

REGISTERED NUMBER: 02984969 (England and Wales)

**Strategic Report, Report of the Directors and
Financial Statements for the Year Ended 31 March 2022
for
Fazakerley Prison Services Limited**

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Fazakerley Prison Services Limited (Registered number: 02984969)

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for the Year Ended 31 March 2022**

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Fazakerley Prison Services Limited

**Company Information
for the Year Ended 31 March 2022**

Directors:

D R Hardingham
A C Ritchie

Secretary:

Semperian Secretariat Services Limited

Registered office:

Third Floor Broad Quay House
Prince Street
Bristol
BS1 4DJ

Registered number:

02984969 (England and Wales)

Independent auditors:

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

Fazakerley Prison Services Limited (Registered number: 02984969)

**Strategic Report
for the Year Ended 31 March 2022**

The directors present their strategic report for the year ended 31 March 2022.

Principal activities and business review

The company is engaged under a 28 year contract signed on 20 December 1995 for the provision of the design, construction and management services, including related financing arrangements for a prison HMP Altcourse, at Fazakerley in Liverpool. Its registered number is 02984969. The company is a private company limited by shares. A contract was signed on 26 May 2006 to design, construct, operate and maintain a new houseblock, which was completed on 10 September 2007. The contract ends on 30 May 2023 and the company will cease trading after that date. As a result of this, these financial statements have been prepared on a basis other than going concern, see Note 2 'Basis of preparation'.

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 expectation of the project at this stage in the contract, and its prospects for the remainder of the contract to be satisfactory.

The profit for the financial year under review as set out in the statement of comprehensive income relates to 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 operational 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.

Fazakerley Prison Services Limited (Registered number: 02984969)

**Strategic Report
for the Year Ended 31 March 2022**

Section 172 statement

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 HMP Altcourse prison at Fazakerley in Liverpool over a concession period of 28 years under an agreement with our client, the National Offender Management 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. 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.

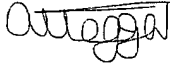
The principal decisions made by the board of directors during the year ended 31 March 2022 were: • Lifecycle and major maintenance expenditure • Providing additional prisoner places • Payment of dividends Life cycle and major maintenance expenditure is planned following asset condition surveys to maintain 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.

Fazakerley Prison Services Limited (Registered number: 02984969)

**Strategic Report
for the Year Ended 31 March 2022**

By order of the board:



.....
Semperian Secretariat Services Limited - Secretary

Date: 29 September 2022

Fazakerley Prison Services Limited (Registered number: 02984969)

**Report of the Directors
for the Year Ended 31 March 2022**

The directors present their report with the audited financial statements of the company for the year ended 31 March 2022.

Dividends

The profit for the financial year amounted to £3,723,021 (2021: £4,048,839). Net assets at year end were £5,974,679 (2021: £14,631,608).

Dividends of £12,552,618, £125,526.18 per share (2021: £3,941,000, £39,410.00 per share) have been paid during the year. No final dividends are proposed at the year end (2021: £nil).

Future developments

No significant changes are expected to the company's activities in the foreseeable future other than those set out in the Strategic report.

Directors

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

D R Hardingham
A C Ritchie

Director's liabilities

The company has purchased and maintained Directors' and Officers' liability insurance in respect of itself and its Directors. The indemnity was in force throughout the tenure of each Director during the last financial year, and is currently in force. This is a qualifying third-party indemnity as defined by Section 234 of the Companies Act 2006.

Going concern

The financial statements have been prepared on a basis other than going concern due to the cessation of the Company's trade within twelve months of the signing of these financial statements. Adopting a basis other than going concern has not had any impact on the recognition and measurement of the Company's remaining assets or liabilities as at 31 March 2022.

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. The company also reviews the performance of subcontractors on a monthly basis and takes action if the performance levels fall below the required standards. The board has policies for managing each of these risks and they are summarised below:

Interest rate risk

The company has hedged its interest rate risk by using fixed interest rate financial instruments.

Inflation risk

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

Liquidity risk

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.

