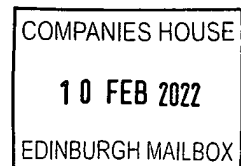


Addiewell Prison (Holdings) Limited

Annual report and financial statements

Company Number: SC291481

31 March 2021



Addiewell Prison (Holdings) Ltd

Contents of the Financial Statements for the Year Ended 31 March 2021

	Page
Company Information	3
Strategic Report	4
Directors' Report	6
Independent Auditor's report	8
Consolidated Income Statement	12
Consolidated Statement of Other Comprehensive Income	13
Consolidated Balance Sheet	14
Company Balance Sheet	15
Consolidated Statement of Changes in Equity	16
Company Statement of Changes in Equity	17
Consolidated Cash Flow Statement	18
Notes to the Financial Statements	19

Addiewell Prison (Holdings) Ltd

Company Information for the Year Ended 31 March 2021

Directors:

S A Carter
J N E Cowdell
M G D Holden
J Heath

Secretary:

Mrs Wendy Rapley

Registered office:

C/O Sodexo Remote Sites Limited
4th Floor, Exchange No.1
62 Market Street
Aberdeen
AB11 5PJ

Registered number:

SC291481 (Scotland)

Auditor:

Johnston Carmichael LLP
7-11 Melville Street
Edinburgh
EH3 7PE

Addiewell Prison (Holdings) Ltd

Strategic Report for the Year Ended 31 March 2021

The Group (being Addiewell Prison (Holdings) Ltd and Addiewell Prison Ltd) is a Private Finance Initiative ("PFI") vehicle whose purpose is to design, construct, finance and manage HMP Addiewell. It has a 25 year operational contract with the Scottish Prison Service ("SPS"), due to complete in December 2033. The directors do not expect any change in the nature of the Group's business in the immediate future.

In the year Addiewell Prison (Holdings) Ltd (the "Group") made a profit of £2,474,000 (2020: £1,081,000) and closed the year with net liabilities of £1,880,000 (2020: £3,784,000).

The Group's operations are managed under the supervision of its shareholders and funders and are monitored by key performance indicators in the PFI contract with the SPS and the subcontract with Sodexo Limited who supply the facilities maintenance services throughout the life of the concession. These key performance indicators are in place to monitor certain operational functions and failure to meet minimum targets result in financial penalties, which are ultimately payable by Sodexo Limited.

The PFI contract and subcontracts with SPS and Sodexo Limited are fixed for the life of the contract and this enables the Group to have certainty over its income and major expenses until 2033. Furthermore, the Subsidiary (Addiewell Prison Ltd) has a Credit Agreement with its lender which fixes the level of borrowing and repayments due until the loan is fully repaid in 2032. Its main exposure is to financial risks as detailed in the following section.

Principal risks and uncertainties

The Group's principal activity as detailed above is risk free as its trading relationships with its customer, funders and sub-contractors are determined by the terms of their respective detailed PFI contracts with the Subsidiary.

Financial Risk Management

The Group has exposure to a variety of financial risks which are managed with the purpose of minimising any potentially adverse effect on the company's performance.

The board has policies for managing each of these risks and they are summarised below:

Interest Rate Risk

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

Inflation Risk

The Group'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

The Group 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 Group.

Credit risk

The Group receives the bulk of its revenue from a Government agency and therefore is not exposed to significant credit risk.

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

Addiewell Prison (Holdings) Ltd

Strategic Report – continued for the Year Ended 31 March 2021

Ownership

The Group is owned by its ultimate shareholders Sodexo Investment Services Limited and Infrastructure Investments Holdings Limited.

Going Concern

On 15th March 2020 Interserve Plc, the parent company of Interserve Construction Limited (known as Tilbury Douglas Construction Limited as of 08 March 2021), went into administration and all its subsidiaries were sold to Interserve Group Limited, a newly incorporated private company controlled by its lenders. Interserve Construction Limited, which is a subsidiary of the company, with which the subsidiary Addiewell Prison Limited (the “Project Company”) has a contractual relationship as it constructed the prison, is continuing business as usual within the newly formed group of Interserve Group Limited. Interserve Plc was classed as a major project party under the Project Company's loan agreement as it provides a parent company guarantee for Interserve Construction Ltd. Under the credit agreement with the lenders, if any major project party enters administration, this triggers an event of default. Once Interserve Plc entered administration an event of default occurred. On 17 March 2021, an agreement was reached with lenders and a lender consent letter was signed waiving the requirement for a replacement PCG. Instead, the Group has agreed with its lenders to reserve a cash sum. As a result, the Group is no longer in default, due to the administration of Interserve PLC.

Services have not been affected by these changes in Interserve 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 Project Company and overall Group will be profitable with 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 Group and its expected future cash flows, have prepared the financial statements on a going concern basis.

