

**PETERBOROUGH PRISON MANAGEMENT  
HOLDINGS LIMITED**

**Directors' Report and Financial Statements**

**For the year ended 31 March 2013**

**Company Registration No. 04350294**

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# **PETERBOROUGH PRISON MANAGEMENT HOLDINGS LIMITED**

## **DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 March 2013**

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# **PETERBOROUGH PRISON MANAGEMENT HOLDINGS LIMITED**

## **DIRECTORS' REPORT**

**For the year ended 31 March 2013**

The directors present their annual report and the audited consolidated financial statements for the year ended 31 March 2013

## **PRINCIPAL ACTIVITIES**

The principal activity of the company is that of a holding company with one wholly owned subsidiary, Peterborough Prison Management Limited

## **REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS**

The subsidiary is a Special Purpose Vehicle whose purpose is to design, construct, finance and manage HMP Peterborough. It has a 25 year operational contract with H M Principal Secretary of State for the Home Department, now the Secretary of State for Justice (the "Authority"), due to complete in March 2030

On 1 March 2013 the operating subsidiary entered into an Enabling Activities Agreement with the Authority in regard to proposed extension work at HMP Peterborough

During the year £1,700,000 (2012 nil) was paid in relation to contract changes

The directors do not expect any change in the nature of the company's or group's business in the immediate future

## **RESULTS AND DIVIDENDS**

The consolidated profit for the financial year was £920,000 (2012 £916,000). Dividends totalling £1,500,000 (2012 £300,000) were recommended and paid during the year. This has led to a consolidated group net assets position of £720,000 (2012 £1,300,000)

## **KEY PERFORMANCE INDICATORS**

The group's operations are managed under the supervision of its shareholders and funders and are monitored by key performance indicators in the private finance initiative ("PFI") contract with the Authority and the subcontract with Sodexo Limited who supply the facilities maintenance services throughout the life of the concession. These key performance indicators are in place to monitor certain operational functions and failure to meet minimum targets result in financial penalties, which are ultimately payable by Sodexo Limited. In the year these penalties amounted to £12,000 (2012 £23,000)

## **PRINCIPAL RISKS AND UNCERTAINTIES**

The group's principal activity as detailed above is low risk as its trading relationships with its customer, funders and sub-contractors are determined by the terms of their respective detailed PFI contracts with the subsidiary. The PFI contract and subcontracts with the Home Office and Sodexo Limited are fixed for the life of the contract and this enables the company to have certainty over its income and major expenses until 2030. Furthermore the subsidiary has a Credit Agreement with its lender which fixes the level of borrowing and repayments due until the loan is fully repaid in 2028. Its main exposure is to financial risks as detailed in the following section

## **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 performance. The board has policies for managing each of these risks and they are summarised below

# **PETERBOROUGH PRISON MANAGEMENT HOLDINGS LIMITED**

## **DIRECTORS' REPORT (Continued)**

**For the year ended 31 March 2013**

### ***Interest rate risk***

The group hedged its interest rate risk at the inception of the project by swapping its variable rate debt into fixed rate by the use of an interest rate swap. Details of the swap are provided in note 21.

### ***Inflation risk***

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

### ***Liquidity risk***

The group adopts a prudent approach to liquidity management by endeavouring to maintain sufficient cash and liquid resources to meet its obligations at all times.

### ***Credit risk***

The group receives all of its revenue from the Home Office and therefore is not exposed to significant credit risk.

## **DIRECTORS**

The directors who served throughout the year and up to the date of signing the financial statements were as follows:

S Carter  
J Cowdell  
C Exford (resigned 30 January 2013)  
C Field  
J Harris (appointed 30 January 2013)  
A Leech  
A Ray (appointed 30 January 2013)  
I Renhard

## **INDEPENDENT AUDITORS**

In accordance with Section 418 of the Companies Act 2006, each of the persons who is a director at the date of approval of this report confirms that:

(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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

Approved by the Board of Directors and signed on its behalf



**C Field**  
**Director**  
29 August 2013

# **PETERBOROUGH PRISON MANAGEMENT HOLDINGS LIMITED**

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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 the directors have prepared the group and parent company 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 group and the company 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 judgements and accounting 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and 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.

