

SUSSEX CUSTODIAL SERVICES (HOLDINGS) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

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SUSSEX CUSTODIAL SERVICES (HOLDINGS) LIMITED

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SUSSEX CUSTODIAL SERVICES (HOLDINGS) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

The Directors present their report and the financial statements for the year ended 31 December 2010

Principal activities

The Company acts as a holding company for its subsidiary whose principal activity is to finance, design, construct, maintain and partially operate custody centres for the Sussex Police Authority under the Government's private finance initiative. No change in the Company's activities is anticipated.

Business review

Key performance indicators

The Group has modelled the anticipated financial outcome of the Project across its full term. The Group monitors actual financial performance against this anticipated performance. As at 31 December 2010, the Group's performance reflects an acceptable variance to this model. The results for the year are set out in the profit and loss account on page 5.

Position of the Group at the year end

The Group is in the operational phase of the contract and is performing to the standards of the contract.

Results and dividends

The profit for the year, after taxation, amounted to £383,237 (2009 - £367,911).

The Directors have recommended a dividend payment in the year ended 31 December 2010 of £200,000 (2009 - £nil).

Directors

The Directors who served during the year were:

M C Wayment

P J Cooper (Alternate to M C Wayment)

A W Boddy (resigned 17 June 2010)

A J Lawrinson (Alternate to A W Boddy) (resigned 17 June 2010)

P Townsend (appointed 17 June 2010)

A Lawrinson (Alternate to P Townsend) (appointed 17 June 2010 & resigned 25 October 2010)

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

Supplier payment policy

The Company subscribes to the Better Payment Practice Code, the four principles of which are, to agree payment terms at the outset and stick to them, to explain payment procedures to suppliers, to pay bills in accordance with any contract agreed with the supplier or as required by law, and to tell suppliers without delay when an invoice is contested and settle disputes quickly. Copies of and information about the Code is available from The Department of Trade and Industry, No 1 Victoria Street, London, SW1H 0ET.

The amount due to the Company's trade creditors at 31 December 2010 represented 26 days (2009 - 27 days) average daily purchases of goods and services received from those creditors, calculated in accordance with the Companies Act 2006.

Provision of information to auditor

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- so far as that Director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- that Director has taken all the steps that ought to have been taken as a Director in order to be aware of any information needed by the Company and the Group's auditor in connection with preparing its report and to establish that the Company and the Group's auditor is aware of that information.

SUSSEX CUSTODIAL SERVICES (HOLDINGS) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

Auditor

The auditor, KPMG Audit Plc, is deemed to be reappointed in accordance with section 386 of the Companies Act 1985 by virtue of an elective resolution passed by the members on 9 May 2002

Political and charitable contributions

The Company made no political or charitable contributions during the year (2009 £nil)

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to

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

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

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

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M C Wayment

Director

Date

21 St Thomas Street

Bristol

BS1 6JS

28/07/2011

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SUSSEX CUSTODIAL SERVICES (HOLDINGS) LIMITED

We have audited the financial statements of Sussex Custodial Services (Holdings) Limited for the year ended 31 December 2010, set out on pages 4 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement on pages 1 and 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2010 and of the group's profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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



John Luke (Senior statutory auditor)

for and on behalf of

KPMG Audit Plc

Chartered Accountants

15 Canada Square

London

E14 5GL

Date

10 August 2011

SUSSEX CUSTODIAL SERVICES (HOLDINGS) LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010 £	2009 £
TURNOVER	2	10,204,228	<i>10,255,506</i>
Cost of sales		<u>(9,506,009)</u>	<u>(9,514,559)</u>
GROSS PROFIT		698,219	<i>740,947</i>
Administrative expenses		<u>(227,512)</u>	<u>(223,205)</u>
OPERATING PROFIT	4	470,707	<i>517,742</i>
Interest receivable and similar income	5	1,520,699	<i>1,584,793</i>
Interest payable and similar charges	6	<u>(1,528,877)</u>	<u><i>(1,572,867)</i></u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		462,529	<i>529,668</i>
Tax on profit on ordinary activities	7	<u>(79,292)</u>	<u><i>(161,757)</i></u>
PROFIT FOR THE FINANCIAL YEAR	14	<u>383,237</u>	<u><i>367,911</i></u>