Since the COVID-19 outbreak, SPS have continued making unitary payments in accordance with the guidance included in the Infrastructure and Projects Authority guidance note, and the onward payments to the Facilities Management company have continued to be paid in accordance with the project agreement.

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.

On behalf of the board:



(J Heath)

.....
Director

Date: 8 February 2022

Addiewell Prison (Holdings) Ltd

Directors' Report for the Year Ended 31 March 2021

Details of the principal risks and uncertainties are included in the Strategic Report.

The directors present their annual report and the audited financial statements for the year ended 31 March 2021.

Dividends

Dividends of £2,790,000 (2020: £Nil) were distributed for the year ended 31 March 2021.

Environment

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

Employees

The Group has no direct employees.

Events after the reporting date

There have been no significant events since the statement of financial position date other than those referred to in the going concern section of the Strategic Report and those disclosed at Note 20.

Directors

The directors shown below have held office during the whole of the period from 1 April 2020 to the date of this report.

S A Carter
J N E Cowdell
M G D Holden
J Heath

The Articles of Association of the Group provide that in certain circumstances the directors are entitled to be indemnified out of the assets of the Group against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the UK Companies Act 2006. Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the directors.

Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Statement of directors' responsibilities

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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the Group and of the profit or loss of the company and the Group for that period. In preparing these financial statements, the directors are required to:

Addiewell Prison (Holdings) Ltd

Directors' Report – continued for the Year Ended 31 March 2021

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the Annual Report and financial statements.
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and the Group and to prevent and detect fraud and other irregularities.

Directors' Statement of Compliance with duty to promote the success of the company

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this section 172 requires directors to have regard to, amongst other matters, the:

- likely consequences of any decisions in the long-term.
- interests of the group's employees.
- need to foster the group's business relationships with suppliers, customers, and others.
- impact of the group's operations on the community and environment.
- desirability of the group maintaining a reputation for high standards of business conduct; and
- need to act as between members of the company.


In discharging our section 172 duties we have regard to the matters set out above. In addition, we also have regard to other factors which we consider relevant to the decision being made. Those factors for example include our relationship with our regulators and government agencies. By considering the Group's purpose, vision, and values together with its strategic priorities and having a process in place for decision making, we aim to make sure that our decisions are consistent and predictable.

Board meetings are held periodically where the directors consider the Group's activities and make decisions. As a part of those meetings the directors receive information in a range of different formats to ensure that they have regard to section 172 matters when making relevant decisions. The views of and the impact of the group's activities on those stakeholders are also an important consideration for the Directors when making relevant decisions.

Independent Auditor

The independent auditors, Johnston Carmichael LLP, have indicated their willingness to continue in office as auditors and appropriate arrangements have been put in place for them to be deemed reappointed in the absence of an Annual General Meeting.

Approved by the Board of Directors and signed on its behalf

Director:  (J Heath)

Date: 8 February 2022

Addiewell Prison (Holdings) Ltd

Independent Auditor's Report for the Year Ended 31 March 2021

Opinion

We have audited the financial statements of Addiewell Prison (Holdings) Limited (the "parent company") and its subsidiaries (the "Group") for the year ended 31 March 2021 which comprise the Consolidated Income Statement, Consolidated Statement of Other Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and notes to the financial statements, including 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 Group and the parent company's affairs as at 31 March 2021, and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 UK, including the FRC'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

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Addiewell Prison (Holdings) Ltd

Independent Auditor's Report – continued for the Year Ended 31 March 2021

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 our knowledge and understanding of the group and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities set out on page 6 and 7, 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.

**Independent Auditor's Report – continued
for the Year Ended 31 March 2021**

Extent to which the audit is considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the company, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- FRS 102
- Companies Act 2006
- Corporation Tax legislation
- VAT legislation

We gained an understanding of how the company is complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries by review of submitted returns and board meeting minutes.

We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. In areas of the financial statements where the risks were considered to be higher, we performed procedures to address each identified risk.

The following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing minutes of meetings of those charged with governance;
- Reviewing the level of and reasoning behind the company's procurement of legal and professional services; and
- Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

Addiewell Prison (Holdings) Ltd

Independent Auditor's Report – continued for the Year Ended 31 March 2021

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Grant Roger (Senior Statutory Auditor)
For and behalf of Johnston Carmichael LLP
Chartered Accountants
Statutory Auditor

7-11 Melville Street
Edinburgh
EH3 7PE

Date: 9 February 2022

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Addiewell Prison (Holdings) Ltd

Consolidated Income Statement for the Year Ended 31 March 2021

	Notes	2021 £'000	2020 £'000
Turnover	2	27,682	27,020
Cost of sales		<u>(23,893)</u>	<u>(24,239)</u>
Gross profit		3,789	2,781
Administrative expenses		<u>(1,324)</u>	<u>(1,309)</u>
Operating profit		2,465	1,472
Interest receivable and similar income	5	<u>5,328</u>	<u>5,616</u>
		7,793	7,088
Interest payable and similar expenses	6	<u>(4,622)</u>	<u>(4,772)</u>
Profit before taxation		3,171	2,316
Tax on profit	7	<u>(697)</u>	<u>(1,235)</u>
Profit for the financial year		<u><u>2,474</u></u>	<u><u>1,081</u></u>

All activities are derived from continuing operations.