Major maintenance risk

The company is ultimately responsible for the on-going major maintenance and replacement expenditure, but the risks associated with this activity, including management of the work, are largely passed to the subcontractors.

Fazakerley Prison Services Limited (Registered number: 02984969)

**Report of the Directors
for the Year Ended 31 March 2022**

Coronavirus (COVID-19) impact on the financial statements

The COVID-19 outbreak has resulted in measures being taken to contain the virus and has resulted in the temporary closure of businesses and public services.

The company continues to work with its client, the National Offender Management 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 company has continued to receive the monthly unitary payment and pay its suppliers in a timely manner.

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 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 are not be impacted by factors arising due to the pandemic. As the majority of costs are contractual, no other measures to control costs are deemed necessary. The timing of lifecycle and major maintenance works continue to be 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 no impact on the financial statements, and no impact on the ability of the company/group to continue as a going concern. However, the Directors are monitoring usual movements in short and long term economic indicators that may impact the valuation of assets and liabilities, and may therefore have an impact on the financial statements.

Streamlined energy and carbon reporting

The company is a low energy user, emitting and consuming less than 40MWh in the current and previous reporting period. Energy emissions from activities, including greenhouse gases (GHG), and the consumption of energy for the company's own use has been considered in making this assessment. As an operator of a Government Private Finance Initiative, the company:

- does not occupy an office;
- does not utilise any transportation;
- had no employees during the year; and
- services provided under the Project Agreement and related contracts are outsourced to the subcontractor.

As such, the company is not required to make detailed disclosures of energy and carbon information under the Companies Act 2006.

Fazakerley Prison Services Limited (Registered number: 02984969)

**Report of the Directors
for the Year Ended 31 March 2022**

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Strategic Report, Report of the Directors and Financial Statements 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, 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 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 also 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.

Directors' confirmations

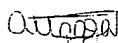
In the case of each director in office at the date the directors' report is approved:

- 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, have signified their willingness to continue in office.

By order of the board:



.....
Semperian Secretariat Services Limited - Secretary

Date: 29 September 2022

Independent auditors' report to the members of Fazakerley Prison Services Limited

Report on the audit of the financial statements

Opinion

In our opinion, Fazakerley Prison Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 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: Statement of Financial Position as at 31 March 2022; the Income Statement, Statement of Comprehensive Income and 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.

Emphasis of matter - financial statements prepared on a basis other than going concern

In forming our opinion on the financial statements, which is not modified, we draw attention to note 2 to the financial statements which describes the directors' reasons why the financial statements have been prepared on a basis other than going concern.

Independent auditors' report to the members of Fazakerley Prison Services Limited (continued)

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 our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

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 2022 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, 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.

Independent auditors' report to the members of Fazakerley Prison Services Limited (continued)

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.

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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK corporate tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management and internal audit to enquire of any known instances of non-compliance with Laws and Regulations and Fraud
- Reading board minutes for evidence of breaches of regulations and reading relevant correspondence
- Challenging assumptions and judgements made by management in their significant accounting estimates
- Identifying and testing journal entries, in particular journal entries posted with unexpected account combinations
- Incorporating unpredictability into the nature, timing and/or extent of our testing

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

Independent auditors' report to the members of Fazakerley Prison Services Limited (continued)

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 obtained 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
29 September 2022

Fazakerley Prison Services Limited (Registered number: 02984969)**Income Statement
for the Year Ended 31 March 2022**

	Notes	2022 £	2021 £
Turnover		52,719,044	54,031,954
Cost of sales		<u>(47,560,070)</u>	<u>(49,344,380)</u>
Gross profit		5,158,974	4,687,574
Administrative expenses		<u>(895,511)</u>	<u>(814,134)</u>
Operating profit	5	4,263,463	3,873,440
Interest receivable and similar income	6	<u>1,619,276</u>	<u>2,421,404</u>
		5,882,739	6,294,844
Interest payable and similar expenses	7	<u>(282,404)</u>	<u>(819,272)</u>
Profit before taxation		5,600,335	5,475,572
Tax on profit	8	<u>(1,877,314)</u>	<u>(1,426,733)</u>
Profit for the financial year		<u>3,723,021</u>	<u>4,048,839</u>

