Sussex Custodial Services (Holdings) Limited

Annual report and financial statements

Registered number 04164414

31 December 2020

Contents

Company Information

The Board of Directors	D W Davies S A Brooks
Company secretary	Pario Limited
Registered office	Unit 18, Riversway Business Village Navigation Way Preston Lancashire PR2 2YP
Independent auditor	KPMG LLP Chartered Accountants and Statutory Auditor 66 Queen Square, Bristol, BS1 4BE, United Kingdom

Directors' report

for the year ended 31 December 2020

The Directors have pleasure in presenting their annual report and the audited financial statements of Sussex Custodial Services (Holdings) Limited for the year ended 31 December 2020.

Principal activities

The Company acts as a holding Company for its subsidiary, Sussex Custodial Services Limited. The principal activity of the Group in the year under review was to maintain and partially operate custody centres for the Sussex Police and Crime Commissioner (SPCC) under the Government's private finance initiative ("PFI").

The Group has entered into a Project Agreement with the SPCC, together with an associated construction contract, funding agreements, hard and soft services contracts and ancillary project agreements. The Project Agreement requires it to finance, design, develop and construct maintain and deliver certain services within the Sussex Custodial PFI project for a primary term of 30 years from the date of signing of the Project Agreement, in October 2002.

On 16th January 2020 the Group concluded a major variation which saw a removal of a large element of the FM responsibilities to be delivered directly by SPCC. This resulted in a reduction in revenue of £103m and costs of £103m leaving the Group in a no better no worse position. This impact on the cost base and revenue stream does result in a higher margin being charged on the remaining services until the end of the concession. . The impact of the major variation in the results for the year can be seen in the statement of profit and loss and other comprehensive income on page 11, which denotes turnover £4,508,507 (2019: £17,109,593) and cost of sales £2,788,927 (2019: £16,274,491). The balance sheet position of the Group at year end is net assets of £4,410,519 (2019: £3,232,895).

Key performance indicators

The Group is required to comply with a number of financial covenants implemented by the senior Lender at certain calculation dates throughout the year, of which failure to meet would result in a default of the senior loan agreement. The ratios required to meet are defined in the credit agreement as Loan Life Cover Ratio and Annual Debt Service Cover Ratio. These are required to remain above 1.100.

Current and future ratios are presented to the senior lender for approval on a 6 monthly basis to ensure compliance with the Credit Agreement. To date, and in all future periods as detailed in the latest operational model, the Group has met and is forecast to meet these requirements for the remainder of the concession.

Principal risks and uncertainties

Performance risk under the Project Agreement and related contracts are passed on to the service providers and to the building contractor. Unavailability deductions are passed on 100% to the Facilities management provider as and when they occur. The obligations of these subcontractors are underwritten either by performance guarantees issued by banks or by parent company guarantees.

The financial risk management objectives and policies of the Group, together with an analysis of the exposure to such risks, as required under the Companies Act are set out below.

Financial risk management

The Group has exposures to a variety of financial risks which are managed with the purpose of minimising any potential adverse effect on the Group's performance. The Directors have policies for managing each of these risks and they are summarised below:

Interest rate risk

The bank loan and subordinated debt interest rates have been fixed through use of interest rate swaps to fix the funding rates, plus a margin. Details of these can be found in note 12.

Directors' report *(continued)*
for the year ended 31 December 2020

Financial risk management *(continued)*

Inflation risk
The Group's project revenue and most of its costs are linked to inflation at the inception of the project, however, in addition, suitable hedging has been put in place to cover the revenue that is not linked to related indexed costs. Details of these can be found in note 15.

Liquidity risk
The Group adopts a prudent approach to liquidity management by endeavouring to maintain sufficient cash and liquid resources to meet its obligations as they fall due. This is done through regular periodic cash flow forecasting of operating accounts through the operating model and requirements under the credit agreement to hold liquid resources in reserve accounts at the calculation dates.

Credit risk
The Group receives the bulk of its revenue from the Authority and is not exposed to significant credit risk. Cash investments are with institutions of a suitable credit quality.

Brexit Risk
The Group is exposed to Brexit risk as a result of the impact of the trade deal between the UK and the European Union. Whilst the Group itself is not considered to be significantly exposed, subcontractors which the company engages with are considered to have exposure in relation to labour and the cost of supplies. Performance risk under the Project Agreement and related contracts are passed on to the service providers and to the building contractor. The obligations of these subcontractors are underwritten either by performance guarantees issued by banks or by parent company guarantees. Due to the evolving nature of the risk, the Board continues to actively monitor developments.