As permitted by Section 408 of the Companies Act 2006, the group has not presented its own profit and loss account. The result of the group in the year was £nil (2020: £nil).

There is no material difference between the profit before taxation and the profit for the financial year stated above and their historical cost equivalents.

The notes on pages 19 to 32 form part of these financial statements.

Addiewell Prison (Holdings) Ltd**Consolidated Statement of Other Comprehensive Income
for the Year Ended 31 March 2021**

	Notes	2021 £'000	2020 £'000
Profit for the year		2,474	1,081
Other comprehensive income			
Change in value of hedging instrument		2,741	(373)
Deferred tax charge in relation to hedging		<u>(521)</u>	<u>398</u>
Total comprehensive income for the year		<u>4,694</u>	<u>1,106</u>

The notes on pages 19 to 32 form part of these financial statements.

Addiewell Prison (Holdings) Ltd

Consolidated Balance Sheet for the Year Ended 31 March 2021

	Notes	2021 £'000	2020 £'000
Current assets			
Debtors	10		
Amounts falling due after more than one year		71,343	72,545
Amounts falling due within one year		8,375	11,328
Cash at bank		<u>6,923</u>	<u>10,807</u>
		86,641	94,680
Creditors			
Amounts falling due within one year	11	(10,885)	(68,568)
Net current assets		<u>75,756</u>	<u>26,112</u>
Total assets less current liabilities		75,756	26,112
Creditors			
Amounts falling due after more than one year	12	(72,805)	(24,752)
Provisions for liabilities	13	<u>(4,831)</u>	<u>(5,144)</u>
Net liabilities		<u>(1,880)</u>	<u>(3,784)</u>
Capital and reserves			
Called up share capital	14	100	100
Hedging reserve		(11,319)	(13,539)
Retained earnings		<u>9,339</u>	<u>9,655</u>
Total shareholders debt		<u>(1,880)</u>	<u>(3,784)</u>

The notes on pages 19 to 32 form part of these financial statements.

These financial statements were approved by the Board of Directors on 8 February 2022 and were signed on its behalf by:



J Heath
Director

Registered Company Number: SC291481

Addiewell Prison (Holdings) Ltd

Company Balance Sheet for the Year Ended 31 March 2021

	Notes	2021 £000	2020 £000
FIXED ASSETS			
Investments		100	100
CURRENT ASSETS			
Debtors:	10		
Amounts falling due after more than one year		8,161	8,037
Amounts falling due within one year		<u>253</u>	<u>2,514</u>
		8,414	10,551
CREDITORS: amounts falling due within one year	11	<u>(253)</u>	<u>(2,514)</u>
NET CURRENT ASSETS		<u>8,161</u>	<u>8,037</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		8,261	8,137
CREDITORS: amounts falling due after more than one year	12	<u>(8,161)</u>	<u>(8,037)</u>
NET ASSETS		<u>100</u>	<u>100</u>
CAPITAL AND RESERVES			
Called up share capital		<u>100</u>	<u>100</u>
TOTAL SHAREHOLDER'S FUNDS		<u>100</u>	<u>100</u>

The notes on pages 19 to 32 form part of these financial statements.

The financial statements of Addiewell Prison (Holdings) Ltd, registered number SC291481 were approved by the Board of Directors and authorised for issue on 8 February 2022

Signed on behalf of the Board of Directors



J Heath
Director

Registered Company Number: SC291481

Addiewell Prison (Holdings) Ltd

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

	Notes	Called up share capital £'000	Retained earnings £'000	Hedging reserve £'000	Total equity £'000
Balance at 31 March 2019		<u>100</u>	<u>8,574</u>	<u>(13,564)</u>	<u>(4,890)</u>
Profit for the financial year		-	1,081	-	1,081
Other comprehensive income		<u>-</u>	<u>-</u>	<u>25</u>	<u>25</u>
Total comprehensive income		<u>-</u>	<u>1,081</u>	<u>25</u>	<u>1,106</u>
Dividends	8	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 31 March 2020		<u>100</u>	<u>9,655</u>	<u>(13,539)</u>	<u>(3,784)</u>
Profit for the financial year		-	2,474	-	2,474
Other comprehensive income		<u>-</u>	<u>-</u>	<u>2,220</u>	<u>2,220</u>
Total comprehensive income		<u>-</u>	<u>2,474</u>	<u>2,220</u>	<u>4,694</u>
Dividends	8	<u>-</u>	<u>(2,790)</u>	<u>-</u>	<u>(2,790)</u>
Balance at 31 March 2021		<u>100</u>	<u>9,339</u>	<u>(11,319)</u>	<u>(1,880)</u>

The notes on pages 19 to 32 form part of these financial statements.