Fazakerley Prison Services Limited (Registered number: 02984969)**Statement of Comprehensive Income
for the Year Ended 31 March 2022**

	Notes	2022 £	2021 £
Profit for the year		3,723,021	4,048,839
Other comprehensive income			
Change in fair value of cash flow hedge		(138,351)	(126,924)
Reclassification to profit and loss		351,521	733,632
Income tax relating to components of other comprehensive income		<u>(40,502)</u>	<u>(115,275)</u>
Other comprehensive income for the year, net of income tax		<u>172,668</u>	<u>491,433</u>
Total comprehensive income for the year		<u>3,895,689</u>	<u>4,540,272</u>

Fazakerley Prison Services Limited (Registered number: 02984969)**Statement of Financial Position
As at 31 March 2022**

	Notes	2022 £	2021 £
Current assets			
Debtors: amounts falling due within one year	10	15,435,668	14,153,170
Debtors: amounts falling due after more than one year	10	1,638,066	10,915,508
Cash at bank and in hand		<u>275,864</u>	<u>12,454,857</u>
		17,349,598	37,523,535
Creditors: amounts falling due within one year	11	<u>(9,764,845)</u>	<u>(20,757,270)</u>
Net current assets		<u>7,584,753</u>	<u>16,766,265</u>
Total assets less current liabilities		7,584,753	16,766,265
Provisions for liabilities	13	<u>(1,610,074)</u>	<u>(2,134,657)</u>
Net assets		<u>5,974,679</u>	<u>14,631,608</u>
Capital and reserves			
Called up share capital	14	100	100
Cash flow hedge reserve		-	(172,668)
Retained earnings		<u>5,974,579</u>	<u>14,804,176</u>
Total shareholders' funds		<u>5,974,679</u>	<u>14,631,608</u>

The financial statements on pages 12 to 23 were approved by the Board of Directors and authorised for issue on 29 September 2022 and were signed on its behalf by:

David Hardingham

.....
D R Hardingham - Director

Fazakerley Prison Services Limited (Registered number: 02984969)**Statement of Changes in Equity
for the Year Ended 31 March 2022**

	Called up share capital £	Retained earnings £	Cash flow hedge reserve £	Total equity £
Balance at 1 April 2020	100	14,696,337	(664,101)	14,032,336
Changes in equity				
Total comprehensive income	-	4,048,839	491,433	4,540,272
Dividends	-	(3,941,000)	-	(3,941,000)
Balance at 31 March 2021	<u>100</u>	<u>14,804,176</u>	<u>(172,668)</u>	<u>14,631,608</u>
Changes in equity				
Total comprehensive income	-	3,723,021	172,668	3,895,689
Dividends	-	(12,552,618)	-	(12,552,618)
Balance at 31 March 2022	<u>100</u>	<u>5,974,579</u>	<u>-</u>	<u>5,974,679</u>

Fazakerley Prison Services Limited (Registered number: 02984969)

**Notes to the Financial Statements
for the Year Ended 31 March 2022**

1. General information

The company is engaged under a 28 year contract signed on 20 December 1995 for the provision of the design, construction and management services, including related financing arrangements for a prison HMP Altcourse, at Fazakerley in Liverpool. Its registered number is 02984969. A contract was signed on 26 May 2006 to design, construct, operate and maintain a new houseblock, which was completed on 10 September 2007.

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 basis other than going concern due to the cessation of the Company's trade within twelve months of the signing of these financial statements. Adopting a basis other than going concern has not had any impact on the recognition and measurement of the Company's remaining assets or liabilities as at 31 March 2022.

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.

Fazakerley Prison Services Limited (Registered number: 02984969)

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2022**

2. Accounting policies - continued

Turnover

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales 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.

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.

Financial instruments

Measurement and recognition of financial instruments is in accordance with the provisions of FRS 102 s11 and s12.

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.