# **PETERBOROUGH PRISON MANAGEMENT HOLDINGS LIMITED**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF PETERBOROUGH PRISON MANAGEMENT HOLDINGS LIMITED**

We have audited the group and parent company financial statements (the “financial statements”) of Peterborough Prison Management Holdings Limited for the year ended 31 March 2013 which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

#### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities Statement set out on page 3, 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 Ethical Standards for Auditors.

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

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **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 March 2013 and of the group's profit and cash flows for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

#### **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.

## **PETERBOROUGH PRISON MANAGEMENT HOLDINGS LIMITED**

### **INDEPENDENT AUDITORS' REPORT**

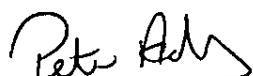
### **TO THE MEMBERS OF PETERBOROUGH PRISON MANAGEMENT HOLDINGS LIMITED**

**(Continued)**

#### **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



Peter Adams (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Hull

3 September 2013

# **PETERBOROUGH PRISON MANAGEMENT HOLDINGS LIMITED**

## **CONSOLIDATED PROFIT AND LOSS ACCOUNT**

**For the year ended 31 March 2013**

	<b>Note</b>	<b>2013 £'000</b>	<b>2012 £'000</b>
<b>Turnover</b>		<b>28,004</b>	27,192
Cost of sales		(25,748)	(24,928)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>2,256</b>	2,264
Administrative expenses		(388)	(373)
		<hr/>	<hr/>
<b>Operating profit</b>	2	<b>1,868</b>	1,891
Interest receivable and similar income	4	4,428	4,545
Interest payable and similar charges	5	(5,069)	(5,218)
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		<b>1,227</b>	1,218
Tax on profit on ordinary activities	6	(307)	(302)
		<hr/>	<hr/>
<b>Profit for the financial year</b>	15	<b>920</b>	916
		<hr/>	<hr/>

All activities are derived from continuing operations

As permitted by Section 408 of the Companies Act 2006, the company has not presented its own profit and loss account. The result of the company in the year was a profit of £1,500,000 (2012: £300,000).

The group had no recognised gains and losses in the year other than as shown in the profit and loss account and accordingly no consolidated statement of total recognised gains and losses has been prepared.

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

# PETERBOROUGH PRISON MANAGEMENT HOLDINGS LIMITED

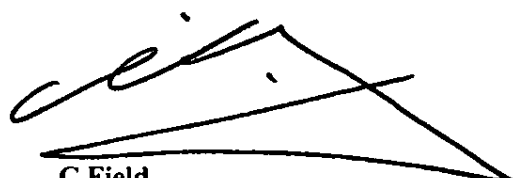
## CONSOLIDATED BALANCE SHEET

As at 31 March 2013

	Note	2013 £'000	2012 £'000
<b>FIXED ASSETS</b>			
Intangible asset	9	1,700	-
<b>CURRENT ASSETS</b>			
Debtors			
Amounts falling due after more than one year	10	70,537	72,237
Amounts falling due within one year	10	5,570	5,287
Cash at bank and in hand		6,547	9,165
		<u>82,654</u>	<u>86,689</u>
<b>CREDITORS: amounts falling due within one year</b>	11	<u>(5,661)</u>	<u>(5,586)</u>
<b>NET CURRENT ASSETS</b>		76,993	81,103
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		78,693	81,103
<b>CREDITORS: amounts falling due after more than one year</b>	12	(76,112)	(78,245)
<b>DEFERRED TAX</b>	13	(1,861)	(1,558)
<b>NET ASSETS</b>		<u>720</u>	<u>1,300</u>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	14	60	60
Profit and loss account	15	660	1,240
<b>TOTAL SHAREHOLDERS' FUNDS</b>	16	<u>720</u>	<u>1,300</u>