Addiewell Prison (Holdings) Ltd

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

	Called up share capital	Profit and loss account	Total shareholders funds
	£'000	£'000	£'000
Balance at 1 April 2019	100	-	100
Profit for the financial year	-	-	-
Other comprehensive income for the year	-	-	-
	<hr/>	<hr/>	<hr/>
Total comprehensive income	-	-	-
	<hr/>	<hr/>	<hr/>
Dividends	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2020	100	-	100
	<hr/>	<hr/>	<hr/>
Profit for the financial year	-	-	-
Other comprehensive income for the year	-	-	-
	<hr/>	<hr/>	<hr/>
Total comprehensive income	-	-	-
	<hr/>	<hr/>	<hr/>
Dividends	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2021	<u>100</u>	<u>-</u>	<u>100</u>

The notes on pages 19 to 32 form part of these financial statements.

Addiewell Prison (Holdings) Ltd

Consolidated Cash Flow Statement for the Year Ended 31 March 2021

	Notes	2021 £'000	2020 £'000
Cash flows from operating activities			
Cash generated from operations	18	2,561	5,193
Tax paid		<u>(659)</u>	<u>(1,235)</u>
Net cash from operating activities		<u>1,902</u>	<u>3,958</u>
Cash flows from investing activities			
Interest received		5,328	5,616
Interest paid		<u>(4,622)</u>	<u>(3,742)</u>
Net cash from investing activities		<u>706</u>	<u>1,874</u>
Cash flows from financing activities			
Repayment of bank loans		(3,702)	(3,474)
Repayment of subordinated debt		0	-
Dividends paid to owners of the parent		<u>(2,790)</u>	<u>-</u>
Net cash from financing activities		<u>(6,492)</u>	<u>(3,474)</u>
		<hr/>	<hr/>
(Decrease) / Increase in cash and cash equivalents		(3,884)	2,358
Cash and cash equivalents at beginning of year		10,807	8,449
		<hr/>	<hr/>
Cash and cash equivalents at end of year		<u>6,923</u>	<u>10,807</u>

Addiewell Prison (Holdings) Ltd

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

1. Accounting policies

The company and its subsidiary (together "the Group") is a Private Finance Initiative ("PFI") vehicle whose purpose is to design, construct, finance and manage Addiewell Prison. The company is a private company limited by shares and is incorporated and domiciled in Scotland. The address of its registered office is c/o Sodexo Remote Sites Limited 5th Floor, Exchange No 1, 62 Market Street, Aberdeen, Scotland, AB11 5PJ.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The Group has adopted FRS 102 in these financial statements.

The presentation currency of these financial statements is sterling. All amounts have been rounded to the nearest £'000.

Basis of preparation

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement on the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions are estimates are significant to the financial statements are disclosed where appropriate.

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

- Service concession arrangements

-The Group entered into its Service concession arrangement before the date of transition to this FRS. Therefore, its service concession arrangements have continued to be accounted for using the same accounting policies being applied at the date of transition to this FRS.

The Company has applied the following amendments to FRS 102 issued by the FRC for the first time during the year:

Amendments issued by the FRC in December 2019 The amendments enable the Company to take advantage of the temporary amendments to specific hedge accounting requirements in FRS 102 paragraphs 1225C to 1225F to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms. The Company is exposed to LIBOR within its hedge accounting relationships, which is subject to interest rate benchmark reform.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed on page 21.

Basis of consolidation

The Group consolidated financial instruments include the financial statements of the company and its subsidiary undertaking to 31 March each year. The subsidiary does not have differing accounting policies to the Group.

Turnover and Private Finance Initiative ("PFI") contracting accounting

Turnover, which excludes VAT and originates solely in the United Kingdom, represents amounts receivable from the operation of the prison, provided in the normal course of the subsidiary's business. On commencement of its management of the prison, the Group recorded a financial asset, being the amounts due for the completed property. This asset was deemed to be sold at fair value and was recorded as turnover at the inception of the lease. This amount reduces each year as payments are received (the "Capital Repayment").

In addition, finance income on this asset is recorded as interest receivable using a project property specific interest rate of 7.38% (the "Imputed Finance Charge"). The remaining PFI payments, being the full amounts received less the Capital Repayment and less the Imputed Finance Charge, are recorded as turnover.

Addiewell Prison (Holdings) Ltd

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

Taxation

Current 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.

