

REGISTERED NUMBER: 04164167 (England and Wales)

**Strategic Report, Report of the Directors and
Financial Statements for the Year Ended 31 March 2020
for
UK Court Services (Manchester) Limited**



UK Court Services (Manchester) Limited (Registered number: 04164167)

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for the Year Ended 31 March 2020**

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UK Court Services (Manchester) Limited

**Company Information
for the Year Ended 31 March 2020**

Directors:

D R Hardingham
A C Ritchie

Secretary:

Semperian Secretariat Services Limited

Registered office:

3rd Floor Broad Quay House
Prince Street
Bristol
BS1 4DJ

Registered number:

04164167 (England and Wales)

Independent Auditors:

PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditors
2 Glass Wharf
Bristol
BS2 0FR

**Strategic Report
for the Year Ended 31 March 2020**

The directors present their strategic report for the year ended 31 March 2020.

Principal activities and business review

The company is engaged under a 28 year contract, signed 29 March 2001 with the Council of the City of Manchester, for the provision of the design, construction and management services, including related financing arrangements, for serviced accommodation for magistrates' courts in Manchester, together with associated development and facilities and the provision of maintenance and operation of the same. Its registered number is 04164167. The company is a private company limited by shares.

The company commenced the full operation of the new magistrates' court buildings in May 2005 following the completion of construction and decant.

The directors consider the performance of the company during the year and the financial position at the end of the year to be in line with the long term expectations of the project, and its prospects for the future to be satisfactory.

The profit for the year under review as set out in the statement of comprehensive income relates to the activities undertaken in respect of the project.

Principal risks and uncertainties

The company has taken on the activity, as detailed above, and is risk averse in its trading relationships with its customer, funders and sub-contractors as determined by the terms of their respective detailed PFI contracts. In extreme circumstances, the company could be exposed to subcontractor failure to perform their obligations. The Board monitors the financial stability of its subcontractor and has contingency plans in place to ensure the continuity of service provision to its client, should the subcontractor become unable to perform its obligations. The financial risks and the measures taken to mitigate them are as detailed in the Report of the Directors.

Key performance indicators (KPIs)

The company's operations are managed under the supervision of its shareholders and funders and are largely determined by the detailed terms of the PFI contract which stipulates key performance criteria on operational activities, including performance and availability, which are managed by a subcontractor. The Board monitor these on a regular basis. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the performance or position of the business. In addition the directors monitor compliance with debt covenant ratios as specified in the senior loan agreement and no non-compliance has been noted.

S172 statement

The following disclosure describes how the Board regards the matters set out in section 172 (1) (a) to (f) and forms the directors' statement required under section 414CZA of the Companies Act 2006.

The purpose of the company is to design, build, finance and operate the Manchester Magistrates Court over a concession period of 28 years under an agreement with our client, Her Majesty's Courts and Tribunals Service. The company's aim is to work in partnership with our client to provide suitable accommodation and maintain that accommodation to meet relevant legislation and agreed service levels. This shapes the company's values and objectives and defines long term success. Decisions are taken in the context of working in partnership with the client and other stakeholder groups. The company has long term funding in place, as described in the Report of the Directors. A set of contracts set out the relationships with the client, debt funders, maintenance and operations contractors. These parties are the company's main stakeholders. The company also works with community groups to enable both their support for the client and the full use of the accommodation asset. The environmental impact of the accommodation is considered to support statutory and other reporting. Where changes to the accommodation impact the community, these are considered with the client. Debt funders are provided with operational and financial performance reports on a quarterly basis.

**Strategic Report (continued)
for the Year Ended 31 March 2020**

S172 statement (continued)

The operational management team work closely with the client and the maintenance and operations contractor, in order to programme lifecycle and major maintenance works to minimise disruption. The client receives regular updates on programmed works and access requests to enable those works.

The company does not have any employees but works with the maintenance and operations contractors to ensure that health and safety reporting is transparent, and the contractors provide a suitably skilled and sustainable workforce.

