financial asset - PFI receivable | 10 | 4,002           | 3,874                      |
| Trade and other receivables      | 11 | 16              | 82                         |
| Cash and bank balances           |    | 1,262           | 4,358                      |
|                                  |    | <u>5,280</u>    | <u>8,314</u>               |
| <b>Total assets</b>              |    | <u>91,041</u>   | <u>98,018</u>              |
| <b>Current liabilities</b>       |    |                 |                            |
| Trade and other payables         | 12 | (647)           | (519)                      |
| Accruals                         | 12 | (205)           | (1,887)                    |
| Bank Loans                       | 13 | (3,627)         | (86,013)                   |
| Loans Notes                      | 13 | (115)           | (149)                      |
|                                  |    | <u>(4,594)</u>  | <u>(88,568)</u>            |
| <b>Net current assets</b>        |    | <u>686</u>      | <u>(80,254)</u>            |
| <b>Non-current liabilities</b>   |    |                 |                            |
| Bank loans                       | 13 | (77,750)        | -                          |
| Loan notes                       | 13 | (7,477)         | (7,592)                    |
| Trade and other payables         | 12 | (373)           | (274)                      |
|                                  |    | <u>(85,600)</u> | <u>(7,866)</u>             |
| <b>Total liabilities</b>         |    | <u>(90,194)</u> | <u>(96,434)</u>            |
| <b>Net assets</b>                |    | <u>847</u>      | <u>1,584</u>               |
| <b>Equity</b>                    |    |                 |                            |
| Called up share capital          | 14 | 60              | 60                         |
| Retained earnings                | 15 | 787             | 1,524                      |
| <b>Total shareholders' funds</b> | 16 | <u>847</u>      | <u>1,584</u>               |

\* As the time frame over which deferred income will be recognised is the life of project, a more accurate representation is splitting this between current liabilities and non-current liabilities and as a such the comparative has also been restated to reflect this.

The financial statements of West Yorkshire PFI Operational Training & Accommodation Ltd, registered number 07984599 were approved by the board of directors and authorised for issue on 28-10-20 . They were signed on its behalf by:

*Amit Thakrar*  
Amit Rishi Jaysukh Thakrar - Director

## West Yorkshire PFI Operational Training & Accommodation Ltd

### Statement of changes in equity

For the year ended 31 March 2020

|  | Notes | Called up<br>share<br>capital<br>£'000 | Retained<br>earnings<br>£'000 | Total<br>equity<br>£'000 |
|--|-------|--|-------------------------------|--------------------------|
| <b>Balance at 1 April 2018</b>                 |       | 60                                     | 1,382                         | 1,442                    |
| Profit for the year                            |       | -                                      | 399                           | 399                      |
| <b>Total comprehensive profit for the year</b> |       | -                                      | 399                           | 399                      |
| Dividends paid                                 | 9     | -                                      | (257)                         | (257)                    |
| <b>Balance at 31 March 2019</b>                |       | 60                                     | 1,524                         | 1,584                    |
| <b>Balance at 1 April 2019</b>                 |       | 60                                     | 1,524                         | 1,584                    |
| Profit for the year                            |       | -                                      | 353                           | 353                      |
| <b>Total comprehensive profit for the year</b> |       | -                                      | 353                           | 353                      |
| Dividends paid                                 | 9     | -                                      | (1,090)                       | (1,090)                  |
| <b>Balance at 31 March 2020</b>                |       | 60                                     | 787                           | 847                      |



## West Yorkshire PFI Operational Training & Accommodation Ltd

### Cash flow statement

For the year ended 31 March 2020

|  | Note | 2020<br>£'000       | 2019<br>£'000       |
|--|------|---------------------|---------------------|
| <b>Operating activities</b>                                  | 17   | 3,931               | 3,798               |
| Tax paid   |      | (51)                | (123)               |
| <b>Net cash inflow from operating activities</b>             |      | <u>3,880</u>        | <u>3,675</u>        |
| <b>Investing Activities</b>                                  |      |                     |                     |
| Interest received  |      | 5,314               | 5,519               |
| <b>Net cash inflow from investing activities</b>             |      | <u>5,314</u>        | <u>5,519</u>        |
| <b>Financing activities</b>                                  |      |                     |                     |
| Bank loan interest paid                                      |      | (4,788)             | (4,445)             |
| Bank loans repaid  |      | (4,860)             | (3,538)             |
| Subordinated loans interest paid                             |      | (1,403)             | -                   |
| Subordinated loans repaid                                    |      | (149)               | (44)                |
| Equity dividend paid   |      | (1,090)             | (257)               |
| <b>Net cash (outflow) from financing activities</b>          |      | <u>(12,290)</u>     | <u>(8,284)</u>      |
| <b>Net (decrease)/ increase in cash and cash equivalents</b> |      | <u>(3,096)</u>      | <u>910</u>          |
| <b>Cash and cash equivalents at beginning of year</b>        |      | <u>4,358</u>        | <u>3,448</u>        |
| <b>Cash and cash equivalents at end of year</b>              |      | <u><u>1,262</u></u> | <u><u>4,358</u></u> |
| <b>Reconciliation to cash at bank and in hand:</b>           |      |                     |                     |
| Cash at bank and in hand                                     |      | <u>1,262</u>        | <u>4,358</u>        |