Deferred tax is recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted, or substantively enacted, by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Going concern

On 15th March 2020 Interserve Plc, the parent company of Interserve Construction Limited (known as Tilbury Douglas Construction Limited as of 08 March 2021), went into administration and all its subsidiaries were sold to Interserve Group Limited, a newly incorporated private company controlled by its lenders. Interserve Construction Limited, which is a subsidiary of the company, with which the subsidiary Addiewell Prison Limited (the "Project Company") has a contractual relationship as it constructed the prison, is continuing business as usual within the newly formed group of Interserve Group Limited. Interserve Plc was classed as a major project party under the Project Company's loan agreement as it provides a parent company guarantee for Interserve Construction Ltd. Under the credit agreement with the lenders, if any major project party enters administration, this triggers an event of default. Once Interserve Plc entered administration an event of default occurred. On 17 March 2021, an agreement was reached with lenders and a lender consent letter was signed waiving the requirement for a replacement PCG. Instead, the Group has agreed with its lenders to reserve a cash sum. As a result, the Group is no longer in default, due to the administration of Interserve PLC.

Services have not been affected by these changes in Interserve 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 Project Company and overall Group will be profitable with 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 Group and its expected future cash flows, have prepared the financial statements on a going concern basis.

Since the COVID-19 outbreak, SPS have continued making unitary payments in accordance with the guidance included in the Infrastructure and Projects Authority guidance note, and the onward payments to the Facilities Management company have continued to be paid in accordance with the project agreement.

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.

Finance debtor and service income

The Group is an operator of a PFI contract. The underlying asset is not deemed to be an asset of the Group under old UK GAAP, because the risks and rewards of ownership as set out in that Standard are deemed to lie principally with the Authority.

Addiewell Prison (Holdings) Ltd

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

During the construction phase of the project, all attributable expenditure was included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs were transferred to the finance debtor. During the operational phase income is allocated between interest receivable and the finance debtor using a project specific interest rate. The remainder of the PFI unitary charge income is included within turnover in accordance with FRS 102 section 23. The Group recognises income in respect of the services provided as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services.

Major maintenance costs are recognised on a contractual basis and the revenue in respect of these services is recognised when these services are performed.

Investments

Investments are stated at cost less provision for any impairment in value.

Related party transactions

The Group discloses transactions with related parties which are not wholly owned within the same group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the financial statements.

Share capital

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

Distribution to equity holders

Dividends and other distributions to the Group's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the shareholder. These amounts are recognised in the Consolidated Statement of Changes in Equity.

Retained earnings

The retained earnings reserve represents cumulative profit and losses.

Hedging reserve

The hedging reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in hedging variable interest rate risk of recognised financial instruments. Amounts accumulated in this reserve are reclassified to profit or loss in the periods in which the hedged item effects profit or loss or when the hedging relationship ends.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Addiewell Prison (Holdings) Ltd

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

Loans and receivables

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Derivative financial instruments

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

The Group holds derivative financial instruments which hedge its exposure to interest rate risk. This has the effect of fixing the interest rate payable on bank borrowings. 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 within the Group's Consolidated Balance Sheet at each balance sheet date. The changes in fair value of these financial instruments that are designated as effective hedges of future cash flows are recognised directly in the Consolidated Statement of Other Comprehensive Income. Any ineffective portion is recognised immediately in the Income Statement.

Impairment of financial assets

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

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

Derecognition of financial assets

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

Classification of financial liabilities

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

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

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

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

Other financial liabilities

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

Derecognition of financial liabilities

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

Hedge accounting

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the fair value of the derivative financial instrument is recognised directly in the Statement of Comprehensive Income as Other Comprehensive Income or expense. Any ineffective portion of the hedge is recognised immediately in profit or loss. Where hedge accounting recognises a liability or asset then the associated deferred tax is also recognised.

The Company's borrowings are linked to LIBOR and as described at Note 11 the Company has entered into an interest rate swap to restrict its exposure to future interest rate fluctuations. The UK Financial regulator (the FCA) have legislated that GBP LIBOR will cease to be published after 31 December 2021. The Company is undergoing a review alongside relevant lenders to establish an alternative to LIBOR and intend to implement a solution in advance of the cessation date. For the purpose of evaluating whether there is an economic relationship between the hedged items and the hedging instruments, the Company assumes that the new interest rate benchmark will be on an economically equivalent basis to LIBOR and therefore will continue to apply hedge effectiveness throughout the transition period. This will be reassessed after the transition period once the terms of the change are finalised.

Critical accounting policies and key judgements

The preparation of financial statements in conformity with FRS 102 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Certain critical accounting judgements in applying the Group's accounting policies are described below:

- Derivative financial instruments are held at fair value detailed below;
- Accounting for the service concession contract and financial assets require an estimation of service margins, financial assets interest rates and associated amortisation profile which is based on forecast results of the PFI contract detailed above;

Addiewell Prison (Holdings) Limited

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

2. TURNOVER

All turnover is generated from the principal activity of the Group. All turnover arose within the United Kingdom.