The Board of Directors is an experienced team which is appointed by the shareholders to represent their interests and ensure their instructions are considered and implemented for the long-term success of the company. The board members have experience of working with the other key stakeholders, which assists them in identifying and considering the long-term consequences of principal decisions. The board meet on a six monthly basis and reports are provided at these meetings by the operational and financial management teams. These reports will have regard to health and safety matters, the operational and financial performance of the project, planned lifecycle and major maintenance work and relationships with the client, and the main subcontractor. The operational and financial management team make recommendations to the board of directors. These recommendations and reports are considered at the board meetings and actions arising are monitored. Decisions made by the directors that have a financial impact are accounted for in a concession length forecast of financial performance.

Principal decisions of the company are those that are key to the company's success, these include but are not limited to: decisions impacting the relationships between the parties, decisions impacting the availability and safety of the accommodation, and decisions impacting the return to the shareholders.

The principal decisions made by the Board of Directors during the year ended 31 March 2020 were:

- Lifecycle and major maintenance expenditure
- Re configuration of courtrooms for high profile hearing
- Payment of dividends

Life cycle and major maintenance expenditure is planned following asset condition surveys to maintain the accommodation at the required statutory and contractual standards. It is also to ensure the asset will meet the required contractual standards at the end of the concession. The delivery of these works is carefully planned with the maintenance and operations contractors and client, to ensure minimum disruption to the users of the accommodation and the safety of the contractor's employees.

In agreeing to the extension of the operation and maintenance contract, the Board had regard to the excellent relationship between the contractor, the company and the client. The contractor's performance to date has been considered and it was noted the contractors record and focus on health and safety met expectations.

The above decisions ensured the relationships between the parties that work together in partnership continue and the accommodation is maintained with minimum disruption to users. The safety performance of the accommodation is maintained both in terms of users and the health and safety of the contractor's staff. These decisions ensure the long-term success of the project, which protects shareholder returns.

Dividends are declared only after having had regard to the company's ability to meet its debt payments and covenant ratios both now and in the future. This ensures the stability of the company to allow it to continue providing the accommodation to its client, for use by the public.

By order of the board:



.....
Semperian Secretariat Services Limited - Secretary

Date: 23 October 2020

**Report of the Directors
for the Year Ended 31 March 2020**

The directors present their report with the audited financial statements of the company for the year ended 31 March 2020.

Dividends

The profit for the financial year amounted to £465,529 (2019: £788,567).

Dividends of £1,003,351, £334.45 per share (2019: £665,090, £221.70 per share) have been paid during the year. No final dividends are proposed at the year end (2019: £nil).

Future developments

No significant changes are expected to the company's activities in the foreseeable future.

Coronavirus (COVID-19) impact on the financial statements

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections. Measures taken to contain the virus have affected economic activity and include limiting the movement of people and the temporary closure of businesses and schools.

The company is working with its client, Her Majesty's Courts and Tribunal Service, and its subcontractors, to ensure minimal interruption to contracted service provision during this period of disruption. This work is being carried out in conjunction with subcontractors, who are ensuring that the safety of their staff is maintained.

The Cabinet Office have issued a notice (Procurement Policy Note - Supplier relief due to COVID-19, PPN 02/20) that all supplier payments will be maintained as per their individual contracts. Further guidance was also issued on 2 April by the Infrastructure and Projects Authority (IPA Guidance) specifically relating to PFI contracts. The IPA guidance is consistent with PPN 02/20. The company will continue to receive the monthly unitary payment and will pay its suppliers in a timely manner. The notice stipulates that suppliers will continue to be paid the contractual amounts due, regardless of service interruptions until at least the end of June 2020. Thus, securing contractual cashflows for the immediate future.

The revenue of the company is linked to the availability of the facility and services delivered in that facility. Availability is not materially adversely impacted by the current measures limiting the movement of people, and service provision is subject to working arrangements that have been agreed with the client.

The company does not employ any staff directly. The main operating costs are agreed, under contract, with the subcontractors and therefore will not be impacted by factors arising due to the coronavirus outbreak. As the majority of costs are contractual, no other measures to control costs are deemed necessary. The timing of lifecycle and major maintenance works is being reviewed as the situation develops.

The company produces regular financial model updates that forecast the company cashflows to the end of the concession period. This financial model indicates that the company will be able to meet its financing covenant ratios and that no additional funding will be required in the next 12 months. The directors therefore consider the COVID-19 outbreak will have minimal impact on the financial statements, and no impact on the ability of the company/group to continue as a going concern.