COVID-19 Risk
The Group is exposed to the COVID-19 risk as a result of the inherent uncertainty around the impact of the pandemic on UK society and economy. Whilst the Group itself is not considered to be significantly exposed, subcontractors which it engages with are considered to have exposure in relation to labour and the ability to continue to perform required services. Performance risk under the Project Agreement and related contracts are passed on to the service providers and to the building contractor. The obligations of these subcontractors are underwritten either by performance guarantees issued by banks or by parent company guarantees. Due to the evolving nature of the risk, the Board continue to actively monitor developments.

Climate Change Risk
The Group has considered whether it is exposed to additional risks as a result of climate change and has not identified any risks that would significantly impact the company. This is primarily due to the nature of the operations of the project, where the majority of work is performed by subcontractors who are responsible for the associated risks. Whilst the Group is subject to SPV costs through the provision and maintenance of facilities including, for instance, heating systems, the Group's contractual protections are expected to protect the company from changes in law that result in any longer-term pricing risk associated with climate change.

Dividends
The profit for the year, after taxation, amounted to £984,949 (2019: £476,140). The directors approved dividends of £Nil (2019: £114,890) and paid dividends of £Nil (2019: £114,890).

Directors' report *(continued)*
for the year ended 31 December 2020

Directors and directors' interests
The Directors of the Group who held office during the year and to the date of signing these financial statements are listed below:

S A Brooks	
A Mills	(resigned 30 June 2021)
D W Davies	(appointed 1 July 2021)

Strategic Report exemption
The Directors' Report has been prepared in accordance with the special provisions relating to small companies under Section 415 of the Companies Act 2006. Accordingly, no Strategic Report has been prepared.

Political and charitable contributions
The Group made no political or charitable contributions during the current year (2019: nil).

Employees
The Group has no employees (2019: none)

Going concern
The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts covering a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of severe but plausible downsides including the impact of COVID-19, the Group and Company will have sufficient funds to meet their liabilities as they fall due for that period and to operate within the covenants on their external borrowings.

Specifically, the directors have considered if, in modelled severe but plausible downside scenarios, the level of operational performance of the Group would lead to service failure points being awarded against the Group in accordance with the terms of the Group's contract with the Sussex Police and Crime Commissioner (SPCC) sufficient to cause an event of default under the terms of the terms of the Group's external borrowings. To date, taking into account the effect of COVID-19, there has been no material adverse impact on the Group's cashflows, or the service levels provided and no indication of heightened risk of subcontractor failure. As a result, the cashflow forecasts indicate that, even in downside scenarios, the Group will be able to meet their liabilities as they fall due.

Consequently, the Directors are confident that the Group and Company will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Disclosure of information to auditor
The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information. This confirmation is given pursuant to Section 418(2) of the Companies Act 2006 and should be interpreted in accordance therewith.

Directors' report *(continued)*
for the year ended 31 December 2020

Auditor
Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

By Order of the Board

Sally Brooks

S A Brooks
Director

16 September 2021

Unit 18 Riversway Business Village
Navigation Way
Preston
Lancashire
PR2 2YP

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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

Independent auditor's report to the members of Sussex Custodial Services (Holdings) Limited

Opinion

We have audited the financial statements of Sussex Custodial Services (Holdings) Limited ("the company") for the year ended 31 December 2020 which comprise the Consolidated Statement of Profit and Loss and Other Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS102 *The Financial Reporting Standards applicable in the UK and Republic of Ireland;* and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the group's and company's financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the group or the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the group or the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Group's high-level policies and procedures to prevent and detect fraud, including the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any usual or unexpected relationships.

Independent auditor's report to the members of Sussex Custodial Services (Holdings) Limited *(continued)*

Fraud and breaches of laws and regulations – ability to detect *(continued)*

Identifying and responding to risks of material misstatement due to fraud (continued)

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls and the risk of fraudulent turnover recognition, in particular profit is inappropriately recognised on costs unrelated to the service concession contract and the risk that management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.
- Recalculating service revenue based upon the costs incurred which relate to provision of services under the concession contract using the mark-up determined in the financial forecasts and compared this to the amounts recorded.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

Independent auditor's report to the members of Sussex Custodial Services (Holdings) Limited *(continued)*

Fraud and breaches of laws and regulations – ability to detect *(continued)*

Context of the ability of the audit to detect fraud or breaches of law or regulation (continued)

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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; or
- the directors were not entitled to take advantage of the small companies exemption in preparing the directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the group and parent 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 they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent auditor's report to the members of Sussex Custodial Services (Holdings) Limited *(continued)*

The purpose of our audit work and to whom we owe our responsibilities

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.