3. OPERATING PROFIT

	2021 £000	2020 £000
Operating profit is stated after charging:		
Audit Fee	12	11
Directors' Services	<u>156</u>	<u>119</u>

4. EMPLOYEES AND DIRECTORS

The Group has no employees (2020: none).

No directors' emoluments for services in respect of the Group were paid during the year (2020: £nil). Amounts paid as a management fee to related parties for directors' services for the company totalled £105,000 (2020: £119,000).

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2021 £'000	2020 £'000
Bank interest receivable	32	49
Interest income on financial asset	<u>5,296</u>	<u>5,567</u>
	<u>5,328</u>	<u>5,616</u>

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	2021 £'000	2020 £'000
Bank term loan interest payable	3,622	3,721
Interest payable to parent undertaking	1,000	1,030
Other finance costs	-	21
	<u>4,622</u>	<u>4,772</u>

Within the bank term loan interest payable balance, £2,598,000 (2020: £2,594,000) relates to swap interest payable.

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

7. TAXATION

Total tax expense recognised in the Income Statement.

	2021 £'000	2020 £'000
<i>Current tax:</i>		
UK corporation tax on profits of the year	1,010	786
Adjustments in respect of prior periods	<u>(448)</u>	<u>-</u>
Total current tax	<u>562</u>	<u>786</u>
<i>Deferred Tax</i>		
Origination and reversal of timing differences	(184)	(141)
Prior year	319	-
Change in tax rate	<u>-</u>	<u>590</u>
Total deferred tax	<u>135</u>	<u>449</u>
Tax on profit	<u>697</u>	<u>1,235</u>

Factors affecting the tax charge for the current year

It was enacted on 17 March 2021 that the 2023 main rate will increase to 25% for business profits made by the Company over £250,000. A small profit rate (SPR) will also be introduced for companies with profits of £50,000 or less so that they will continue to pay corporation tax at 19%. Companies with profits between £50,000 and £250,000 will pay tax at the main rate reduced by a marginal relief providing a gradual increase in the effective corporation tax rate. The change in the tax rate from 19% to 25% in 2023 is expected to further increase the deferred tax liability by £687,000.

	2021 £000	2020 £000
Profit before taxation	<u>3,171</u>	<u>2,316</u>
UK Corporation tax thereon at 19%	602	440
<i>Effects of:</i>		
Capital allowances in excess of related finance debtor amortisation		
Finance debtor amortisation, other than related to capital allowances		
Other item disallowable / (allowable) for tax purposes	268	248
Tax losses utilised		
Origination and reversal of timing differences		
Adjustments from previous periods	(130)	-
Change in tax rates	-	590
Prior year adjustment	<u>(43)</u>	<u>(43)</u>
Total Tax	<u>697</u>	<u>1,235</u>

Addiewell Prison (Holdings) Ltd

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

8. DIVIDENDS

	2021 £000	2020 £000
Equity – ordinary share		
Interim paid £27.91 (2020: Nil) per £1 share	2,790	-
Final paid: £Nil (2020: £Nil) per £1 share	-	-
	<u>2,790</u>	<u>-</u>

9. INVESTMENTS

	Company 2021 £000	Company 2020 £000
Shares in subsidiary undertaking – cost	100	100

The Group holds the following interest in:

Name of company	Country of registration	Class of share	Proportion held	Nature of business
Addiewell Prison Limited	Scotland	Ordinary	100%	Prison construction & management

The directors believe that the carrying value of the investment is supported by its operating cash flows.

The above subsidiary is included in the consolidation and registered address is c/o Sodexo Remote Sites Limited, 4th Floor, Exchange No 1, 62 Market Street, Aberdeen, Scotland, AB11 5PJ.

The Group's only subsidiary is Addiewell Prison Ltd. Its activity is to design, build, finance, and operate HMP Addiewell. Under a share pledge agreement Addiewell Prison (Holdings) Ltd transferred the entire shareholding of Addiewell Prison Ltd to Project & Export Finance (Nominees) Limited who are nominee subsidiary of the company's bankers the Royal Bank of Scotland PLC (a related party). However, although in the legal form Addiewell Prison Ltd is owned by Project and Export Finance (nominees) Limited in substance Addiewell Prison (Holdings) Ltd is able to exercise control via voting rights and is entitled to dividends, interest and other payments (whether of an income or capital nature) paid in respect of the shares. The directors believe that the carrying value of the investment is supported by the profitable nature of the contract held by the subsidiary.