Fazakerley Prison Services Limited (Registered number: 02984969)

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2022**

2. Accounting policies - continued

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.

Derivatives and Hedging arrangements

Derivatives, which may include interest rate swaps and RPI swaps, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate, unless they are included in hedging arrangements.

The company applies hedge accounting for transactions entered into to manage the cash flow exposures of borrowings. Interest rate swaps are held to manage the interest rate exposures and are designated as cash flow hedges of floating rate borrowings.

Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised directly in equity. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in the profit and loss account.

The gain or loss recognised in other comprehensive income is reclassified to the profit and loss account in the same period in which the hedged transaction is recognised in the profit and loss account or when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised or the hedging instrument is terminated.

Major maintenance replacement

As noted in the Report of the Directors, the company is ultimately responsible for the on-going major maintenance and replacement expenditure, but the risks associated with this activity are largely passed to the subcontractor. The company recognises an accrual for costs relating to this activity.

Fazakerley Prison Services Limited (Registered number: 02984969)

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2022**

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.

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. Actual results may subsequently differ from these estimates.

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

Judgements

Treatment of derivatives

The directors have adopted a policy of cashflow hedge accounting for derivative financial instruments and have assessed that the company's interest rate swaps meet the criteria for hedge accounting under FRS 102. This allows unrealised gains and losses to be deferred in a cashflow hedge reserve and only recognised through the profit and loss account at the same time as the hedged cash flows.

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.

Measurement of derivatives

The derivative financial instruments are recognised at fair value. The measurement of fair value is based on estimates of future market interest and inflation rates and will therefore be subject to change. The company has used a third party expert to assist in valuing such instruments.

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.

4. Employees and directors

The company has no employees and there were no staff costs for the year ended 31 March 2022 nor for the year ended 31 March 2021. The emoluments of the directors are paid by the controlling parties (2021: same). 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 (2021: same).

Fazakerley Prison Services Limited (Registered number: 02984969)**Notes to the Financial Statements - continued
for the Year Ended 31 March 2022****5. Operating profit**

The audit fee in respect of the company was £10,710 (2021: £10,383) for the year. In addition, the company bore £1,785 (2021: £1,730) in respect of the audit fee for its immediate parent company during the year which was not recharged. There were no fees for non audit services in the year (2021: £nil).

Operating lease expenditure incurred in respect of land and building leases during the year was £1,000 (2021: £1,000).

6. Interest receivable and similar income

	2022 £	2021 £
Deposit account interest	-	14,486
Imputed interest on contract debtor	<u>1,619,276</u>	<u>2,406,918</u>
	<u>1,619,276</u>	<u>2,421,404</u>

Interest is imputed on the contract debtor using a property specific rate of 10% (2021 10%)

7. Interest payable and similar expenses

	2022 £	2021 £
Bank loan interest	61,879	172,131
Swap interest	213,533	635,922
Other bank charges	<u>6,992</u>	<u>11,219</u>
	<u>282,404</u>	<u>819,272</u>

8. Tax on profit**Analysis of the tax charge**

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

	2022 £	2021 £
Current tax:		
UK corporation tax	2,442,399	2,271,759
Deferred tax:		
Timing differences	<u>(565,085)</u>	<u>(845,026)</u>
Tax on profit	<u>1,877,314</u>	<u>1,426,733</u>

UK corporation tax was charged at 19% in 2021.

Fazakerley Prison Services Limited (Registered number: 02984969)**Notes to the Financial Statements - continued
for the Year Ended 31 March 2022****8. Tax on profit - continued****Reconciliation of total tax charge included in profit and loss**

The tax assessed for the year is higher (2021: higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	2022	2021
	£	£
Profit before taxation	<u>5,600,335</u>	<u>5,475,572</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2021 - 19%)	1,064,064	1,040,359
Effects of:		
Expenses not deductible for tax purposes	426,832	386,374
Effect of change in tax rates	<u>386,418</u>	<u>-</u>
Total tax charge	<u>1,877,314</u>	<u>1,426,733</u>