# **West Yorkshire PFI Operational Training & Accommodation Ltd**

## **Notes to the financial statements**

For the year ended 31 March 2020

### **1. General information**

West Yorkshire PFI Operational Training & Accommodation Ltd is a private company limited by shares, incorporated and domiciled in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The company is a wholly owned subsidiary of West Yorkshire PFI Operational Training & Accommodation (Holdings) Limited and its principal place of business is the United Kingdom. The address of the registered office is given on page 3. The nature of the group's operations and its principal activities are set out in the strategic report.

### **Presentation of financial statements**

The financial statements are prepared in GBP. All amounts stated in this report are in thousands of GBP, unless indicated otherwise.

### **Going concern**

The Company has a Credit Agreement with lenders. Under the agreement, Interserve PLC is acting as a parent company guarantee (PCG) for both the facilities management subcontractor, Interserve (Facilities Management) Limited, and the building subcontractor, Interserve Construction Limited, both of which are subsidiaries of Interserve PLC. On 15 March 2019, Interserve PLC went into administration, as a result of which Interserve (Facilities Management) Limited and Interserve Construction Limited were sold to Interserve Group Limited, a newly incorporated private company controlled by its lenders.

Under the Credit Agreement with the lenders, if the PCG enters administration, this triggers an Event of Default. Once Interserve PLC entered administration, an Event of Default occurred. On 27 November 2019, Aviva has signed a waiver accepting the PCG of Interserve Group Limited for Interserve Construction Limited and Interserve (Facilities Management) Limited. As a result, the company is no longer in default due to the administration of Interserve PLC.

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

The directors have prepared a detailed model forecast to project completion incorporating the relevant terms of the PFI contract, subcontracts and Credit Agreement and reasonably prudent economic assumptions. This forecast and associated business model, which is updated regularly, predicts that the company will be profitable and will have sufficient cash resources to operate within the terms of the PFI contract, Subcontract and Credit agreement. Therefore, the directors, having considered the financial position of the company and its expected future cash flows, have prepared the financial statements on a going concern basis. The directors confirm that they do not intend to liquidate the company or cease trading as we consider we have realistic alternatives to doing so.

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, West Yorkshire Police and Crime Commissioner, have continued making unitary payments in accordance with the guidance included in the Infrastructure and Projects Authority guidance note. The Directors have committed to carrying out regular reviews of the Company's cash flows to monitor the ongoing situation.

Furthermore, on 25 June 2020 Interserve and Mitie announced that they had signed a Sale and Purchase Agreement which is planned to lead to the merger of Interserve's Facilities Management (FM) business with that of Mitie, by the end of 2020. Completion of the transaction is subject to certain conditions, including the approval of Mitie's shareholders in August 2020.

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.

# West Yorkshire PFI Operational Training & Accommodation Ltd

## Notes to the financial statements (continued)

For the year ended 31 March 2020

### 2. Basis of preparation

The Company has adopted accounting policies that are compliant with International Financial Reporting Standards (IFRS) in so far as they have been codified and endorsed by European Union member states, and therefore, these financial statements comply with Article 4 of the EU IAS regulation.

#### *Amendments to IFRSs that are mandatorily effective for the current year*

In the current year, the Company has applied the following amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

|                     |                                 |
|---------------------|---------------------------------|
| IFRS 3 (amendments) | <i>Definition of a Business</i> |
| IAS 1 (amendments)  | <i>Definition of Material</i>   |
| IAS 8 (amendments)  | <i>Definition of Material</i>   |
| IFRS 16             | <i>Leases</i>                   |

#### **Impact of new International Financial Reporting Standards**

This contract has no leases so IFRS 16 does not need to be considered.

#### *New and revised IFRSs endorsed but not yet effective*

At the date of authorisation of these financial statements, the Company has not applied any new and revised IFRSs that have been endorsed for use in the EU but are not yet effective. The directors do not expect the adoption of such standards listed above, will have a material impact on the financial statements of the company in future years.

### 3. Significant accounting policies

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

The principal accounting policies and measurement bases applied consistently by the Company in preparing its financial statements for the year to 31 March 2020 were as follows:

#### **a) Service concessions**

The service concession of the Company has been assessed to be within the scope of IFRIC 12. As the Company has the unconditional right to receive cash or another financial asset from or at the direction of the grantor the asset provided under the concession arrangement is accounted for as a financial asset.

#### **Financial instruments**

Financial assets and financial liabilities are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument. The financial assets and financial liabilities including PFI receivables held by the company are initially measured at fair value. Transaction costs that are directly attributable to the issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

#### **Financial assets**

Trade receivables and the PFI financial asset are subsequently measured at amortised cost.