**Report of the Directors (continued)
for the Year Ended 31 March 2020**

Directors

The directors who served the company during the year and up to the date of signing the financial statements are set out below:

C Burlton (resigned 1 April 2019)
D R Hardingham (appointed 1 April 2019)
G M Nienaber (resigned 31 October 2019)
V J Patel (resigned 31 October 2019)
A C Ritchie

Going concern

The directors are of the opinion that the company has adequate resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. In assessing the company's ability to continue as a going concern the directors have considered the impact of Covid-19, as described above in the Report of the Directors.

Financial risk management

The company has exposures to a variety of financial risks which are managed with the purpose of minimising any potential adverse effect on the company's performance, these are summarised below. The company also reviews the performance of the subcontractors on a monthly basis and takes action if the performance levels fall below the required standard.

Interest rate risk

The company is exposed to interest rate risk on the mezzanine loan and to RPI risk on the senior bond. The RPI risk is largely mitigated as it is a natural hedge of the RPI indexation on income.

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 movements in inflation.

Liquidity risk

The company adopts a prudent approach to liquidity management by endeavouring to maintain sufficient cash and liquid resources to meet its obligations as they fall due.

Credit risk

The company receives the bulk of its revenue from a government body and therefore is not exposed to significant credit risk. Cash investments are with institutions of a suitable credit quality and are regularly reviewed by the directors.

**Report of the Directors (continued)
for the Year Ended 31 March 2020**

Financial risk management - continued

Major maintenance risk

The company is responsible for managing the ongoing major maintenance and replacement expenditure on the building fabric, plant and equipment. The company has passed operational responsibility of life expired service assets (furniture, fittings and equipment) to its operating sub-contractor, for which it pays a fixed fee within the sub-contractor's contractual remuneration. The company bears the risk associated with the capital replacement cost of other life expired building fabric, plant and equipment over the contract term.

Brexit risk

The directors have assessed the impact, on the company, arising from the uncertainty attached to the outcome of the Brexit negotiations and the shape of any eventual withdrawal deal with the EU. At this stage the impact cannot be fully understood, and political and economic commentators differ significantly in their assessment of the potential severity of the risks associated with each potential outcome.

As the company operates solely in the United Kingdom the directors do not expect the company will be directly impacted by changes to future trading arrangements, with the EU and the rest of the world, however the directors continue to monitor any potential impact arising from the wider financial markets and the company's supply chain.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

The directors are 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 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.

UK Court Services (Manchester) Limited (Registered number: 04164167)

**Report of the Directors (continued)
for the Year Ended 31 March 2020**

Directors' confirmations

In the case of each director in office at the date the Report of the Directors is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent Auditors

The independent auditors, PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors, have signified their willingness to continue in office.

By order of the board:



.....
Semperian Secretariat Services Limited - Secretary

Date: 23 October 2020

Independent Auditors Report to the Members of UK Court Services (Manchester) Limited

Report on the audit of the financial statements

Opinion

In our opinion, UK Court Services (Manchester) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Strategic Report, Report of the Directors and Financial Statements (the "Annual Report"), which comprise: Balance Sheet as at 31 March 2020; the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern..

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Independent Auditors' Report to the Members of UK Court Services (Manchester) Limited (continued)

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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.

Auditors' 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 auditors' 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. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

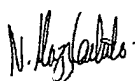
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Nick Muzzlewhite (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol

23 October 2020

UK Court Services (Manchester) Limited (Registered number: 04164167)

**Statement of Comprehensive Income
for the Year Ended 31 March 2020**

	Note	2020 £	2019 £
Turnover		4,003,199	3,261,710
Cost of sales		<u>(3,465,048)</u>	<u>(2,687,749)</u>
Gross profit		538,151	573,961
Administrative expenses		<u>(50,666)</u>	<u>(155,194)</u>
Operating profit	5	487,485	418,767
Interest receivable and similar income	6	2,234,665	2,520,655
Interest payable and similar expenses	7	<u>(1,659,688)</u>	<u>(1,897,915)</u>
Profit before taxation		1,062,462	1,041,507
Tax on profit	8	<u>(596,933)</u>	<u>(252,940)</u>
Profit for the financial year		465,529	788,567
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>465,529</u>	<u>788,567</u>