The financial statements of Peterborough Prison Management Holdings Limited, registered number 04350294 on pages 6 to 20, were approved by the Board of Directors and authorised for issue on 29 August 2013

Signed on behalf of the Board of Directors

  
C Field  
Director

# PETERBOROUGH PRISON MANAGEMENT HOLDINGS LIMITED

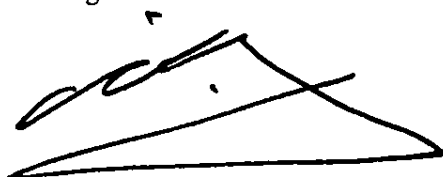
## COMPANY BALANCE SHEET

As at 31 March 2013

	Note	2013 £'000	2012 £'000
<b>FIXED ASSETS</b>			
Investments	8	60	60
<b>CURRENT ASSETS</b>			
Debtors			
Amounts falling due after more than one year	10	6,720	6,720
Amounts falling due within one year	10	-	-
		<u>6,720</u>	<u>6,720</u>
<b>CREDITORS: amounts falling due within one year</b>	11	<u>-</u>	<u>-</u>
<b>NET CURRENT ASSETS</b>		<u>6,720</u>	<u>6,720</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>6,780</u>	<u>6,780</u>
<b>CREDITORS: amounts falling due after more than one year</b>	12	<u>(6,720)</u>	<u>(6,720)</u>
<b>NET ASSETS</b>		<u>60</u>	<u>60</u>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	14	60	60
Profit and loss account	15	-	-
<b>TOTAL SHAREHOLDERS' FUNDS</b>	16	<u>60</u>	<u>60</u>

The financial statements of Peterborough Prison Management Holdings Limited, registered number 04350294, were approved by the Board of Directors and authorised for issue on 29 August 2013

Signed on behalf of the Board of Directors



C Field  
Director

# PETERBOROUGH PRISON MANAGEMENT HOLDINGS LIMITED

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2013

	Note	2013 £'000	2012 £'000
<b>OPERATING CASH FLOWS</b>	19	1,601	3,505
<b>Returns on investment and servicing of finance</b>			
Interest received		4,436	4,554
Interest paid		(5,068)	(5,218)
		<u>(632)</u>	<u>(664)</u>
<b>Taxation</b>		(4)	45
<b>Equity dividends paid</b>		(1,500)	(300)
<b>Financing</b>			
Repayment of bank loans		(2,083)	(2,158)
		<u>(2,618)</u>	<u>428</u>
<b>(Decrease)/increase in cash in the year</b>		<u>(2,618)</u>	<u>428</u>

## Reconciliation of net cash flow to movement in net debt

(Decrease)/increase in cash in the year		(2,618)	428
Cash flow from movement in debt	20	2,083	2,158
		<u>(535)</u>	<u>2,586</u>
Movement in net debt in the year		(535)	2,586
Net debt at beginning of the year		(71,163)	(73,749)
		<u>(71,698)</u>	<u>(71,163)</u>
<b>Net debt at end of the year</b>	20	<u>(71,698)</u>	<u>(71,163)</u>

# **PETERBOROUGH PRISON MANAGEMENT HOLDINGS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2013**

### **1. ACCOUNTING POLICIES**

A summary of the principal accounting policies, all of which have been applied consistently through the current year, are set out below

#### **Basis of accounting**

The financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom

#### **Turnover and PFI contract accounting**

Turnover, which excludes VAT and originates solely in the United Kingdom, represents amounts receivable for the operation of the prison provided in the normal course of business

On commencement of its management of the prison, the group recorded a financial asset, being the amounts due for the completed property. This asset was deemed to be sold at fair value and was recorded as turnover at the inception of the lease. This amount reduces each year as payments are received (the "Capital Repayment")