# West Yorkshire PFI Operational Training & Accommodation Ltd

## Notes to the financial statements (continued)

For the year ended 31 March 2020

### 3. Significant accounting policies (continued)

The amortised cost of the financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of the financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

The company performed an expected credit loss calculation, whereby the probability of default multiplied by loss given default and multiplied by net present value of the cashflows resulted a zero expected credit loss adjustment. The company's assessment of the credit risk of the financial asset against the initial recognition is therefore that it does not consider it to have changed significantly.

The company would consider the credit risk on the financial asset to have increased significantly if contractual payments were more than 30 days past due, which is not the case for the year to 31 March 2020.

#### b) Financial liabilities

Financial liabilities are classified as other financial liabilities and arise from the purchase of goods or services and loans in the normal course of the company's business and those which, not having commercial substance, cannot be classed as derivative financial instruments.

Other financial liabilities are initially recognised at the fair value of the consideration received, adjusted by the directly attributable transaction costs. These liabilities are subsequently measured at amortised cost.

The company derecognises financial liabilities when the obligations giving rise to them cease to exist.

#### i) Equity instruments

An equity instrument represents a residual interest in the assets of the company after deducting all of its liabilities.

Capital instruments issued by the company are recognised in equity at the proceeds received, net of issue costs.

#### c) Revenue and expense recognition

Availability (Operational) phase – 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, which is determined to be 5.0% per annum.

Additional third party revenues arising are recognised in accordance with the contractual terms as services are performed.

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Revenue is measured at the fair value of the consideration received, net of discounts and taxes.

#### d) Related party transactions

The company performs all its transactions with related parties on an arm's length basis.

#### e) Borrowing costs

Project specific interest costs incurred in the performance of the service concession contract is expensed using the effective interest rate method. Arrangement and commitment fees are offset against the fair value of the debt. They are charged to income statement over the term of the debt using an effective interest rate.

#### f) Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.

#### g) Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

# West Yorkshire PFI Operational Training & Accommodation Ltd

## Notes to the financial statements (continued)

For the year ended 31 March 2020

### 3. Significant accounting policies (continued)

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020, was substantively enacted on 26 October 2015. Subsequently, the Finance Act 2016, which provides a further reduction in the main rate of corporation tax to 17% effective from 1 April 2020, was substantively enacted on 6 September 2016. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet. At Budget 2020, the government announced that the Corporation Tax main rate (for all profits except ring fence profits) for the years starting 1 April 2020 and 2021 would remain at 19%.

#### h) Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Any estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

There are currently no key sources of estimation uncertainty, but the critical accounting judgements are namely revenue recognition accounted for in line with IFRS 15 as described at note 3.c), the accounting for the financial asset accounted for in line with IFRIC 12 as described in note 3.a). The judgements and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting judgements are recognised in the year in which the judgement is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

#### Operating profit

Operating profit is recognised as the profit from the company's operations after deducting operating expenses.

### 4. Revenue

The company's revenue is derived from continuing activities in the United Kingdom and comprises the total invoice value, excluding VAT, of services rendered, 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 in note 3).

Revenue which is attributable to one geographical market, the United Kingdom, can be analysed as follows:

|                            | 2020<br>£'000 | 2019<br>£'000 |
|----------------------------|---------------|---------------|
| Revenue from operations    | 2,258         | 2,600         |
| Revenue from pass throughs | 503           | 167           |
| Total revenue              | <u>2,761</u>  | <u>2,767</u>  |

Revenue from pass throughs in the current year and previous year relate to utilities and variations.

## West Yorkshire PFI Operational Training & Accommodation Ltd

### Notes to the financial statements (continued)

For the year ended 31 March 2020

#### 5. Operating profit

Operating profit has been arrived at after charging:

|   | 2020<br>£'000 | 2019<br>£'000<br>*Restated |
|---|---------------|----------------------------|
| Management Service Costs including Directors' Fees  | (211)         | (212)                      |
| Insurance Costs   | (117)         | (150)                      |
| Auditor remuneration – audit services for the audit of the company and<br>its parent company borne by the company | (8)           | (16)                       |
| Taxation services   | (2)           | (5)                        |
| Other Costs   | (96)          | (76)                       |
|   | <u>(434)</u>  | <u>(459)</u>               |

\* Lifecycle costs have been reclassified from Administration expenses to Cost of sales to better reflect their nature. The comparatives have been restated.

There were no employees in the year ended 31 March 2020. (2019: nil). Directors' remuneration paid from the company in the year was £30k (2019: £29k).