The notes form part of these financial statements

UK Court Services (Manchester) Limited (Registered number: 04164167)

Balance Sheet as at 31 March 2020

	Note	2020 £	2019 £
Current assets			
Debtors: amounts falling due within one year	10	2,270,699	1,499,907
Debtors: amounts falling due after more than one year	10	23,342,011	25,730,103
Cash at bank and in hand		<u>4,508,668</u>	<u>4,737,684</u>
		30,121,378	31,967,694
Creditors: Amounts falling due within one year	11	<u>(4,461,773)</u>	<u>(4,120,054)</u>
Net current assets		<u>25,659,605</u>	<u>27,847,640</u>
Total assets less current liabilities		25,659,605	27,847,640
Creditors: Amounts falling due after more than one year	12	(19,322,496)	(21,216,356)
Provisions for liabilities	15	<u>(2,918,651)</u>	<u>(2,675,004)</u>
Net assets		<u>3,418,458</u>	<u>3,956,280</u>
Capital and reserves			
Called up share capital	16	3,000	3,000
Retained earnings		<u>3,415,458</u>	<u>3,953,280</u>
Total shareholders' funds		<u>3,418,458</u>	<u>3,956,280</u>

The financial statements on pages 10 to 21 were approved by the Board of Directors on 23-10-2020.. and were signed on its behalf by:



David Hardingham
Director

UK Court Services (Manchester) Limited (Registered number: 04164167)

**Statement of Changes in Equity
for the Year Ended 31 March 2020**

	Called up share capital £	Retained earnings £	Total shareholders' funds £
Balance at 1 April 2018	3,000	3,829,803	3,832,803
Changes in equity			
Profit for the financial year	-	788,567	788,567
Dividends	-	(665,090)	(665,090)
Balance at 31 March 2019	<u>3,000</u>	<u>3,953,280</u>	<u>3,956,280</u>
Changes in equity			
Profit for the financial year	-	465,529	465,529
Dividends	-	(1,003,351)	(1,003,351)
Balance at 31 March 2020	<u>3,000</u>	<u>3,415,458</u>	<u>3,418,458</u>

The notes form part of these financial statements

**Notes to the Financial Statements
for the Year Ended 31 March 2020**

1. General information

The company is engaged under a 28 year contract, signed 29 March 2001 with the Council of the City of Manchester, for the provision of the design, construction and management services, including related financing arrangements, for serviced accommodation for magistrates' courts in Manchester, together with associated development and facilities and the provision of maintenance and operation of the same. Its registered number is 04164167.

2. Accounting policies

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared on a going concern basis and under the historical cost convention. These accounting policies have been applied consistently, other than where new policies have been adopted. In assessing the company's ability to continue as a going concern the directors have considered the impact of Covid-19, as described in the Report of the Directors.

Financial reporting standard 102 - reduced disclosure exemptions

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

- the requirements of Section 7 Statement of Cash Flows;
- the requirements to disclose related party transactions, for transactions with companies that are wholly owned within the same group; and
- certain financial instrument disclosures, provided such disclosures are included in the financial statements of a group that includes the company.

Turnover

Turnover represents the value of work done and services rendered, excluding sales related taxes. The company is engaged in only one class of business and operates solely within the UK.

The company recognises income when it has fully fulfilled its contractual obligations. In accordance with FRS 102 s23.3, the company includes sales and purchase transactions related to variations under the original contract where the benefits and risks are retained by the company, within the financial statements as turnover and operating costs.

Transactions to which the company does not have access to all the significant benefits and risks are excluded from the financial statements.

Accrued income relates to services in the year for which no sales invoice was raised until after year end.

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2020**

2. Accounting policies - continued

Deferred tax

Deferred tax is recognised in respect of all timing differences 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.

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.

Deferred tax assets are only recognised when it is considered more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

Dividend policy

Final dividends and other distributions to the company'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 company's shareholders. Interim dividends are recognised when paid. These amounts are recognised in the statement of changes in equity.

Leased assets

Payments under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Financial asset - contract debtor

In accordance with FRS 102 s34.12, the costs incurred in building the asset have been treated as a contract debtor, however, as the company entered into this concession prior to transition to FRS 102, under FRS 102 s35.10 (i), it is permitted to, and continues to account for the contract debtor using the same accounting policies being applied at the date of the transition.