All amounts relate to continuing operations

There were no recognised gains and losses for current and prior periods other than those included in the Profit and loss Account

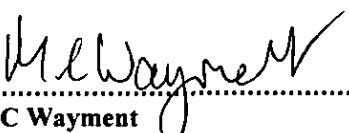
The notes on pages 8 to 17 form part of these financial statements

SUSSEX CUSTODIAL SERVICES (HOLDINGS) LIMITED
REGISTERED NUMBER: 04164414

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2010

	Note	£	2010 £	£	2009 £
CURRENT ASSETS					
Debtors amounts falling due after more than one year	10	19,206,729	19,610,896		
Debtors amounts falling due within one year	10	2,585,965	2,452,592		
Cash at bank		1,622,129	1,916,140		
		<u>23,414,823</u>	<u>23,979,628</u>		
CREDITORS: amounts falling due within one year	11	<u>(1,820,172)</u>	<u>(1,855,875)</u>		
NET CURRENT ASSETS			<u>21,594,651</u>		<u>22,123,753</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>21,594,651</u>		<u>22,123,753</u>
CREDITORS: amounts falling due after more than one year	12		(18,440,438)		(19,227,850)
PROVISIONS FOR LIABILITIES					
Deferred tax			(957,397)		(882,324)
NET ASSETS			<u>2,196,816</u>		<u>2,013,579</u>
CAPITAL AND RESERVES					
Called up share capital	13		156,065		156,065
Profit and loss account	14		2,040,751		1,857,514
SHAREHOLDERS' FUNDS	22		<u>2,196,816</u>		<u>2,013,579</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28/5/2011



M C Wayment
 Director

The notes on pages 8 to 17 form part of these financial statements

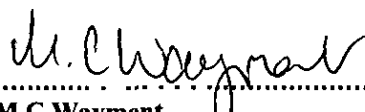
SUSSEX CUSTODIAL SERVICES (HOLDINGS) LIMITED

**COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2010**

	Note	2010 £	2009 £
FIXED ASSETS			
Investments	8	156,065	156,065
CURRENT ASSETS			
Debtors	10	2,373,740	2,373,740
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,529,805</u>	<u>2,529,805</u>
CREDITORS: amounts falling due after more than one year	12	(2,373,740)	(2,373,740)
NET ASSETS		<u>156,065</u>	<u>156,065</u>
CAPITAL AND RESERVES			
Called up share capital	13	156,065	156,065
SHAREHOLDERS' FUNDS	22	<u>156,065</u>	<u>156,065</u>

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

28/07/2011


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M C Wayment
Director

The notes on pages 8 to 17 form part of these financial statements

SUSSEX CUSTODIAL SERVICES (HOLDINGS) LIMITED

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010 £	2009 £
Net cash flow from operating activities	16	533,581	871,941
Returns on investments and servicing of finance	17	21,034	42,076
Taxation		(8,252)	(24,049)
Equity dividends paid		(200,000)	-
CASH INFLOW BEFORE FINANCING		346,363	889,968
Financing	17	(640,374)	(488,311)
(DECREASE)/INCREASE IN CASH IN THE YEAR		(294,011)	401,657

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
FOR THE YEAR ENDED 31 DECEMBER 2010**

	2010 £	2009 £
(Decrease)/Increase in cash in the year	(294,011)	401,657
Cash outflow from decrease in debt and lease financing	640,374	488,311
MOVEMENT IN NET DEBT IN THE YEAR	346,363	889,968
Net debt at 1 January 2010	(18,222,246)	(19,112,214)
NET DEBT AT 31 DECEMBER 2010	(17,875,883)	(18,222,246)

The notes on pages 8 to 17 form part of these financial statements

SUSSEX CUSTODIAL SERVICES (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

I. ACCOUNTING POLICIES

Accounting convention

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements

1.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules

The Group has considerable financial resources and the investment company has a long term contract with Sussex Police Authority. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements

1.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertaking made up to 31 December 2010. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account

1.3 Turnover

Turnover is recognised in accordance with the finance debtor and long term contracts accounting policies below and excludes VAT

1.4 Deferred taxation

Deferred tax is recognized, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

1.5 Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year (other than cash), government securities and investments in money market managed funds

SUSSEX CUSTODIAL SERVICES (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

1. ACCOUNTING POLICIES (continued)

1.6 Finance debtor

The Group operates a Private Finance Initiative contract. The underlying asset is not deemed to be an asset of the Company under Financial Reporting Standard 5 Application Note F.