#### 6. Finance income

|                             | 2020<br>£'000 | 2019<br>£'000 |
|-----------------------------|---------------|---------------|
| Interest revenue:           |               |               |
| Financial asset – PFI asset | 5,313         | 5,518         |
| Interest received           | 1             | 1             |
|                             | <u>5,314</u>  | <u>5,519</u>  |

#### 7. Finance costs

|  | 2020<br>£'000  | 2019<br>£'000  |
|--|----------------|----------------|
| Senior Loan interest on an effective interest rate basis | (4,034)        | (4,224)        |
| Interest on loan notes                                   | (940)          | (933)          |
|  | <u>(4,974)</u> | <u>(5,157)</u> |

## West Yorkshire PFI Operational Training & Accommodation Ltd

### Notes to the financial statements (continued)

For the year ended 31 March 2020

#### 8. Taxation

|   | 2020<br>£'000 | 2019<br>£'000 |
|---|---------------|---------------|
| <b>Current taxation</b>                                     |               |               |
| Current tax charge for the period                           | 89            | 93            |
| <b>Factors affecting the tax charge for the period</b>      |               |               |
| Profit before tax   | 442           | 492           |
| Tax charge on profit before tax at rate of 19 % (2019: 19%) | 84            | 93            |
| Prior year tax adjustment                                   | 5             | -             |
| Current tax charge for the period                           | 89            | 93            |

#### 9. Dividends

|  | 2020<br>£'000 | 2019<br>£'000 |
|--|---------------|---------------|
| Final dividend for the year ended 31 March 2020 of £18.17<br>(2019: £4.28) per ordinary share. 60,000 authorised shares (2019: 60,000 authorised shares) | 1,090         | 257           |
|  | 1,090         | 257           |

Since the year end the directors have not proposed or paid any dividends.

#### 10. Financial asset – PFI receivable

|                       | 2020<br>£'000 | 2019<br>£'000 |
|-----------------------|---------------|---------------|
| At 1 April 2019       | 93,578        | 96,970        |
| Additions             | 168           | 200           |
| Less: amortisation    | (3,983)       | (3,592)       |
|                       | 89,763        | 93,578        |
| <b>Analysed as:</b>   |               |               |
| Less than one year    | 4,002         | 3,874         |
| Greater than one year | 85,761        | 89,704        |
| At 31 March 2020      | 89,763        | 93,578        |

## West Yorkshire PFI Operational Training & Accommodation Ltd

### Notes to the financial statements (continued)

For the year ended 31 March 2020

#### 11. Trade and other receivables

|                   | 2020<br>£'000 | 2019<br>£'000 |
|-------------------|---------------|---------------|
| Other receivables | 5             | 68            |
| Prepayments       | 11            | 14            |
|                   | <u>16</u>     | <u>82</u>     |

The Directors consider that the carrying amount of other receivables is approximately equal to their fair value.

#### 12. Trade and other payables

|                     | 2020<br>£'000 | 2019<br>£'000    |
|---------------------|---------------|------------------|
| <b>Current:</b>     |               | <b>*Restated</b> |
| Deferred income     | (14)          | (14)             |
| Trade creditors     | (99)          | (27)             |
| Accruals            | (205)         | (1,887)          |
| Other payables      | (480)         | (463)            |
| Corporation Tax     | (54)          | (15)             |
|                     | <u>(852)</u>  | <u>(2,406)</u>   |
| <b>Non-current:</b> |               | <b>*Restated</b> |
| Deferred income     | (373)         | (274)            |
|                     | <u>(373)</u>  | <u>(274)</u>     |

Trade creditors principally comprise amounts outstanding for trade purchases and ongoing costs. The directors consider that the carrying amount of trade payables approximates to their fair value.

\* As the time frame over which deferred income will be recognised is the life of project, a more accurate representation is splitting this between current liabilities and non-current liabilities and as a such the comparative has also been restated to reflect this.



## West Yorkshire PFI Operational Training & Accommodation Ltd

### Notes to the financial statements (continued)

For the year ended 31 March 2020

#### 13. Borrowings

|   | 2020<br>£'000   | 2019<br>£'000   |
|---|-----------------|-----------------|
| <b>Unsecured borrowing at amortised cost</b>                    |                 |                 |
| Loan notes (note 18)  | (7,592)         | (7,741)         |
|   | <u>(7,592)</u>  | <u>(7,741)</u>  |
| <b>Secured borrowing at amortised cost</b>                      |                 |                 |
| Bank loans  | (83,518)        | (88,378)        |
| Effective Interest Rate Adjustment Account                      | 2,141           | 2,365           |
|   | <u>(81,377)</u> | <u>(86,013)</u> |
| <b>Total borrowings</b>   | <u>(88,969)</u> | <u>(93,754)</u> |
| <br>Loan notes due for settlement within 12 months              | <br>(115)       | <br>(149)       |
|   | <u>(115)</u>    | <u>(149)</u>    |
| Secured borrowing at amortised cost:                            |                 |                 |
| Bank Loans due for settlement within 12 months                  | (3,836)         | (88,378)        |
| Unamortised cost of Bank Loan's arrangement and commitment fees | 209             | 2,365           |
|   | <u>(3,627)</u>  | <u>(86,162)</u> |
| <br>Loan notes due for settlement after 12 months               | <br>(7,477)     | <br>(7,592)     |
|   | <u>(7,477)</u>  | <u>(7,592)</u>  |
| Secured borrowing at amortised cost:                            |                 |                 |
| Bank loans due for settlement after 12 months                   | (79,682)        | -               |
| Unamortised cost of Bank Loan's arrangement and commitment fees | 1,932           |                 |
|   | <u>(77,750)</u> |                 |
|   | <b>2020</b>     | <b>2019</b>     |
|   | <b>£'000</b>    | <b>£'000</b>    |
| Carrying value of loans payable in default at reporting date    | -               | 88,378          |

The bank loans are secured under the terms of The Facilities Agreement relating to West Yorkshire Police Authority Police Operational and Training Accommodation PFI Project on the assets and liabilities of the group. The project was in default in March 2019 and classified as a current liability. However by March 2020 the project is no longer in default. This is due to Aviva signing a waiver on 27<sup>th</sup> November 2019 accepting the parent company guarantee of Interserve Group Limited for Interserve Construction Limited and Interserve (Facilities Management) Limited, as stated in the strategic report.