NChrimes

Nathan Chrimes (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
66 Queen Square
Bristol
BS1 4BE

20 September 2021

Consolidated Profit and Loss Account and Statement of Other Comprehensive Income

for year ended 31 December 2020

	Notes	31 December 2020	31 December 2019
		£	£
Turnover	2	**4,508,507**	17,109,593
Cost of sales		**(2,788,927)**	(16,274,491)
Gross profit		**1,719,580**	835,102
Administrative expenses		**(270,264)**	(252,006)
Operating profit		**1,449,316**	583,096
Interest receivable and similar income	5	**1,088,960**	1,152,645
Interest payable and similar expenses	6	**(1,054,348)**	(1,068,573)
Profit before taxation		**1,483,928**	667,168
Tax on profit	7	**(498,979)**	(191,028)
Profit for the financial year		**984,949**	476,140

Other comprehensive income			
Items that will or may be reclassified to profit or loss:		**£**	£
Effective portion of fair value changes in cash flow hedges	16	**191,214**	240,936
Tax recognised in relation to change in fair value cash flow hedges	7	**1,461**	(40,959)
Other comprehensive income for the year		**192,675**	199,977
Total comprehensive income for the year		**1,177,624**	676,117

The notes on pages 17 to 32 form an integral part to these financial statements.

Consolidated Balance Sheet
at 31 December 2020

	Notes	31 December 2020 £	31 December 2019 £
Current assets			
Debtors including £13,512,557 (2019: £13,669,937) due after more than one year	*9*	**17,393,158**	25,458,605
Cash at bank and in hand		**2,656,042**	3,165,109
Total current assets		**20,049,200**	28,623,714
Current liabilities			
Creditors: amounts falling due within one year	*10*	**(3,072,314)**	(11,258,387)
Net current assets		**16,976,886**	17,365,327
Creditors: amounts falling due after more than one year	*11*	**(11,638,900)**	(13,274,237)
Provisions for liabilities	*13*	**(927,467)**	(858,195)
Net assets		**4,410,519**	3,232,895
Capital and reserves			
Called up share capital	*14*	**156,065**	156,065
Profit and loss account		**5,630,142**	4,645,193
Cash flow hedge reserve	*14*	**(1,375,688)**	(1,568,363)
Total shareholder's funds		**4,410,519**	3,232,895

The notes on pages 17 to 32 form an integral part to these financial statements.

These financial statements were approved by the board of directors on 16 September 2021 and were signed on its behalf by:

Sally Brooks

S A Brooks
Director

Company registered number: 04164414

Company Balance Sheet
As at 31 December 2020

	Notes	2020 £	2019 £
Fixed Assets			
Investments	*8*	**156,065**	156,065
		156,065	156,065
Current assets			
Debtors: amounts due after more than one year	*9*	**2,373,740**	2,373,740
Total current assets		**2,373,740**	2,373,740
Current liabilities			
Creditors: amounts falling due after more than one year	*11*	**(2,373,740)**	(2,373,740)
Net current assets		**-**	-
Net assets		**156,065**	156,065
Capital and reserves			
Called up share capital	*14*	**156,065**	156,065
Profit and loss account		**-**	-
Total shareholder's funds		**156,065**	156,065

The company made profit during the year of £Nil (2019: £114,890) of which all retained profit was distributed, and the position represents the investment in the subsidiary.

These financial statements were approved by the board of directors on 16 September 2021 and were signed on its behalf by:

Sally Brooks

S A Brooks
Director

Company registered number: 04164414

The notes on pages 17 to 32 form an integral part to these financial statements.

Consolidated Statement of Changes in Equity

	Called up share capital	Cash flow hedge reserve	Profit and loss account	Total Equity
	£	£	£	£
Balance at 1 January 2019	156,065	(1,768,340)	4,283,943	2,671,668
Total comprehensive income for the period				
Profit	-	-	476,140	476,140
Other comprehensive income	-	199,977	-	199,977
Total comprehensive income for the period	-	199,977	476,140	676,117
Dividends	-	-	(114,890)	(114,890)
Total contributions by and distributions to owners	-	-	(114,890)	(114,890)
Balance at 31 December 2019	156,065	(1,568,363)	4,645,193	3,232,895

	Called up share capital	**Cash flow hedge reserve**	**Profit and loss account**	**Total Equity**
	£	**£**	**£**	**£**
Balance at 1 January 2020	**156,065**	**(1,568,363)**	**4,645,193**	**3,232,895**
Total comprehensive income for the period				
Profit	-	-	**984,949**	**984,949**
Other comprehensive income	-	**192,675**	-	**192,675**
Total comprehensive income for the period	-	**192,675**	**984,949**	**1,177,624**
Dividends	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-
Balance at 31 December 2020	**156,065**	**(1,375,688)**	**5,630,142**	**4,410,519**

The notes on pages 17 to 32 form an integral part to these financial statements.