In addition, finance income on this asset is recorded as interest receivable using a project property specific interest rate of 5.98% (the "Imputed Finance Charge")

The remaining PFI payments, being the full amounts received less the Capital Repayment and less the Imputed Finance Charge, are recorded as turnover

#### **Basis of consolidation**

The group financial statements consolidate the financial statements of the company and its subsidiary undertaking drawn up to 31 March each year. The results of the subsidiaries acquired or sold are consolidated from or to the date on which control passes. Acquisitions are accounted for under the acquisition method

#### **Taxation**

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

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

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

#### **Investments**

Investments held as fixed assets are stated at cost

# PETERBOROUGH PRISON MANAGEMENT HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2013

### 1. ACCOUNTING POLICIES (Continued)

#### Intangible Asset

Intangible assets are included at cost less amortisation and any impairment losses. They are amortised over the useful economic life of 15 years from April 2015. On an annual basis the carrying amounts of intangible assets are compared to recoverable amounts to determine whether those assets have suffered an impairment loss.

#### Derivative financial instruments

The group holds derivative financial instruments which have the effect of fixing the interest rate payable on bank borrowings. Amounts payable or receivable in respect of interest rate derivatives are recognised as adjustments to interest over the period of the contract.

### 2. OPERATING PROFIT

	2013 £'000	2012 £'000
<b>Operating profit is stated after charging:</b>		
Auditors' remuneration		
- audit fee	7	7
- non-audit fee – corporate tax advice	5	10
Directors' services	146	82
	<hr/>	<hr/>

### 3. EMPLOYEES AND DIRECTORS

The group and company have no employees (2012: none)

Amounts paid to related parties for directors' services for the company totalled £Nil (2012: £Nil) and for the group £146,000 (2012: £82,000)

### 4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2013 £'000	2012 £'000
Interest income on financial asset	4,381	4,500
Bank interest receivable	47	45
	<hr/>	<hr/>
	4,428	4,545
	<hr/>	<hr/>

### 5. INTEREST PAYABLE AND SIMILAR CHARGES

	2013 £'000	2012 £'000
Interest payable to related parties (note 17)	672	806
Interest payable to former related parties	134	806
Bank loan interest payable	4,263	4,412
	<hr/>	<hr/>
	5,069	5,218
	<hr/>	<hr/>

# PETERBOROUGH PRISON MANAGEMENT HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2013

### 6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2013 £'000	2012 £'000
<b>Current tax</b>		
The tax charge is based on the profit for the year comprises		
UK corporation tax on profits of the period	(4)	(4)
Adjustment in respect of prior period	-	45
<b>Total current tax</b>	<b>(4)</b>	<b>41</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(122)	(219)
Losses carried forward	(262)	(204)
Present value adjustment for sale of losses under consortium relief	-	-
Changes in tax rates or laws	81	125
Adjustment in respect of prior periods	-	(45)
<b>Total deferred tax (note 13)</b>	<b>(303)</b>	<b>(343)</b>
<b>Tax on profit on ordinary activities</b>	<b>(307)</b>	<b>(302)</b>
The tax assessed for the year is lower (2012 lower) than the standard rate of corporation tax in the UK of 24% (2012 26%)		
Profit on ordinary activities before taxation	1,227	1,218
Profit on ordinary activities at the UK tax rate 24% (2012 26%)	294	317
Accelerated capital allowances and other short term timing differences	(121)	(219)
Utilisation of tax losses	(262)	(204)
Expenses not deductible for tax purposes	93	110
Adjustment to tax charge in respect of prior periods	-	(45)
<b>Total current tax credit</b>	<b>4</b>	<b>(41)</b>

During the year, the relevant deferred tax balances have been re-measured as a result of the change in the UK main corporation tax rate to 23%, which was substantively enacted on 3 July 2012 and will be effective from 1 April 2013. A further reduction to the UK corporation tax rate was announced in the March 2013 Budget. The change proposes to reduce the rate to 21% for the year beginning 1 April 2014 and 20% for 1 April 2015. The changes have not been substantively enacted at the balance sheet date and, therefore, are not recognised in the financial statements.