The other principal features of the company's borrowings are as follows:

- (i) The company has one principal bank loan: a loan of £105,286k from the Aviva Public Private Finance Limited. The loan was agreed on 24 May 2012 and has been drawn down per the drawdown schedule during the Construction Phase between May 2012 and March 2014. Total repayment of the loan since the end of construction amounts to £16,707k, leaving a balance of £83,518k at 31 March 2020. Repayments will continue to be made on the quarter dates and will continue until 31 March 2038. The loan carries a fixed interest rate at 2.43 Gilt rate, plus a margin of 2%. The lender has security against the loan by way of a mortgage over the "assets" of the Company. "Assets" include present and future properties, revenue and rights of every description.

## West Yorkshire PFI Operational Training & Accommodation Ltd

### Notes to the financial statements (continued)

For the year ended 31 March 2020

#### 13. Borrowings (continued)

- (ii) Amounts repayable to related parties of the Group, comprising of loan notes. These loan notes were taken up by the shareholders of the company at Financial Close. On commencement of operations these Loan notes reverted to the interest payable in the Loan Note Agreement and carry an interest of 12% per annum charged on the outstanding loan balances.

The weighted average interest rates paid during the year were as follows:

|                                    | 2020<br>% | 2019<br>% |
|------------------------------------|-----------|-----------|
| Loans notes and intercompany loans | 12.00%    | 12.00%    |
| Bank loans                         | 4.43%     | 4.43%     |

#### 14. Called up share capital

|  | 2020<br>£'000 | 2019<br>£'000 |
|--|---------------|---------------|
| Issued and fully paid:                       |               |               |
| 60,000 authorised ordinary shares of £1 each | 60            | 60            |

The company has one class of ordinary shares which carry no right to fixed income.

#### 15. Reconciliation of profit and loss account

|   | 2020<br>£'000 | 2019<br>£'000 |
|---|---------------|---------------|
| Brought forward profit and loss account | 1,524         | 1,382         |
| Profit for the year                     | 353           | 399           |
| Dividend paid                           | (1,090)       | (257)         |
|   | <u>787</u>    | <u>1,524</u>  |

#### 16. Reconciliation of movement in shareholders' funds

|                                     | 2020<br>£'000 | 2019<br>£'000 |
|-------------------------------------|---------------|---------------|
| Brought forward shareholders' funds | 1,584         | 1,442         |
| Profit for the year                 | 353           | 399           |
| Dividend paid                       | (1,090)       | (257)         |
|                                     | <u>847</u>    | <u>1,584</u>  |

## West Yorkshire PFI Operational Training & Accommodation Ltd

### Notes to the financial statements (continued)

For the year ended 31 March 2020

#### 17. Notes to the cash flow statement

|  | 2020<br>£'000 | 2019<br>£'000 |
|--|---------------|---------------|
| Profit before tax for the year                           | 442           | 492           |
| Adjustments for:   |               |               |
| Interest income  | (5,314)       | (5,519)       |
| Finance costs  | 4,974         | 5,157         |
| Operating cash flows before movements in working capital | 102           | 130           |
| Decrease in receivables                                  | 3,882         | 3,366         |
| (Decrease)/increase in payables                          | (53)          | 302           |
| Cash outflow from operating activities                   | 3,931         | 3,798         |

#### Cash and cash equivalents

|                        | 2020<br>£'000 | 2019<br>£'000 |
|------------------------|---------------|---------------|
| Cash and bank balances | 1,262         | 4,358         |

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of 30 days or less. The carrying amount of these assets is approximately equal to their fair value.

#### 18. Financial instruments

##### Capital risk management

The company manages its capital to ensure that entities in the group will be able to continue as a going concern and operate within the parameters agreed with the debt provider and the Police and Crime Commissioner for West Yorkshire.

The capital structure of the company consists of debt, which includes the borrowings disclosed in note 13, cash and cash equivalents, issued capital, reserves and retained earnings.

The company is not subject to any externally imposed capital requirements.

# West Yorkshire PFI Operational Training & Accommodation Ltd

## Notes to the financial statements (continued)

For the year ended 31 March 2020

### 18. Financial instruments (continued)

#### Gearing ratio

The gearing ratio at the year-end is as follows:

|                           | 2020<br>£'000 | 2019<br>£'000 |
|---------------------------|---------------|---------------|
| Senior debt               | 83,518        | 88,378        |
| Cash and cash equivalents | (1,262)       | (4,358)       |
| Net Debt                  | <u>82,256</u> | <u>84,020</u> |
| Equity                    | 847           | 1,584         |
| Subordinated Debt         | <u>7,592</u>  | <u>7,741</u>  |
|                           | <u>8,493</u>  | <u>9,325</u>  |
| Net debt to equity ratio  | <u>9.75</u>   | <u>9.01</u>   |

Debt is defined as long- and short-term borrowings (excluding shareholder loans).