Addiewell Prison (Holdings) Ltd

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

10. DEBTORS

	Group 2021 £'000	Company 2021 £'000	Group 2020 £'000	Company 2020 £'000
<i>Amounts falling due within one year</i>				
Trade debtors	282	-	3,816	-
Amount owed by group undertakings	-	169	-	293
Interest owed by group undertakings	-	84	-	2,221
Financial asset	3,445	-	3,452	-
Deferred tax asset	521	-	3,176	-
Other debtors	924	-	449	-
Prepayments and accrued income	3,203	-	435	-
	8,375	253	11,328	2,514
<i>Amounts falling due after more than one year</i>				
Amount owed by group undertakings	-	8,161	-	8,037
Deferred tax asset	2,134	-	-	-
Financial Asset	69,209	-	72,545	-
	71,343	8,161	72,545	8,037

Included within the Financial Asset is £3,257,000 (2020: £3,566,000) in respect of capitalised net finance costs.

Addiewell Prison (Holdings) Ltd

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

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2021 £'000	Company 2021 £'000	Group 2020 £'000	Company 2020 £'000
Bank loans and overdrafts	3,293	-	60,407	-
Trade creditors	847	-	1	-
Accrued interest on bank loan	1,067	-	941	-
Amounts owed to controlling parties	169	169	293	293
Interest owed to controlling parties	84	84	2,221	2,221
Amounts owed to related parties	10	-	2,854	-
Corporation Tax	701	-	476	-
Other taxation and social security	274	-	764	-
Other Creditors	924	-	449	-
Derivative financial instruments	2,742	-	-	-
Accruals and deferred income	775	-	162	-
	10,885	253	68,568	2,514

There is no longer an Event of Default outstanding on the senior secured loan stock at year end, and therefore the Senior secured loan stock is no longer classified as being repayable within one year. A full explanation of the resolution of the Event of Default is presented within the Strategic Report on page 5.

The bank loan is secured by a fixed and floating charge over the assets of the Group. Interest is charged on the above loan at the rate of LIBOR +0.85%. The loan is repayable in instalments over a period of 23 years, which commenced in 2009. The bank loan is with The Royal Bank of Scotland.

In June 2006 the subsidiary Company entered into a 25 year fixed interest rate swap agreement (amended March 2011) to hedge its exposure to the effect of interest rate fluctuations.

The swap converts the bank loan to a fixed rate of 5.04% and is payable in semi-annual amounts between 30 June 2009 and 31 December 2031.

The terms and maturity analysis of the amounts owed to controlling parties is given in note 12.

Addiewell Prison (Holdings) Ltd

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

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2021 £'000	Company 2021 £'000	Group 2020 £'000	Company 2020 £'000
Amounts owed to controlling parties	8,161	8,161	8,037	8,037
Bank loans and overdrafts	53,412	-	-	-
Derivative Financial Instruments	11,232	-	16,715	-
	72,805	8,161	24,752	8,037

The maturity analysis of principal loan amounts owed to controlling parties is:

	Group 2021 £'000	Company 2021 £'000	Group 2020 £'000	Company 2020 £'000
Within one year	169	169	293	293
Between one and two years	371	371	330	330
Between two and five years	1,387	1,387	1,256	1,256
Over five years	6,403	6,403	6,451	6,451
	8,330	8,330	8,330	8,330

Interest is charged on above loan balance is at the rate of 12%. The loans are unsecured and repayable in instalments over a period of 25 years, which commenced in 2009.

13. PROVISIONS FOR LIABILITIES

	2021 £'000	2020 £'000
Deferred tax		
Accelerated capital allowances	4,831	5,144
Deferred tax asset relating to derivative financial liability	(2,655)	(3,176)
	2,176	1,968
Movement in deferred tax in year:	£'000	
At 1 April 2020	1,968	
Profit and loss account – total tax charge	(184)	
Other comprehensive income – total tax charge	73	
Adjustment in respect of prior years	319	
At 31 March 2021	2,176	

The deferred tax asset of £2,655,000 is disclosed in debtors at note 10. The deferred tax liability of £4,831,000 is disclosed on the Balance Sheet (please note the comparatives have not been reclassified).

14. CALLED UP SHARE CAPITAL

	2021 £000	2020 £000
Company and Group		
Called up, allotted and fully paid		
99,999 (2020: 99,999) Ordinary share of £1	100	100