# PETERBOROUGH PRISON MANAGEMENT HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2013

### 7. DIVIDENDS

	2013 £'000	2012 £'000
Equity – Ordinary share		
Interim paid (September) £nil (2012 £5) per £1 share	-	300
Interim paid (March) £25 (2012 £nil) per £1 share	1,500	-
	<u>1,500</u>	<u>300</u>

### 8. INVESTMENTS

	2013 £'000	2012 £'000
Shares in subsidiary undertaking - cost	60	60
	<u>60</u>	<u>60</u>

The company holds the following interest in

Name of company	Country of registration	Class of share	Proportion held	Nature of business
Peterborough Prison Management Limited	England	Ordinary	100%	Prison construction & management

The directors believe that the carrying value of the investment is supported by its underlying net asset

### 9. INTANGIBLE ASSETS

	Group Other 2013 £'000	Company Other 2013 £'000
<b>Cost</b>		
At 1 April	-	-
Additions	1,700	-
At 31 March	<u>1,700</u>	<u>-</u>
<b>Accumulated depreciation</b>		
At 1 April	-	-
Charge for the year	-	-
At 31 March	<u>-</u>	<u>-</u>
<b>Net book value</b>		
At 1 April	-	-
At 31 March	<u>1,700</u>	<u>-</u>

The £1,700,000 (2012 nil) paid in respect of contract changes has been treated as an intangible asset

# PETERBOROUGH PRISON MANAGEMENT HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2013

### 10. DEBTORS

	Group	Company	Group	Company
	2013	2013	2012	2012
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Trade debtors	3,715	-	3,566	-
Prepayments and accrued income	155	-	162	-
Financial asset	1,700	-	1,559	-
	<u>5,570</u>	<u>-</u>	<u>5,287</u>	<u>-</u>
Amounts falling due after more than one year				
Subsidiary debtor	-	6,720	-	6,720
Financial asset	70,537	-	72,237	-
	<u>70,537</u>	<u>-</u>	<u>72,237</u>	<u>-</u>

Interest is received on the subsidiary debtor balance at the rate of 12%. The debtor is unsecured and repayable in variable instalments over a period of 25 years, which commenced in 2006.

### 11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group	Company	Group	Company
	2013	2013	2012	2012
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	2,133	-	2,083	-
Trade creditors	288	-	243	-
Amounts owed to parents (note 17)	39	-	54	-
Amounts owed to related parties (note 17)	2,540	-	2,512	-
Corporation tax payable	4	-	4	-
Other taxation and social security	422	-	421	-
Accruals and deferred income	235	-	269	-
	<u>5,661</u>	<u>-</u>	<u>5,586</u>	<u>-</u>

See note 12 for details of terms and security in respect of amounts due to related parties

# PETERBOROUGH PRISON MANAGEMENT HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2013

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

	Group	Company	Group	Company
	2013	2013	2012	2012
	£'000	£'000	£'000	£'000
Bank loan	69,392	-	71,525	-
Amounts owed to related parties (note 17)	6,720	6,720	6,720	6,720
	<u>76,112</u>	<u>6,720</u>	<u>78,245</u>	<u>6,720</u>
The maturity analysis of bank loan is				
Within one year	2,133		2,083	
Between one and two years	2,273		2,133	
Between two and five years	8,663		7,666	
Over five years	58,456		61,726	
	<u>71,525</u>		<u>73,608</u>	

The bank loan is secured by a fixed and floating charge over the assets of the company. Interest is charged on the above loan at the rate of LIBOR +0.9%. The loan is repayable in instalments over a period of 23 years, which commenced in 2005. The bank loan is with The Bank of Tokyo Mitsubishi UFJ.