Equity includes all capital, and reserves of the company that are managed as capital and also subordinated debt from shareholders as these are considered quasi equity from a commercial perspective and for measuring gearing.

#### Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

#### Categories of financial instruments

The amounts disclosed are the maximum credit exposure. The amounts shown represent the maximum credit exposure. Financial assets are measured at carrying value measured at amortised cost.

|                                  | 2020<br>£'000   | 2019<br>£'000   |
|----------------------------------|-----------------|-----------------|
| <b>Financial assets</b>          |                 |                 |
| Cash and bank balances           | 1,262           | 4,358           |
| Receivables at amortised costs   | 89,763          | 93,578          |
| Carrying value at amortised cost | 91,025          | 97,936          |
| <b>Financial liabilities</b>     |                 |                 |
| Amortised cost                   | <u>(91,414)</u> | <u>(96,119)</u> |

#### Financial risk management objectives

The company monitors and manages the financial risks to which it is exposed through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including interest rate risk), credit risk, liquidity risk and cash flow interest rate risk.

The company seeks to minimise the effects of these risks and due to the company having a fixed rate term loan with Aviva at 2.43 per cent plus a margin of 2%, does not have to consider the implications of financial derivatives to fix the rate.

## **West Yorkshire PFI Operational Training & Accommodation Ltd**

### **Notes to the financial statements (continued)**

For the year ended 31 March 2020

#### **18. Financial instruments (continued)**

##### **Interest rate risk**

The company has no exposure to interest rate risk as the facility with Aviva, the funder, is at a fixed rate of 2.43% plus an additional 2% margin for the life of the concession. It is on a fixed drawdown and repayment, in accordance with the Legal Documents issued at Financial Close. The loan note is at fixed rate of 12%, which were taken up by the shareholders of the company at Financial Close.

PFI Financial assets are classified as loans and receivables. These are accounted at amortised cost using an effective interest rate which is fixed for the duration of the concession and hence this balance is not exposed to interest rate risk.

The company holds cash balances which earn interest in the range of 0.05% to 0.1%.

##### **Interest rate risk sensitivity analysis**

The sensitivity analyses below have been determined based on the exposure to interest rates for cash balances at the balance sheet date. A 0.25% increase or decrease is used as this represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.25% higher / lower and all other variables were held constant, the company's profit or net assets for the year ended 31 March 2020 would not have been materially different.

##### **Inflation rate risk management**

The company is not exposed to inflation rate risk because its future revenues under the project agreement and its major operational expenses under the Sub contract are indexed using the RPIX rate.

##### **Credit risk management**

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the company. West Yorkshire PFI Operational Training & Accommodation Ltd will receive the bulk of its revenue from a Police and Crime Commissioner for West Yorkshire in accordance with an agreed contract outlining the revenues and allowable expenditure for the entire life of the project and therefore is not exposed to significant credit risk due to the stability of the government backed counter party there are no expected credit losses. Cash investments are with institutions of a suitable credit quality.

The company's maximum exposure to credit risk is the carrying value of the financial assets at amortised costs which is £91,025k.

The company considers an event of default for internal credit risk management purposes as when there is a breach of financial covenants by the counterparty; or information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the company, in full (without taking into account any collaterals held by the company).

Irrespective of the above analysis, the company considers that default has occurred when a financial asset is more than 90 days past due unless the company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The company policy of when a financial asset is credit-impaired is when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. This includes a significant financial difficulty of the issuer or the borrower; a breach of contract, such as a default or past due event; the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider; it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or the disappearance of an active market for that financial asset because of financial difficulties.

The company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

## West Yorkshire PFI Operational Training & Accommodation Ltd

### Notes to the financial statements (continued)

For the year ended 31 March 2020

#### 18. Financial instruments (continued)

We do not consider the financial assets to be credit impaired. The financial asset is backed by a government organisation and a waiver of the event of default has been signed by Aviva on 27<sup>th</sup> November 2019 in acceptance of the Parent Company Guarantee provided by Interserve Group Limited, therefore the subordinated debt liability, payable by West Yorkshire PFI Operational Training and Accommodation Ltd is not credit impaired.

#### Liquidity risk management

The company adopts a prudent approach to liquidity management by maintaining sufficient cash and liquid resources to meet its obligations. Due to the nature of the project cash flows are reasonably predictable and so this is not a major risk area for the company.