During the construction phase of the project, all attributable expenditure is included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs are transferred to the finance debtors. During the operational phase PFI unitary charge receipts are allocated between interest receivable and the finance debtor using a project specific interest rate. The remainder of the PFI unitary charge receipts are included within turnover in accordance with the long term contract accounting policy below.

The Group recognises income in respect of the services provided as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of the services. Major maintenance costs are recognised on an incurred basis and the revenue receivable in respect of these services is recognised when the services are performed.

1.7 Interest

Interest costs are capitalised during the construction phase of the contract and are amortised over the operational phase.

1.8 Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous year. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in trade debtors and represent turnover recognised in excess of payments on account.

2. TURNOVER

The turnover and profit before taxation are attributable to the Group's Private Finance Initiative contract.

An analysis of turnover by class of business is as follows:

	2010 £	2009 £
Services income	<u>10,204,228</u>	<u>10,255,506</u>

All turnover arose within the United Kingdom.

3. STAFF COSTS

The Company had no employees during the year (2009: none).

SUSSEX CUSTODIAL SERVICES (HOLDINGS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

4 OPERATING PROFIT

The operating profit is stated after charging

	2010	2009
	£	£
Auditors' remuneration - audit of these financial statements	14,420	14,000
Directors emolument entitlement for the year	54,353	36,216

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2010	2009
	£	£
Finance debtor interest	1,505,632	1,555,320
Bank interest receivable	15,067	29,473
	<u>1,520,699</u>	<u>1,584,793</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2010	2009
	£	£
Interest on bank loan	1,142,497	1,182,627
Bank charges	1,106	4,033
Interest on loan stock	356,061	356,061
Amortisation of loan issue costs	29,213	30,146
	<u>1,528,877</u>	<u>1,572,867</u>

SUSSEX CUSTODIAL SERVICES (HOLDINGS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

7 TAXATION

	2010 £	2009 £
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	4,219	8,252
Adjustments in respect of prior periods	-	(4,803)
Total current tax	4,219	3,449
Deferred tax		
Effect of reduced tax rate on opening liability	(63,023)	-
Current year	138,096	173,210
Adjustments in respect of prior years	-	(14,902)
Total deferred tax	75,073	158,308
Tax on profit on ordinary activities	79,292	161,757

Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 28% (2009 - 28%)
The differences are explained below

	2010 £	2009 £
Profit on ordinary activities before tax	462,529	529,668
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 - 28%)	129,508	148,307
Effects of:		
Expenses not deductible for tax purposes	-	5,600
Capital allowances in excess of finance debtor amortisation	10,978	(24,543)
Utilisation of tax losses	(115,027)	(99,872)
Adjustments to tax charge in respect of prior periods	-	(4,803)
Other tax reliefs	(21,240)	(21,240)
Current tax charge for the year (see note above)	4,219	3,449

Factors that may affect future tax charges

The Group has estimated accumulated tax losses of £4,894,000 (2009 £5,133,000) which have been carried forward to offset against future tax liabilities. A deferred tax asset has been recognised in full for these losses as, in the opinion of the Directors, there will be sufficient future taxable profits to utilise the losses.