In February 2003 the company agreed a twenty five year fixed interest rate swap transaction (amended March 2008 and March 2011) to hedge its exposure to the effect of interest rate fluctuations.

The swap converts the bank loan to a fixed rate of 4.96% and is payable in semi-annual amounts between 30 September 2005 and 31 March 2028.

The maturity analysis of amounts owed to related parties (note 17) for subordinated loans is

	Group	Company	Group	Company
	2013	2013	2012	2012
	£'000	£'000	£'000	£'000
Within one year	-	-	-	-
Between one and two years	420	420	-	-
Between two and five years	1,237	1,237	1,260	1,260
Over five years	5,063	5,063	5,460	5,460
	<u>6,720</u>	<u>6,720</u>	<u>6,720</u>	<u>6,720</u>

Interest is charged on related party loan balances at the rate of 12%. The loans are unsecured and repayable in instalments over a period of 25 years, which commenced in 2006.

# PETERBOROUGH PRISON MANAGEMENT HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2013

### 13. DEFERRED TAX

	2013 £'000 Provided	2012 £'000 Provided
Accelerated capital allowances and other short term timing differences	8,436	8,681
Tax losses available	(6,575)	(7,123)
	<hr/>	<hr/>
Deferred tax provision	1,861	1,558
	<hr/>	<hr/>
The movement in deferred tax in the year is		£'000
At 31 March 2012		(1,558)
Deferred tax charge in profit and loss account for the year		(303)
Adjustment in respect of prior periods		-
		<hr/>
At 31 March 2013		(1,861)
		<hr/>

### 14. CALLED-UP SHARE CAPITAL

	2013 £'000	2012 £'000
Allotted, called-up and fully paid:		
60,000 (2012 60,000) ordinary shares of £1 each	60	60
	<hr/>	<hr/>

### 15. PROFIT AND LOSS ACCOUNT

	Group 2013 £'000	Company 2013 £'000	Group 2012 £'000	Company 2012 £'000
At 1 April	1,240	-	624	-
Profit for the financial year	920	1,500	916	300
Dividends (note 7)	(1,500)	(1,500)	(300)	(300)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March	660	-	1,240	-
	<hr/>	<hr/>	<hr/>	<hr/>

# **PETERBOROUGH PRISON MANAGEMENT HOLDINGS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2013**

### **16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
	<b>2013</b>	<b>2013</b>	<b>2012</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Opening shareholders' funds	<b>1,300</b>	<b>60</b>	<b>684</b>	<b>60</b>
Profit for the financial year	<b>920</b>	<b>1,500</b>	<b>916</b>	<b>300</b>
Dividends (note 7)	<b>(1,500)</b>	<b>(1,500)</b>	<b>(300)</b>	<b>(300)</b>
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	<b>720</b>	<b>60</b>	<b>1,300</b>	<b>60</b>
	<hr/>	<hr/>	<hr/>	<hr/>

# PETERBOROUGH PRISON MANAGEMENT HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2013

### 17. RELATED PARTY TRANSACTIONS

Name of company	Type of transaction	Year ended 31 March 2013 £'000	Balance receivable/ (due) at 31 March 2013 £'000
Interserve Investments Limited	Sub-ordinated debt	-	(1,142)
Interserve Investments Limited	Sub-ordinated debt interest	(203)	-
Interserve Investments Limited	SPV and management fees	(88)	(12)
Interserve Investments Limited	Dividends	(500)	-
Dalmore Capital Limited	Sub-ordinated debt	-	(3,338)
Dalmore Capital Limited	Sub-ordinated debt interest	(200)	-
Dalmore Capital Limited	SPV fees	(21)	(21)
Dalmore Capital Limited	Dividends	(500)	-
Sodexo Investment Services Ltd	Sub-ordinated debt	-	(2,240)
Sodexo Investment Services Ltd	Sub-ordinated debt interest	(269)	-
Sodexo Investment Services Ltd	SPV Fees	(48)	(14)
Sodexo Investment Services Ltd	Dividends	(500)	-
Sodexo Limited	Operator and management fees	(25,332)	(2,614)