The maturity profile of the company's financial liabilities is:

| 31 March 2020                            | Weighted<br>average<br>EIR<br>% | Less than<br>1 month<br>£'000 | 1-3<br>months<br>£'000 | 3 months<br>to 1 year<br>£'000 | 1-5 years<br>£'000 | 5+ years<br>£'000 | Total<br>£'000 |
|--|---------------------------------|-------------------------------|------------------------|--------------------------------|--------------------|-------------------|----------------|
| Non-interest bearing debt                |                                 | 304                           | -                      | -                              | -                  | -                 | 304            |
| <b>Fixed interest rate debt</b>          |                                 |                               |                        |                                |                    |                   |                |
| Bank loans                               | 4.43                            | -                             | -                      | 3,836                          | 13,878             | 65,804            | 83,518         |
| Loan notes                               | 12.00                           | -                             | -                      | 115                            | 426                | 7,051             | 7,592          |
|  |                                 | <u>304</u>                    | <u>-</u>               | <u>3,951</u>                   | <u>14,304</u>      | <u>72,855</u>     | <u>91,414</u>  |
| <br>31 March 2019                        |                                 |                               |                        |                                |                    |                   |                |
|  | Weighted<br>average<br>EIR<br>% | Less than<br>1 month<br>£'000 | 1-3<br>months<br>£'000 | 3 months<br>to 1 year<br>£'000 | 1-5 years<br>£'000 | 5+ years<br>£'000 | Total<br>£'000 |
| Non-interest bearing debt<br>(*Restated) |                                 | 1,914                         | -                      | -                              | -                  | -                 | 1,914          |
| <b>Fixed interest rate debt</b>          |                                 |                               |                        |                                |                    |                   |                |
| Bank loans                               | 4.43                            | 88,378                        | -                      | -                              | -                  | -                 | 88,378         |
| Loan notes                               | 12.00                           | 7,741                         | -                      | -                              | -                  | -                 | 7,741          |
|  |                                 | <u>98,032</u>                 | <u>-</u>               | <u>-</u>                       | <u>-</u>           | <u>-</u>          | <u>98,032</u>  |

\* Non-interest bearing debt excludes tax liabilities and deferred income, and comparatives have been restated.

## West Yorkshire PFI Operational Training & Accommodation Ltd

### Notes to the financial statements (continued)

For the year ended 31 March 2020

#### 18. Financial instruments (continued)

Contractual bank and other loan facilities with various maturity dates through to 2038 and which may be extended by mutual agreement:

|                  | 2020<br>£'000 | 2019<br>£'000 |
|------------------|---------------|---------------|
| <b>Secured</b>   |               |               |
| - amount used    | 83,518        | 88,378        |
|                  | 83,518        | 88,378        |
| <b>Unsecured</b> |               |               |
| - amount used    | 7,592         | 7,741         |
|                  | 7,592         | 7,741         |
| <b>Total</b>     |               |               |
| - amount used    | 91,110        | 96,119        |

#### Fair value measurements of financial instruments carried at amortised cost

All financial assets and financial liabilities are held at amortised costs, as shown below. PFI Financial Asset £89,762k (level 3) (2019: £93,578k), bank loans £83,518k (level 1) (2019: £88,378k) and loan notes £7,592k (level 1) (2019: £7,741k).

Except as detailed in the following table, the directors consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the financial statements approximate to their fair values:

|                               | 2020<br>Book<br>value<br>£000 | 2020<br>Fair<br>value<br>£000 | 2019<br>Book<br>value<br>£000 | 2019<br>Fair<br>value<br>£000 |
|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <b>Financial assets:</b>      |                               |                               |                               |                               |
| PFI financial asset (level 3) | 89,762                        | 104,035                       | 93,578                        | 101,521                       |
| <b>Financial Liabilities:</b> |                               |                               |                               |                               |
| Bank loans (level 1)          | (83,518)                      | (71,072)                      | (88,378)                      | (80,280)                      |
| Loan notes (level 1)          | (7,592)                       | (7,101)                       | (7,741)                       | (7,492)                       |

The fair value of the finance receivable has been calculated by discounting future cash flows relating to the asset using long term 25 years' swap rate of 0.7% at 31 March 2020 (1.58% at 31 March 2019), a risk factor rate of 0.5% (2019:0.5%), plus a prudence factor of 2.75% (2019:2.75%). The prudence factor has remained consistent. If the financial asset was held on the balance sheet at fair value, it would be a level 3 financial asset.

A level 3 financial asset are those derived from valuation techniques that include inputs to the asset or liability that are not based on observable market data (unobservable inputs).

The risk factor and the prudence factor are unobservable inputs which we have applied as a Company and are therefore subject to sensitivity on the fair valuation of the financial asset.

## West Yorkshire PFI Operational Training & Accommodation Ltd

### Notes to the financial statements (continued)

For the year ended 31 March 2020

#### 18. Financial instruments (continued)

| Prudence Factor % | Risk Factor % |         |         |
|-------------------|---------------|---------|---------|
|                   | 0.25          | 0.50    | 0.75    |
| 2.00              | 8,802         | 6,496   | 4,262   |
| 2.25              | 6,496         | 4,262   | 2,098   |
| 2.50              | 4,262         | 2,098   | 0       |
| 2.75              | 2,098         | 0       | (2,032) |
| 3.00              | 0             | (2,032) | (4,003) |
| 3.25              | (2,032)       | (4,003) | (6,661) |
| 3.50              | (4,003)       | (5,913) | (7,766) |

We do not consider the financial asset to be impaired, see note under Directors' Report- credit risk.