Company Statement of Changes in Equity

	Called up share capital	Profit and loss account	Total Equity
	£	£	£
Balance at 1 January 2019	156,065	-	156,065
Total comprehensive income for the period			
Profit	-	114,890	114,890
Total comprehensive income for the period	-	114,890	114,890
Dividends Paid	-	(114,890)	(114,890)
Balance at 31 December 2019	156,065	-	156,065

	Called up share capital	**Profit and loss account**	**Total Equity**
	£	**£**	**£**
Balance at 1 January 2020	**156,065**	-	**156,065**
Total comprehensive income for the period			
Result	-	-	-
Total comprehensive income for the period	-	-	-
Dividends Paid	-	-	-
Balance at 31 December 2020	**156,065**	-	**156,065**

The notes on pages 17 to 32 form an integral part to these financial statements.

Consolidated Cash Flow Statement
for the year ended 31 December 2020

	Note	2020	2019
		£	£
Cash flows from operating activities			
Profit before taxation		**1,483,928**	667,168
Adjustment for:			
Financial income	5	**(1,088,960)**	(1,152,645)
Financial expense	6	**1,054,348**	1,068,573
Operating profit before changes in working capital and provisions		**1,449,316**	583,096
Decrease in finance receivables	9	**808,261**	754,938
Decrease/(increase) in debtors	9	**7,257,186**	(7,304,061)
(Decrease)/increase in creditors	10	**(8,536,040)**	7,704,103
Cash generated from operations		**978,723**	1,738,076
Tax paid		**(337,836)**	(216,053)
Net cash inflow from operating activities		**640,887**	1,522,023
Cash flows from investing activities			
Interest received		**1,088,960**	1,152,645
Cash placed in fixed term deposits		**(2,269,000)**	-
Cash returned from fixed term deposits		**2,269,000**	-
Net cash inflow from investing activities		**1,088,960**	1,152,645
Cash flows from financing activities			
Interest paid		**(1,036,657)**	(1,055,682)
Repayment of borrowings		**(1,202,257)**	(776,161)
Dividends Paid		-	(114,890)
Net cash outflow from financing activities		**(2,238,914)**	(1,946,733)
Net increase in cash and cash equivalents		**(509,067)**	727,935
Cash and cash equivalents at 1 January		**3,165,109**	2,437,174
Cash and cash equivalents at 31 December		**2,656,042**	3,165,109

The notes on pages 17 to 32 form an integral part to these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Sussex Custodial Services (Holdings) Limited (the "Company") is a Company limited by shares and incorporated, domiciled and registered in England and Wales in the UK. The registered number is 04164414 and the registered address is Unit 18 Riversway Business Village Navigation Way, Preston, Lancashire, PR2 2YP

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*).

The presentation currency of these financial statements is sterling, and monetary amounts are rounded to the nearest £.

The parent Company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied.

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes including disclosure of changes in net debt; and
- Key Management Personnel compensation.

As the consolidated financial statements of Sussex Custodial Services (Holdings) Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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

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

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

- Accounting for the service contracts and finance receivables requires estimation of service margins, finance receivable interest rates and finance receivable amortisation profile which are based on forecasted results of the PFI contract. Overhead costs are a significant proportion of future expenditure and, whilst unlikely there can be additional unscheduled costs which if increased or decreased could lead to a change in the margin recognised for the concession.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments.

Notes *(continued)*

1 Accounting policies *(continued)*

1.2 Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts covering a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of severe but plausible downsides including the impact of COVID-19, the Group and Company will have sufficient funds to meet their liabilities as they fall due for that period and to operate within the covenants on their external borrowings.

Specifically, the directors have considered if, in modelled severe but plausible downside scenarios, the level of operational performance of the Group would lead to service failure points being awarded against the Group in accordance with the terms of the Group's contract with the Sussex Police and Crime Commissioner (SPCC) sufficient to cause an event of default under the terms of the terms of the Group's external borrowings. To date, taking into account the effect of COVID-19, there has been no material adverse impact on the Group's cashflows, or the service levels provided and no indication of heightened risk of subcontractor failure. As a result, the cashflow forecasts indicate that, even in downside scenarios, the Group will be able to meet their liabilities as they fall due.