SUSSEX CUSTODIAL SERVICES (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

Deferred tax

Deferred tax is provided at 27% in the financial statements as follows

	2010 £	2009 £
Deferred tax asset brought forward	1,437,229	1,624,017
Tax losses movement for current year	(115,885)	(186,788)
Total deferred tax asset	<u>1,321,344</u>	<u>1,437,229</u>
Deferred tax liability brought forward	(2,319,553)	(2,348,033)
Movement in capital allowances and related finance debtor amortisation	40,812	28,480
Total deferred tax liability	<u>(2,278,741)</u>	<u>(2,319,553)</u>
Net deferred tax liability	<u>(957,397)</u>	<u>(882,324)</u>

Deferred tax asset has been recognised on those tax losses which can be set off against future profits of the Company. The future profits of the Company have been estimated based on the forecasted cash flows and its estimated contractual rights and obligations as an operator of a Private Finance Initiative contract.

8. FIXED ASSET INVESTMENTS

Company	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2010 and 31 December 2010	<u>156,065</u>
Net book value	
At 31 December 2010	<u>156,065</u>
At 31 December 2009	<u>156,065</u>

Details of the principal subsidiaries can be found under note number 9

9. PRINCIPAL SUBSIDIARIES

Company name	Country	Percentage Shareholding	Description
Sussex Custodial Services Limited	United Kingdom	100%	PFI operator

SUSSEX CUSTODIAL SERVICES (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

10. DEBTORS

	<u>Group</u>		<u>Company</u>	
	2010	2009	2010	2009
	£	£	£	£
Due after more than one year				
Amounts owed by group undertakings	-	-	2,373,740	2,373,740
Finance debtors	19,206,729	19,610,896	-	-
	<u>19,206,729</u>	<u>19,610,896</u>	<u>2,373,740</u>	<u>2,373,740</u>
	<u>Group</u>		<u>Company</u>	
	2010	2009	2010	2009
	£	£	£	£
Due within one year				
Unitary charge control account	1,196,914	1,043,534	-	-
Finance debtors	416,917	399,847	-	-
Other debtors	972,134	1,009,211	-	-
	<u>2,585,965</u>	<u>2,452,592</u>	<u>-</u>	<u>-</u>

Included within finance debtors is £1,318,922 (2009 £1,318,922) in respect of capitalised net finance costs

11. CREDITORS.

Amounts falling due within one year

	<u>Group</u>		<u>Company</u>	
	2010	2009	2010	2009
	£	£	£	£
Bank loans	816,000	641,000	-	-
Trade creditors	-	95	-	-
Corporation tax	4,219	8,252	-	-
Social security and other taxes	68,069	77,847	-	-
Unamortised issue costs	(27,963)	(29,213)	-	-
Accruals and deferred income	959,847	1,157,894	-	-
	<u>1,820,172</u>	<u>1,855,875</u>	<u>-</u>	<u>-</u>

SUSSEX CUSTODIAL SERVICES (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

12. CREDITORS:

Amounts falling due after more than one year

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Unsecured 15% loan stock	2,373,741	2,373,741	2,373,740	2,373,740
Bank loans	16,308,271	17,123,645	-	-
Unamortised issue costs	(241,574)	(269,536)	-	-
	18,440,438	19,227,850	2,373,740	2,373,740

Included within the above are amounts falling due as follows

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Between one and two years				
Bank loans	689,000	816,000	-	-
Between two and five years				
Bank loans	1,933,000	1,745,000	-	-
Over five years				
Bank loans	13,686,271	14,562,645	-	-
Unsecured 15% loan stock	2,373,741	2,373,741	2,373,740	2,373,740

Creditors include amounts not wholly repayable within 5 years as follows

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Repayable by instalments	16,060,012	16,936,386	2,373,740	2,373,740

Bank loans are secured by a fixed charge over land and buildings under construction, the costs of which are included as finance debtors in the balance sheet. The loan balances shown above are gross and do not include unamortized issue costs which are shown in notes 11 and 12.

Bank loans bear interest based on LIBOR. The Group has entered into interest rate swap contracts covering all of the debt projected to be drawn down which hedges the Company's interest rate exposure on senior debt. Loan interest is payable biannually in June and December.

The unsecured 15% loan stock is held by Sussex Custodial Services (Holdings) Limited, the Company's holding company. The loan stock is ultimately held by Infrastructure Investments LP and Reliance Sussex PFI Limited at the year end.

Loan stock interest is payable biannually in March and September.