#### 19. Related party transactions

The company deems its investor in its parent company to be related parties in accordance with IAS 24 Related Party Disclosures as they exercise control over the company through the parent company. Transactions between the company and its related parties are disclosed below.

##### Remuneration of key management personnel

The Company does not directly remunerate the directors, who are the key management personnel of the group, but pay a fee for directors' services which is defined in the Management Service Agreement. Fees are £24,000 per annum (subject to indexation) and are billable by the two stakeholders who provide the personnel to the Board.

##### Loans from related parties

|   | 2020<br>£'000 | 2019<br>£'000 |
|---|---------------|---------------|
| Loan Notes – Browning Developments No. 10 Limited | -             | (3,870)       |
| Loan Notes – Equitix Bluelight 2 Limited          | (7,592)       | (3,870)       |

The loan notes carry an interest of 12% per annum charged on the outstanding loan balances.

##### Trading transactions with related parties

##### Regular transactions

West Yorkshire PFI Operational Training & Accommodation Ltd has subcontracted the building of the three police facilities to Interserve Construction Limited and receives the management services from Albany SPC Services Limited, which includes directors' fees and directors' fees are charged by Equitix Bluelight 2 Limited. Amounts incurred during the year and outstanding at 31 March 2020 (and included within trade creditors and accruals) were as follows:



## West Yorkshire PFI Operational Training & Accommodation Ltd

### Notes to the financial statements (continued)

For the year ended 31 March 2020

#### 19. Related party transactions (continued)

|   | 31 March<br>2020<br>£'000 | Amounts<br>owed to<br>related<br>parties<br>31 March<br>2020<br>£'000 | 31 March<br>2019<br>£'000<br>*Restated | Amounts<br>owed to<br>related<br>parties<br>31 March<br>2019<br>£'000<br>*Restated |
|---|---------------------------|---|--|--|
| <b>Equitix Bluelight 2 Limited</b>                        |                           |   |  |  |
| Loan Interest   | 730                       | -   | 466                                    | -  |
| Loan Principal  | 116                       | 7,592   | 23                                     | 3,870  |
| Other Services  | 12                        | 1   | 15                                     | -  |
|   | <u>858</u>                | <u>7,593</u>  | <u>504</u>                             | <u>3,870</u>   |
| <b>Browning Developments No.10 Limited</b>                |                           |   |  |  |
| Loan Interest   | 210                       | -   | 466                                    | -  |
| Loan Principal  | 33                        | -   | 23                                     | 3,870  |
| Other Services  | 9                         | 45  | 15                                     | 39   |
|   | <u>252</u>                | <u>45</u>   | <u>504</u>                             | <u>3,909</u>   |
| Interserve Investments – other services                   | -                         | -   | 146                                    | -  |
| Interserve Facilities Management Limited – other services | -                         | -   | 2,231                                  | -  |
| <b>Total</b>  | <u>1,110</u>              | <u>7,638</u>  | <u>3,385</u>                           | <u>7,779</u>   |

\*Comparatives have been restated to reflect prior year accruals within Other services as amount owed to related parties.

The loan notes held by Interserve Developments No. 10 Limited changed its name to Browning Developments No. 10 Limited on 18 March 2019. Browning Developments No. 10 Limited was a related party up to 11 September 2019 when it sold its interest to the groups' other investor, Equitix Bluelight 2 Limited.

#### 20. Commitments

There are no capital commitments (2019: £Nil).

#### 21. Controlling parties

The company is incorporated and domiciled in Great Britain. It is a 100% owned-subsiary of West Yorkshire PFI Operational Training & Accommodation (Holdings) Ltd, the immediate controlling party and parent, and is the smallest and largest entity to consolidate these financial statements. Registered Office: 3rd Floor, 3-5 Charlotte Street, Manchester, M1 4HB.

On the balance sheet date, West Yorkshire PFI Operational Training & Accommodation (Holdings) Ltd was solely owned by its parent company, Equitix Bluelight 2 Limited. The ultimate parent company at the date of signing is Equitix Fund II LP.

Copies of the financial statements of West Yorkshire PFI Operational Training & Accommodation (Holdings) Ltd are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

## **West Yorkshire PFI Operational Training & Accommodation Ltd**

### **Notes to the financial statements (continued)**

For the year ended 31 March 2020

#### **23. Post statement of financial position events**

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, West Yorkshire Police and Crime Commissioner, have continued making unitary payments in accordance with the guidance included in the Infrastructure and Projects Authority guidance note.

Furthermore, on 25 June 2020 Interserve and Mitie announced that they had signed a Sale and Purchase Agreement which is planned to lead to the merger of Interserve's Facilities Management (FM) business with that of Mitie, by the end of 2020. Completion of the transaction is subject to certain conditions, including the approval of Mitie's shareholders in August 2020.