The amounts receivable (which represents the cost of construction of related assets) are treated as a long-term contract debtor from the commencement of the operating contract, with a constant proportion of the planned net revenue arising from the project being allocated to remunerate the contract debtor. Imputed interest receivable is allocated to the contract debtor using a property specific rate to generate an index linked rate of return over the life of the contract. Over the course of the contract term the contract debtor is expected to be fully repaid.

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies, are initially recognised at transaction price.

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 at transaction price.

Debt issue costs

Debt issue costs incurred have been offset against the related debt and will be charged to the profit and loss account at a constant rate on the carrying value of the debt.

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2020**

2. Accounting policies - continued

Major maintenance replacement

As noted in the Report of the Directors, the Company is responsible for the major maintenance replacement activity associated with its principal activity, however the principal operating risk of this activity lies with a third party. Where appropriate, revenue is deferred to future periods, based on a forecast of the future major maintenance expenditure, in order to match that element of income with the costs to which it relates. The turnover and costs of sales are recorded, in the profit and loss account, in the period in which the costs of major maintenance replacement are incurred.

Restricted cash

Cash at bank and in hand includes restricted cash of £2,415,000 (2019: £2,403,000) relating to contractual requirement to set aside funds for future major maintenance obligations.

3. Critical accounting judgements and estimation uncertainty

Judgements, 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 subsequently differ from these estimates.

The judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates made are recognised in the period in which the estimate is revised, if the revision affects both current and future periods.

Certain critical accounting judgements, adopted by management, in applying the company's accounting policies are described below:

Judgements

There are no critical accounting judgements adopted by management applicable to this company.

Estimates

Finance debtor

The company has elected to continue to apply its previous accounting treatment in respect of service concession arrangements entered into prior to the date of transition to FRS 102. This has resulted in the measurement of the finance debtor being different from that which would have resulted had the requirements of FRS 102 s34 been fully adopted. The accounting for service concession contracts and finance debtors requires estimation of service margins, finance debtor interest rates and associated amortisation profile which are based on the forecast results of the PFI contracts over the respective concession length. See note 10 for the carrying value of the finance debtor.

Taxation

The assessment of the tax charge may include uncertain tax positions where the tax treatment may not have been agreed with taxation authorities. Management make an estimate of the taxation charge for the period and the value of balances, with reference to legislation, discussion with taxation authorities, advice from taxation advisers, and the determination similar taxation cases.

Deferred tax is recognised at tax rates that are expected to be applicable when the timing differences reverse, to the extent that such rates have been substantially enacted. Given the phased reduction in future tax rates in the UK, the deferred tax asset or liability recognised is therefore dependent upon an estimate of the timing of such reversals.

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2020**

4. Staff costs

There were no employees and no staff costs for the year ended 31 March 2020 nor for the year ended 31 March 2019. The emoluments of the directors are paid by the controlling parties. The directors' services to this company and a number of fellow group companies are primarily of a non-executive nature and their emoluments are deemed to be wholly attributable to the controlling parties.

5. Operating profit

The audit fee in respect of the company was £10,640 (2019: £10,331) for the year. In addition, the company bore £1,680 (2019: £1,631) in respect of the audit fee for its immediate parent company during the year which was not recharged.

6. Interest receivable and similar income

	2020 £	2019 £
Deposit account interest	34,649	32,806
Imputed interest on contract debtor	<u>2,200,006</u>	<u>2,487,849</u>
	<u>2,234,665</u>	<u>2,520,655</u>

Interest is imputed on the contract debtor using a property specific rate linked to the Retail Price Index of 7.8% (2019 8.8%).