Consequently, the Directors are confident that the Group and Company will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2020. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

1.4 Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

(b) To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Group's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Notes *(continued)*

1 Accounting policies *(continued)*

1.5 Basic financial instruments

Trade, and other debtors / creditors

Trade and other debtors and Finance debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Finance debtors

The finance debtor has been recognised based upon the Finance debtor and service income policy below. This is classified as a basic financial instrument as the debtor relates to the construction phase and only risk held is credit risk. Any performance conditions are linked to the operating phase revenue and therefore not relevant.

Restricted cash

The Group is obligated to keep a separate cash reserve in respect of future major maintenance costs. This restricted cash balance, which is shown on the balance sheet within the "cash at bank and in hand" balance, amounts to £2,077,798 at the year end (2019: £2,968,543).

1.6 Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- hedging instruments in a designated hedging relationship shall be recognised as set out below.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in other comprehensive income is included in the initial cost or other carrying amount of the asset or liability. Alternatively when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the

Notes *(continued)*

1 Accounting policies *(continued)*

1.6 Other financial instruments (continued)

Cash flow hedges (continued)

hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

1.7 Impairment excluding deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

1.8 Finance debtor and service income policy

The Group is an operator of a PFI contract. The underlying asset is not deemed to be an asset of the Group under old UK GAAP, because the risks and rewards of ownership as set out in that Standard are deemed to lie principally with the Authority. The Group elected to grandfather this treatment following the transition and adoption of FRS 102.

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

Accounting for the service concession contract and finance debtor requires estimation of service margins, finance debtor interest rates and associated amortisation profile which is based on forecasted results of the PFI contract. There is therefore estimation uncertainty in the calculation of the service revenue figure.

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

1.9 Expenses

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable on borrowings and related finance costs.

Other interest receivable and similar income include interest receivable on funds invested.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

Notes *(continued)*

1 Accounting policies *(continued)*

1.10 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

1.11 Service concession arrangements

The Group's principal activity is the provision and maintenance of custody centres in Sussex under the Government's Private Finance Initiative (PFI). The Group has entered into a Project Agreement with the Sussex Police and Crime Commissioner (SPCC), together with an associated construction contract, funding agreements, hard services contracts and ancillary project agreements. The Project Agreement requires it to finance, design, develop, construct, maintain and deliver certain services within the PFI project for a primary term of 30 years from the date of signing the Project Agreement, during this period the group contracted to provide hard services to the Police commission. The group has passed these obligations down to the subcontractor via a subcontract. The obligation to provide major maintenance works (lifecycle) is undertaken by the facilities management provider The Group's primary source of contractual income is a monthly 'Unitary Charge', which has a fixed base fee and allows for an inflationary increase each year. The Group has modelled the anticipated cash flows of the Project across its full term, and this financial model is updated twice per year. Maintenance (lifecycle) risk is outsourced to a third party. Key assumptions that affect future cash flows include future inflation, interest rates, maintenance costs, and the ability of service providers to continue to provide services in accordance with the relevant contract. The Group has entered into a swap agreement to fix the interest rates of the debt. The Authority is also entitled under the Agreement to voluntarily terminate the contract by providing a three months' written notice to the Group. On termination, the Group is entitled to a termination compensation as defined within the Agreement.

Notes *(continued)*

2 Turnover

	2020	2019
	£	£
Service income	**3,551,256**	9,873,995
Other income	**957,251**	7,235,598
	4,508,507	17,109,593

All turnover originates in the United Kingdom

3 Auditor's remuneration

Operating profit is stated after charging:

	2020	2019
	£	£
Audit of these financial statements	**1,000**	1,000
Amounts receivable by the company's auditor and its associates in respect of:		
- Audit of financial statements of subsidiaries of the company	**17,195**	15,475

Auditor's remuneration for the audit of these financial statements was £1,000 (2019: £1,000) and was borne by the company's subsidiary.

4 Staff costs and Directors' remuneration

The Group had no employees during the year (2019: nil).

The Directors received £187,581 (2019: £66,573) of remuneration for their services during the year. The Directors remuneration was paid to the shareholders.