SUSSEX CUSTODIAL SERVICES (HOLDINGS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

13. SHARE CAPITAL

	2010 £	2009 £
Allotted, called up and fully paid		
156,065 Ordinary shares of £1 each	156,065	156,065

14. RESERVES

	Profit and loss account £
Group	
At 1 January 2010	1,857,514
Profit for the year	383,237
Dividends Equity capital	(200,000)
At 31 December 2010	2,040,751

	Profit and loss account £
Company	
Profit for the year	200,000
Dividends Equity capital	(200,000)
At 31 December 2010	-

15. DIVIDENDS

	2010 £	2009 £
Dividends paid on equity capital	200,000	-

16. NET CASH FLOW FROM OPERATING ACTIVITIES

	2010 £	2009 £
Operating profit	470,707	517,742
Decrease in debtors	270,794	166,845
(Decrease)/increase in creditors	(207,920)	187,354
Net cash inflow from operating activities	533,581	871,941

SUSSEX CUSTODIAL SERVICES (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

17. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2010 £	2009 £
Returns on investments and servicing of finance		
Interest received	1,520,699	1,584,793
Interest paid	(1,499,665)	(1,542,717)
Net cash inflow from returns on investments and servicing of finance	21,034	42,076
	2010 £	2009 £
Financing		
Repayment of loans	(640,374)	(488,311)

18. ANALYSIS OF CHANGES IN NET DEBT

	1 January 2010 £	Cash flow £	Other non-cash changes £	31 December 2010 £
Cash at bank and in hand	1,916,140	(294,011)	-	1,622,129
Debt:				
Debts due within one year	(641,000)	640,374	(815,374)	(816,000)
Debts falling due after more than one year	(19,497,386)	-	815,374	(18,682,012)
Net debt	(18,222,246)	346,363	-	(17,875,883)

19. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The largest and smallest group in which the results of the Company are consolidated is that headed by Sussex Custodial Services (Holdings) Limited. The consolidated accounts of this group are available to the public and may be obtained from 21 St Thomas Street, Bristol, BS1 6JS.

20. CAPITAL COMMITMENTS

At the 31 December 2010 the Company had no capital commitments (2009 £nil)

SUSSEX CUSTODIAL SERVICES (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

21. RELATED PARTY TRANSACTIONS

The majority shareholder is Infrastructure Investments General Partner Limited, acting in its capacity as general partner for Infrastructure Investments LP, which has an 89.9% interest in the Company. Reliance Sussex PFI Limited has an 10.1% interest in the Company.

During the year the Group paid loan stock interest of £324,917 (2009: £293,216) to Infrastructure Investments LP and £31,184 to Reliance Sussex PFI Limited (2009: £62,845). During the year loan stock interest, due to Infrastructure Investments LP and Reliance Sussex PFI Limited, of £356,061 (2009: £356,061) has been charged to the profit and loss account.

During the year payments totalling £9,713,427 for facilities management contract costs (2009: £9,293,030) and £nil (2009: £18,471) for directors' fees were made by the Company to Reliance Secure Task Management Limited (an 18% shareholder in the Company's immediate parent undertaking). Payments totalling £54,353 (2009: £18,471) were paid to Infrastructure Investments LP in relation to directors' fees and payments totalling £9,856 (2009: £9,857) were paid for company secretarial fees.

During the year, dividends were paid to the shareholders totalling £200,000 (2009: £nil).

Balances owed to related parties were as follows:

	2010 £	2009 £
Infrastructure Investments LP	29,808	9,442
Reliance Secure Task Management Limited	714,198	750,471

22. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

Group	2010 £	2009 £
Opening shareholders' funds	2,013,579	1,645,668
Profit for the year	383,237	367,911
Dividends (Note 15)	(200,000)	-
Closing shareholders' funds	2,196,816	2,013,579

Company	2010 £	2009 £
Opening shareholders' funds	156,065	156,065
Profit for the year	200,000	-
Dividends (Note 15)	(200,000)	-
Closing shareholders' funds	156,065	156,065

The Company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own Profit and loss Account.

The profit for the year dealt with in the accounts of the Company was £200,000 (2009: £NIL).