Name of company	Type of transaction	Year ended 31 March 2012 £'000	Balance receivable/ (due) at 31 March 2012 £'000
Interserve Investments Limited	Sub-ordinated debt	-	(2,240)
Interserve Investments Limited	Sub-ordinated debt interest	(269)	-
Interserve Investments Limited	SPV and management fees	(72)	(21)
Interserve Investments Limited	Dividends	(100)	-
Royal Bank Project Investments Ltd	Sub-ordinated debt	-	(2,240)
Royal Bank Project Investments Ltd	Sub-ordinated debt interest	(269)	-
Royal Bank Project Investments Ltd	SPV fees	(27)	(14)
Royal Bank Project Investments Ltd	Dividends	(100)	-
Sodexo Investment Services Ltd	Sub-ordinated debt	-	(2,240)
Sodexo Investment Services Ltd	Sub-ordinated debt interest	(269)	-
Sodexo Investment Services Ltd	SPV Fees	(27)	(14)
Sodexo Investment Services Ltd	Dividends	(100)	-
Royal Bank of Scotland plc	Bank loan	-	(73,608)
Royal Bank of Scotland plc	Bank loan interest and charges	(4,459)	(93)
Sodexo Limited	Operator and management fees	(24,546)	(2,567)
Royal Bank of Scotland plc	Bank interest receivable	45	-

Cash balances on deposit with Royal Bank of Scotland plc are disclosed in the balance sheet

# PETERBOROUGH PRISON MANAGEMENT HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2013

### 18. ULTIMATE PARENT UNDERTAKING

Peterborough Prison Management Holdings Limited is owned by three parties Sodexo Investment Services Limited, Dalmore Capital (Para 2) Limited and PFI Custodial (Holdings) Limited.

Accordingly, the Directors are of the opinion that the company does not have an ultimate controlling party

### 19. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	2013 £'000	2012 £'000
Operating Profit	1,868	1,891
(Increase)/decrease in debtors	(537)	1,722
Increase / (decrease) in creditors	270	(108)
	<hr/>	<hr/>
<b>Net cash flow from operating activities</b>	<b>1,601</b>	<b>3,505</b>
	<hr/>	<hr/>

### 20. ANALYSIS OF MOVEMENT IN NET DEBT

	31 March 2012 £'000	Cash flows £'000	Non-cash Changes £'000	31 March 2013 £'000
Cash at bank and in hand	9,165	(2,618)	-	6,547
Term loan due within one year	(2,083)	2,083	(2,133)	(2,133)
Term loan due after one year	(71,525)	-	2,133	(69,392)
Holding Co loan within 1 year	-	-	-	-
Holding Co loan after 1 year	(6,720)	-	-	(6,720)
	<hr/>	<hr/>	<hr/>	<hr/>
	(80,328)	2,083	-	(78,245)
	<hr/>	<hr/>	<hr/>	<hr/>
	(71,163)	(535)	-	(71,698)
	<hr/>	<hr/>	<hr/>	<hr/>

# **PETERBOROUGH PRISON MANAGEMENT HOLDINGS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 March 2013**

### **21. FINANCIAL INSTRUMENTS**

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Interest rate swap on loans		
Fair value of interest rate swaps	<b>(18,787)</b>	<b>(15,959)</b>

On 14 February 2003, in order to hedge against interest variations the group entered into a 25 year interest rate swap agreement with the Royal Bank of Scotland plc whereby, at monthly intervals during construction and six monthly intervals during operations, sums are exchanged reflecting the difference between the floating and fixed interest rates, calculated on a predetermined notional principal amount. The fixed interest rate is 4.96% on the senior loan. As the interest rate swap is considered to be effective, the value has not been accounted for within these financial statements.