Tax effects relating to effects of other comprehensive income

	Gross	2022	Net
	£	Tax	£
Change in fair value of cash flow hedge	(138,351)	-	(138,351)
Reclassification to profit and loss	<u>351,521</u>	<u>(40,502)</u>	<u>311,019</u>
	<u>213,170</u>	<u>(40,502)</u>	<u>172,668</u>

	Gross	2021	Net
	£	Tax	£
Change in fair value of cash flow hedge	(126,924)	-	(126,924)
Reclassification to profit and loss	<u>733,632</u>	<u>(115,275)</u>	<u>618,357</u>
	<u>606,708</u>	<u>(115,275)</u>	<u>491,433</u>

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 2021 was 19%.

In September 2022, the Government announced that from 1 April 2023 the corporation tax rate will not be increasing to 25%. At the balance sheet date, the proposal to cancel the previously enacted tax rise had not been substantively enacted, therefore, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, due to the timing of this announcement its impact has not been quantified.

Fazakerley Prison Services Limited (Registered number: 02984969)**Notes to the Financial Statements - continued
for the Year Ended 31 March 2022****9. Dividends**

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

	2022 £	2021 £
Interim dividend of £125,526 (2021: £39,410) per ordinary share	<u>12,552,618</u>	<u>3,941,000</u>

10. Debtors

	2022 £	2021 £
Amounts falling due within one year:		
Trade debtors	139,326	228,157
Finance receivable on contract debtor	9,277,442	8,398,056
Corporation tax	1,876	19,501
Prepayments and accrued income	<u>6,017,024</u>	<u>5,507,456</u>
	<u>15,435,668</u>	<u>14,153,170</u>
Amounts falling due after more than one year:		
Finance receivable on contract debtor	<u>1,638,066</u>	<u>10,915,508</u>
	<u>1,638,066</u>	<u>10,915,508</u>
Aggregate amounts	<u>17,073,734</u>	<u>25,068,678</u>

11. Creditors: amounts falling due within one year

	2022 £	2021 £
Bank loans and overdrafts (see note 12)	-	6,828,572
Trade creditors	5,195,325	8,906,100
VAT	392,601	457,847
Derivative financial instrument	-	213,170
Accruals and deferred income	<u>4,176,919</u>	<u>4,351,581</u>
	<u>9,764,845</u>	<u>20,757,270</u>

12. Loans

An analysis of the maturity of loans is given below:

	2022 £	2021 £
Amounts falling due within one year or on demand:		
Bank loans	-	6,859,900
Unamortised issue cost	<u>-</u>	<u>(31,328)</u>
	<u>-</u>	<u>6,828,572</u>

Fazakerley Prison Services Limited (Registered number: 02984969)**Notes to the Financial Statements - continued
for the Year Ended 31 March 2022****13. Provisions for liabilities**

	2022 £	2021 £
Deferred tax		
Accelerated capital allowances	1,610,074	2,175,159
Derivatives	<u>-</u>	<u>(40,502)</u>
	<u>1,610,074</u>	<u>2,134,657</u>

	Deferred tax £
Balance at 1 April 2021	2,134,657
Credit to Income Statement during year	(565,085)
Other Comprehensive Income	<u>40,502</u>
Balance at 31 March 2022	<u>1,610,074</u>

14. Called up share capital**Allotted, issued and fully paid:**

Number:	Class:	Nominal value:	2022 £	2021 £
100 (2021: 100)	Ordinary	£1	<u>100</u>	<u>100</u>

15. Other financial commitments

Under the terms of a contract, dated 20 December 1995, the company is committed to pay fixed and variable fees to G4S Care & Justice (UK) Limited, based on the number of available trainee places for the remaining contract term. Charges in the year ended 31 March 2022 were £47,120,410 (2021: £48,301,004).

16. Related party disclosures

As a fully controlled subsidiary of Semperian PPP Investment Partners Holdings Limited, the registered address of which is 47 Esplanade, St Helier, Jersey, JE1 0BD, 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.

17. Ultimate controlling party

The company's immediate parent is Semperian (Fazakerley) 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.