7. Interest payable and similar expenses

	2020 £	2019 £
Bank loan interest	35,698	38,195
Interest payable on bond	790,802	862,453
Sub debt interest payable	287,403	298,216
Indexation interest capitalised on bond	<u>545,785</u>	<u>699,051</u>
	<u>1,659,688</u>	<u>1,897,915</u>

8. Tax on profit

Analysis of the tax charge

The tax charge on the profit for the year was as follows:

	2020 £	2019 £
Current tax:		
UK corporation tax	<u>353,286</u>	<u>193,911</u>
Deferred tax:		
Timing differences	(71,384)	65,974
Impact of rate change	<u>315,031</u>	<u>(6,945)</u>
Total deferred tax	<u>243,647</u>	<u>59,029</u>
Tax on profit	<u>596,933</u>	<u>252,940</u>

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

8. Tax on profit - continued

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is higher (2019: higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	2020 £	2019 £
Profit before taxation	<u>1,062,462</u>	<u>1,041,507</u>
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	201,868	197,886
Effects of:		
Amortisation of non qualifying expenditure	77,277	61,999
Deferred tax adjustment in respect of prior years	2,757	-
Impact of rate change	<u>315,031</u>	<u>(6,945)</u>
Total tax charge	<u>596,933</u>	<u>252,940</u>

The company has incurred significant expenditure in the construction of the magistrates' court on which it has claimed tax relief through capital allowances and claims for interest and loan related expenditure during the construction period. It has used these claims to offset its current liabilities and retains tax losses to offset liabilities in future years. As amounts are recovered to remunerate these costs they will be brought into current taxation in the period in which they are received. As a result of these claims there exist significant timing differences, which are expected to reverse over the contract period.

The current tax charge will continue to be affected by timing differences, although these timing differences will have an opposite impact on the deferred tax charge so there should be no overall impact on the tax charge.

Future tax rate reductions

The main rate of UK corporation tax for the year commencing 1 April 2019 was 19%.

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. Deferred tax at 31 March 2020 has been measured at this rate.

9. Dividends

Dividend recognition is in line with FRS 102, section 32, such that dividends are recognised when paid or received.

	2020 £	2019 £
Interim dividend of £334.45 (2019: £221.70) per ordinary share	<u>1,003,351</u>	<u>665,090</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2020**

10. Debtors

	2020	2019
	£	£
Amounts falling due within one year:		
Trade debtors	29,999	-
Contract debtor	2,032,752	1,453,723
UK Corporation tax	76,821	-
Prepayments and accrued income	<u>131,127</u>	<u>46,184</u>
	<u>2,270,699</u>	<u>1,499,907</u>
 Amounts falling due after more than one year:		
Contract debtor	<u>23,342,011</u>	<u>25,730,103</u>
 Aggregate amounts	<u>25,612,710</u>	<u>27,230,010</u>

11. Creditors: amounts falling due within one year

	2020	2019
	£	£
Bank loans and overdrafts (see note 13)	64,408	58,862
Bond liabilities (see note 13)	2,229,296	2,467,463
Trade creditors	288,974	215,914
VAT	273,136	208,672
UK Corporation tax	-	83,911
Accruals and deferred income	<u>1,605,959</u>	<u>1,085,232</u>
	<u>4,461,773</u>	<u>4,120,054</u>

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

	2020	2019
	£	£
Subordinated debt (see note 13)	2,123,061	2,123,061
Bank loans and overdrafts (see note 13)	546,287	610,695
Bond liabilities (see note 13)	16,484,533	18,292,908
Deferred income	<u>168,615</u>	<u>189,692</u>
	<u>19,322,496</u>	<u>21,216,356</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2020**

12. Creditors: amounts falling due after more than one year - continued

The company has in issue £33,180,000 3.82% secured index linked bonds due 2027. Interest is payable on these bonds and indexation accumulates to the bond values at six-monthly intervals which commenced on 30 September 2002. Scheduled redemption by way of principal repayments commenced on 30 September 2004. These bonds were issued under a private placement.

The company has an additional mezzanine term loan facility of £1,300,000 granted by Société Générale, of which £610,695 had been drawn at 2020 (2019: £669,557). Scheduled interest payments and redemption by way of principal repayments commenced on 30 September 2004. Interest is charged at LIBOR plus 4.5%.

Bond and loan issue costs have been offset against bond liabilities and are amortised over the term of the appropriate instrument in accordance with the provisions of FRS 102 s11.

The bond liabilities rank in seniority to the bank loan. The bond liabilities and bank loan are secured by a fixed charge over all leasehold interests, book debts, project accounts and intellectual property of the company and by a floating charge over the company's undertakings and assets.