5 Other interest receivable and similar income

	2020	2019
	£	£
Finance debtor interest receivable	**1,079,835**	1,137,987
Bank interest receivable	**9,125**	14,658
	1,088,960	1,152,645

Notes *(continued)*

6 Interest payable and similar expenses

	2020	2019
	£	£
Interest payable on bank loans	**696,867**	711,071
Interest payable on loan stock	**356,062**	356,082
Bank fees payable	**1,419**	1,420
	1,054,348	1,068,573

7 Taxation

Total tax expense recognised in the profit and loss account and other comprehensive income

	2020		2019	
	£	£	£	£
Current tax		**428,246**		246,047
Total current tax		**428,246**		246,047
Deferred tax (see note 13)				
Revaluation of fair value of derivatives	**36,331**		40,959	
Origination and reversal of timing differences	**(68,023)**		(55,019)	
Change in tax rate	**100,964**		-	
Total deferred tax	**69,272**		(14,060)	
Total tax		**497,518**		231,987

	2020			2019		
	Current tax	**Deferred tax**	**Total tax**	Current tax	Deferred tax	Total tax
Recognised in Profit and loss account	**428,246**	**70,733**	**498,979**	246,047	(55,019)	191,028
Recognised directly in other comprehensive income	-	**(1,461)**	**(1,461)**	-	40,959	40,959
Total tax	**428,246**	**69,272**	**497,518**	246,047	(14,060)	231,987

Notes *(continued)*

7 Taxation *(continued)*

Reconciliation of effective tax rate

	2020 £	2019 £
Profit on ordinary activities after tax	**984,949**	476,140
Total tax expense	**498,979**	191,028
Profit excluding taxation	**1,483,928**	667,168
Taxation using the UK corporation tax rate of 19% (2019: 19%)	**281,946**	126,762
Disallowable items	**77,693**	57,794
Change in tax rate	**139,340**	6,472
	498,979	191,028

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset/(liability) as at 31 December 2019 was calculated based on this rate.

The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this was substantively enacted on 17 March 2020, and the UK deferred tax asset/(liability) as at 31 December 2020 was calculated based on this rate.

8 Fixed Asset Investments

Company	**2020** £	2019 £
Cost		
At 31 December 2020 and 1 January 2020	**156,065**	156,065

The undertakings in which the Company's interest at the year end is more than 20% are as follows:

Company	**Shares held** Class	%
Participating interests		
Sussex Custodial Services Limited	Ordinary	100

The registered office of Sussex Custodial Services is Unit 18, Riversway Business Village, Navigation Way, Preston, Lancashire, PR2 2YP

Notes *(continued)*

9 Debtors

	Group 2020 £	2019 £	Company 2020 £	2019 £
Finance debtor	**13,669,938**	14,478,199	-	-
Unitary charge control account	**3,312,432**	2,339,919	-	-
Trade debtors	**31,081**	7,500,000	-	-
Prepayments and accrued income	**379,707**	1,140,487	-	-
Amounts due from group undertakings	**-**	-	**2,373,740**	2,373,740
	17,393,158	25,458,605	**2,373,740**	2,373,740

	Group 2020 £	2019 £	Company 2020 £	2019 £
Due within one year	**3,880,601**	11,788,668	-	-
Due after more than one year	**13,512,557**	13,669,937	**2,373,740**	2,373,740
	17,393,158	25,458,605	**2,373,740**	2,373,740

Amounts due from group undertakings stated above are legally due on demand and thus recoverable within 1 year. It is not expected that a demand for these amounts will be made within the next year.

10 Creditors: amounts falling due within one year

	Group 2020 £	2019 £	Company 2020 £	2019 £
Bank loan	**1,480,714**	1,221,158	-	-
Trade creditors	**1,145,821**	7,102,033	-	-
Corporation tax	**186,294**	95,882	-	-
Other taxation	**7,993**	1,395,733	-	-
Accruals and deferred income	**249,565**	1,441,654	-	-
Sundry Creditors	**1,927**	1,927	-	-
	3,072,314	11,258,387	-	-

The carrying value of creditors is measured at amortised cost which approximates to fair value.

Included in the bank loan balance above of £1,480,714 are £19,600 of unamortised loan issue costs (2019: £17,680).

Included in the accruals and deferred income balance is loan stock interest of £178,031 (2019: £178,030).

Notes *(continued)*

11 Creditors: amounts falling after more than one year

	Group		Company	
	2020	2019	**2020**	2019
	£	£	**£**	£
Bank loan	**7,566,780**	9,010,903	**-**	-
Loan stock	**2,373,740**	2,373,740	**2,373,740**	2,373,740
Other financial liabilities (note 15)	**1,698,380**	1,889,594	**-**	-
	11,638,900	13,274,237	**2,373,740**	2,373,740

12 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost.