Addiewell Prison (Holdings) Ltd

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

15. FINANCIAL INSTRUMENTS

	Group 2021 £'000	Company 2021 £'000	Group 2020 £'000	Company 2020 £'000
<i>Financial assets that are debt instruments measured at amortised cost</i>				
- Trade Receivables	4,409	-	4,700	-
- Amounts owed by group undertakings	-	8,330	-	8,330
- Financial asset	72,654	-	75,997	-
	<u>77,063</u>	<u>8,330</u>	<u>80,697</u>	<u>8,330</u>
<i>Financial liabilities measured at fair value through other comprehensive income</i>				
- Derivative Financial instruments	(13,974)	-	(16,715)	-
<i>Financial liabilities measured at amortised cost</i>				
- Bank loans and accrued interest	(56,705)	-	(60,407)	-
- Trade creditors	(847)	-	(1)	-
- Amounts owed to controlling parties	(8,451)	(8,330)	(10,551)	(10,551)
- Amounts owed to related parties	(10)	-	(2,854)	-
	<u>(65,976)</u>	<u>(8,330)</u>	<u>(73,813)</u>	<u>(10,551)</u>
	<u>(2,887)</u>	<u>-</u>	<u>(9,831)</u>	<u>(2,221)</u>

On 20 June 2006, in order to hedge against interest variations, the Group entered into a 25 year interest rate swap agreement with the Mitsubishi UFJ Securities International plc whereby, at monthly intervals during construction and six monthly intervals during operations, sums are exchanged reflecting the difference between the floating and fixed interest rates, calculated on a predetermined notional principal amount. The fixed interest rate is 5.04% on the senior loan. The interest rate swap is considered to be effective and has been designated a cash flow hedge. The fair value of the swap is calculated using valuation models operated by the counterparty financial institution.

Addiewell Prison (Holdings) Ltd

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

16. RELATED PARTY TRANSACTIONS

		Year End March 2021 £000	Balance Due March 2021 £000
Name of company	Type of transaction		
Sodexo Investments Services Ltd	Sub-ordinated debt	-	(2,777)
Sodexo Investments Services Ltd	Sub-ordinated debt interest	(333)	(28)
Sodexo Investments Services Ltd	Dividends	(929)	-
Infrastructure Investments Holdings Ltd	Sub-ordinated debt	-	(5,553)
Infrastructure Investments Holdings Ltd	Sub-ordinated debt interest	(667)	(56)
Infrastructure Investments Holdings Ltd	Dividends	(1,861)	-
Infrastructure Investments Holdings Ltd	SPV Charges	(87)	(87)
Sodexo Investments Services Ltd	SPV Charges	(18)	(18)
Sodexo Ltd	Operator & SPV Fees	(23,620)	(1,226)

		Year End 2020 £000	Balance Due 2020 £000
Name of company	Type of transaction		
Sodexo Investments Services Ltd	Sub-ordinated debt	-	(2,777)
Sodexo Investments Services Ltd	Sub-ordinated debt interest	(341)	(738)
Sodexo Investments Services Ltd	Dividends	-	-
Infrastructure Investments Holdings Ltd	Sub-ordinated debt	-	(5,553)
Infrastructure Investments Holdings Ltd	Sub-ordinated debt interest	(690)	(1,483)
Infrastructure Investments Holdings Ltd	Dividends	-	-
Infrastructure Investments Holdings Ltd	SPV Charges	(99)	(67)
Sodexo Investments Services Ltd	SPV Charges	(20)	-
Sodexo Ltd	Operator & SPV Fees	(24,110)	(2,854)

17. ULTIMATE CONTROLLING PARTIES

Infrastructure Investments Holdings Ltd own 67% of the issued share capital in Addiewell Prison (Holdings) Limited. Nonetheless, the directors believe that the company does not have an ultimate controlling party, as the shareholder agreement requires shareholder approval representing at least 80% of shares in the company for any significant decision relating to the company.

Addiewell Prison (Holdings) Ltd

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

18. NOTES TO THE CASH FLOW STATEMENT

	2021 £'000	2020 £'000
Profit for the financial year	2,474	1,081
Adjustments for:		
Tax on profit	697	1,235
Interest payable and similar expenses	4,622	4,772
Interest receivable and similar income	(5,328)	(5,616)
	2,465	1,472
Operating Profit		
Working capital movements:		
Decrease/(increase) in debtors	3,634	2,756
(Decrease)/increase in payables	(3,538)	410
Tax paid	-	555
Cash flow from operating activities	2,561	5,193

19. ANALYSIS OF MOVEMENT IN NET DEBT

	31 March 2020 £'000	Cash flows £'000	Other non cash movements £'000	31 March 2021 £'000
Cash at bank and in hand	10,807	(3,884)	-	6,923
Debt issue costs	550	-	(21)	529
Term loan due within one year	(60,407)	3,702	53,412	(3,293)
Term loan due after one year	-	-	(53,412)	(53,412)
Controlling party loan due within 1 year	(293)	-	124	(169)
Controlling party loan due after 1 year	(8,037)	-	(124)	(8,161)
Hedging Instrument	(16,715)	-	2,741	(13,974)
	(74,095)	(182)	2,720	(71,557)

20. POST BALANCE SHEET EVENTS

On 30 June 2021, a dividend was proposed and subsequently paid for £2,459,919.

On 30 December 2021, a dividend was proposed and subsequently paid for £153,000.