The value of capital and interest elements of the index linked bonds is linked to movements in the Retail Price Index. The increase in capital value during the year of £545,785 (2019 £699,051) has been taken to the profit and loss account as part of the interest payable.

UK Court Services (Manchester) Holdings Limited holds £2,123,061 (2019: £2,123,061) of 13.5% coupon loan notes due 2028 in the company.

13. Loans

An analysis of the maturity of loans is given below:

	2020 £	2019 £
Amounts falling due within one year or on demand:		
Bank loans and overdrafts	64,408	58,862
Bond liability less than 1 year	2,237,227	2,476,468
Unamortised issue cost less 1 year	(7,931)	(9,005)
	<u>2,293,704</u>	<u>2,526,325</u>
	2020 £	2019 £
Amounts falling due between one and two years:		
Bank loans and overdrafts	70,387	64,408
Bond liability 1-2 years	2,283,003	2,248,078
Unamortised issue cost 1-2 years	(6,900)	(7,931)
	<u>2,346,490</u>	<u>2,304,555</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2020**

13. Loans - continued

	2020 £	2019 £
Amounts falling due between two and five years:		
Bank loans and overdrafts	252,681	231,269
Bond liability 2-5 years	7,534,982	7,054,847
Unamortised issue cost 2-5 years	<u>(13,981)</u>	<u>(17,247)</u>
	<u>7,773,682</u>	<u>7,268,689</u>
	2020 £	2019 £
Amounts falling due in more than five years:		
Repayable by instalments		
Subordinated debt	2,123,061	2,123,061
Bank loans and overdrafts	223,219	315,018
Bond liability more than 5 years	6,689,609	9,020,975
Unamortised issue cost more than 5 years	<u>(2,180)</u>	<u>(5,634)</u>
	<u>9,033,709</u>	<u>11,453,420</u>

In respect of debts falling due after five years, shareholder loans are repayable in full in 2028. The remainder of loans are repayable in instalments.

14. Leasing agreements

The company has been granted an option to take a lease from the Council of the City of Manchester which it intends to take up. The lease premium for the right to receive this lease of £3,000,000 was paid in 2001 and is included within the contract debtor.

15. Provisions for liabilities

	2020 £	2019 £
Deferred tax		
Accelerated capital allowances	2,918,651	2,766,369
Tax losses carried forward	<u>-</u>	<u>(91,365)</u>
	<u>2,918,651</u>	<u>2,675,004</u>
		Deferred tax £
Balance at 1 April 2019		2,675,004
Charge to Income Statement during year		<u>243,647</u>
Balance at 31 March 2020		<u>2,918,651</u>

UK Court Services (Manchester) Limited (Registered number: 04164167)

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2020**

16. Called up share capital

Allotted, issued and fully paid:		Nominal value:	2020	2019
Number:	Class:		£	£
3,000 (2019: 3,000)	Ordinary	£1	<u>3,000</u>	<u>3,000</u>

17. Commitments

Under the terms of an operating agreement dated 29 March 2003 between the company and G4S Integrated Services (UK) Limited, the company is committed to pay fixed and variable fees based on the availability of the courts. The contract also covers capital replacement of life expired service equipment over the contract term. Payments commenced in 2004 and are subject to market testing at fixed intervals during the contract term which runs until 2029. Charges in the year ended 2020 were £2,100,816 (2019: £2,433,382).

18. Related party disclosures

As a fully controlled subsidiary of Semperian PPP Investment Partners Holdings Limited, the registered address of which is Third floor, Broad Quay House, Prince Street, Bristol, BS1 4DJ, the company has taken advantage of the exemption, under the terms of Financial Reporting Standard 102 paragraph 33.1A, not to disclose related party transactions between it and other group companies.

19. Ultimate controlling party

The company's immediate parent is UK Court Services (Manchester) Holdings Limited a company registered in England and Wales. The ultimate parent and controlling party is Semperian PPP Investment Partners Holdings Limited which is registered in Jersey. The smallest group and largest group to consolidate these financial statements is Semperian PPP Investment Partners Holdings Limited.

Consolidated financial statements for Semperian PPP Investment Partners Holdings Limited can be obtained from the Company Secretary at Third Floor, Broad Quay House, Prince Street, Bristol, BS1 4DJ.