	2020	2019
	£	£
Creditors falling due more than one year		
Bank loan	**7,566,780**	9,010,903
Loan stock	**2,373,740**	2,373,740
Creditors falling due within less than one year		
Bank loan	**1,480,714**	1,221,158
Loan stock	**-**	-

Included within Bank loan is an amount repayable after five years of £2,141,851 (2019: £3,848,837) and included within loan stock are amounts repayable after five years of £2,373,740 (2019: £2,373,740) respectively.

Included in the bank loan balance above of £7,566,780 are £89,174 of unamortised loan issue costs (2019: £108,785)

Notes *(continued)*

12 Interest-bearing loans and borrowings *(continued)*

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of Maturity	Repayment schedule	2020	2019
Bank loan	GBP	LIBOR + 0.9%	2026	Semi-annual	**9,047,494**	**10,232,061**
Loan stock	GBP	15% p.a	2026	Semi-annual	**2,373,740**	**2,373,740**

Bank loans
Bank loans are secured by a fixed charge over land and buildings, the costs of which are included as a finance debtor in the Balance Sheet. The loans are fully repayable by 31 December 2026. Bank loans bear interest based on the floating LIBOR rate, plus a margin of 0.9%. Loan interest is payable biannually in June and December.

Following the FCA's announcement that LIBOR will no longer be published after 31 December 2021, the Company has applied the December 2019 Amendments to FRS 102: Interest rate benchmark reform. The amendments provide relief in applying the requirements of hedge accounting to certain hedges, including allowing the Company to assume that interest rate benchmarks on which hedged cash flows are based (e.g. LIBOR) will not be altered as a result of interest rate benchmark reform. Consequently, hedging relationships that may have otherwise been impacted by interest rate benchmark reform have remained in place and no additional ineffective portion of the hedge has been recognised. The Company has taken advantage of these amendments in relation to the LIBOR interest rate noted above. The transition from LIBOR has not yet occurred, but is expected to occur prior to 31 December 2021.

Loan stock
The loan stock is held by Infrastructure Investments Limited Partnership, the Company's holding Company. The loan is fully repayable by 30 June 2029. Loan stock interest is payable biannually in June and December.

Notes *(continued)*

13 Provisions for liabilities

Provisions for liabilities is attributable to the following:

Movement in deferred tax	**Capital allowances** £	**Derivative financial instruments** £	**Total** £
31 December 2018	(1,234,445)	362,190	(872,255)
Recognised in profit or loss	55,019	-	55,019
Recognised in other comprehensive income	-	(40,959)	(40,959)
31 December 2019	(1,179,426)	321,231	(858,195)
Recognised in profit or loss	**(70,733)**	-	**(70,733)**
Recognised in other comprehensive income	-	**1,461**	**1,461**
31 December 2020	**(1,250,159)**	**322,692**	**(927,467)**

Deferred tax asset is recognised on the revaluation of the swap derivatives on the interest rate swaps held by the Company. These are accounted for under cash flow hedges (see note 15).

Reversal of the deferred tax asset is shown through the cash flow hedge reserve.

14 Capital and reserves

Share capital

	2020 No.	**2020** £
On issue at 1 January and 31 December		
Allotted, called up and fully paid	**156,065**	**156,065**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Group.

Cash flow hedge reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Notes *(continued)*

15 Financial instruments

(a) Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2020	2019
	£	£
Assets measured at amortised cost		
- Finance debtor	**13,669,938**	14,478,199
- Trade and other debtors	**3,343,513**	9,839,919
	17,013,451	24,318,118
Assets measured at cost less impairment		
- Cash and cash equivalents	**2,656,042**	3,165,109
	2,656,042	3,165,109
Liabilities measured at amortised cost		
- Trade and other payables	**(1,342,035)**	(8,595,575)
- Bank loan	**(9,047,494)**	(10,232,061)
- Loan stock	**(2,373,740)**	(2,373,740)
	(12,763,269)	(21,201,376)
Liabilities measured at fair value through profit and loss		
- Interest swaps	**(1,698,380)**	(1,889,594)

(b) Financial instruments measured at fair value

Derivative financial instruments

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Notes *(continued)*

15 Financial instruments *(continued)*

(c) Hedge accounting

The following table indicates the periods in which the cash flows associated with the cash flow hedging instrument are expected to occur as required by FRS102 12.29(a) for the cash flow hedge accounting models and also the associated cash flow hedging instruments are expected to affect profit and loss:

		2020			
		Interest payments over the concession			
	Carrying Amount	**Within 1 year**	**Between 1-2 years**	**Between 2-5 years**	**5 years and over**
	£	**£**	**£**	**£**	**£**
Interest rate swap	**(1,698,380)**	**(640,657)**	**(557,916)**	**(1,148,865)**	**(329,681)**
	(1,698,380)	**(640,657)**	**(557,916)**	**(1,148,865)**	**(329,681)**

		2019			
		Interest payments over the concession			
	Carrying Amount	Within 1 year	Between 1-2 years	Between 2-5 years	5 years and over
	£	£	£	£	£
Interest rate swap	(1,889,594)	(640,657)	(557,916)	(1,148,865)	(329,681)
	(1,889,594)	(640,657)	(557,916)	(1,148,865)	(329,681)

The Group has entered into two interest rate swap agreement under the bank loan which expires in December 2026.

A fixed rate of 5.575% and 5.290% respectively applies to the two interest rate swaps. The interest rate swaps converts the borrowings from the rates linked to LIBOR to the fixed rate above.

(d) Fair values

The amounts for all financial assets and financial liabilities carried at fair value are as follows:

	Fair Value 2020	Fair Value 2019
	£	£
Interest rate swap contract	**1,698,380**	1,889,594

Notes *(continued)*

16 Analysis of changes in net debt

Group	**Borrowings due within one year**	**Borrowings due after one year**	**Subtotal**	**Cash and cash equivalents**	**Net debt**
	£	**£**	**£**	**£**	**£**
As at 1 January 2020	**(1,221,158)**	**(13,274,237)**	**(14,495,395)**	**3,165,109**	**(11,330,286)**
Cash flows	**1,202,257**	**-**	**1,202,257**	**(509,067)**	**693,190**
Other non-cash changes					
Amortisation of loan issue costs	**(17,690)**	**-**	**(17,690)**	**-**	**(17,690)**
Reclassification from >1 year to <1 year	**(1,444,123)**	**1,444,123**	**-**	**-**	**-**
Change in market value of swaps	**-**	**191,214**	**191,214**	**-**	**191,214**
As at 31 December 2020	**(1,480,714)**	**(11,638,900)**	**(13,119,614)**	**2,656,042**	**(10,463,572)**

Group	Borrowings due within one year	Borrowings due after one year	Subtotal	Cash and cash equivalents	Net debt
	£	£	£	£	£
As at 1 January 2019	(763,966)	(14,735,633)	(15,499,599)	2,437,174	(13,062,425)
Cash flows	776,161	-	776,161	727,935	1,504,096
Other non-cash changes					
Amortisation of loan issue costs	(12,893)	-	(12,893)	-	(12,893)
Reclassification from >1 year to <1 year	(1,220,460)	1,220,460	-	-	-
Change in market value of swaps	-	240,936	240,936	-	240,936
As at 31 December 2019	(1,221,158)	(13,274,237)	(14,495,395)	3,165,109	(11,330,286)

Notes *(continued)*

17 Related parties

The shareholder of the Company is Infrastructure Investments Holdings Limited, a subsidiary of Infrastructure Investments Limited Partnership.

The details of the related party transactions are detailed as follows:

	Transactions		Balance owed at year end	
	2020	2019	**2020**	2019
	£	£	**£**	£
Directors' fees				
- Infrastructure Investments Limited Partnership	**187,581**	66,573	-	66,573
Loan stock				
- Infrastructure Investments Limited Partnership	-	-	**2,373,740**	2,373,740
Sub Debt Interest				
- Infrastructure Investments Limited Partnership	**356,062**	356,082	**178,031**	178,030
Dividends				
- Infrastructure Investments Limited Partnership	-	114,890	-	-
Consortium relief				
- Consort Healthcare (Blackburn) Limited	**133,301**	-	-	-
- 2003 Schools Services Limited	**98,795**	-	-	-
	775,739	537,545	2,551,771	2,618,343

18 Ultimate parent Company and controlling party

The shareholder is Infrastructure Investments Holdings Limited, a subsidiary of Infrastructure Investments Limited Partnership. The registered address is One Bartholomew Close, Barts Square, London, England, EC1A 7BL.

The ultimate beneficial owner of the Company is HICL Infrastructure Plc, a company listed on the London Stock Exchange and registered at One Bartholomew Close, Barts Square, London, England, EC1A 7BL.