

Company Registration No. SC291454

ADDIEWELL PRISON LIMITED
Report and Financial Statements

For the year ended 31 March 2016

ADDIEWELL PRISON LIMITED

REPORT AND FINANCIAL STATEMENTS 2016

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ADDIEWELL PRISON LIMITED

STRATEGIC REPORT

For the year ended 31 March 2016

The company is a Private Finance Initiative ("PFI") vehicle whose purpose is to design, construct, finance and manage HMP Addiewell. It has a 25 year operational contract with the Scottish Prison Service ("SPS"), due to complete in December 2033. The directors do not expect any change in the nature of the company's business in the immediate future.

In the year the company made a profit of £2,456,000 (2015: £1,790,000) and closed the year with net liabilities of £14,049,000 (2015: £15,823,000).

The company's operations are managed under the supervision of its shareholders and funders and are monitored by key performance indicators in the PFI contract with the SPS 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 £nil (2014: £nil).

The PFI contract and Subcontracts with SPS 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 2033. 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 2032. Its main exposure is to financial risks as detailed in the following section.

The Directors, in preparing this Strategic report, have complied with s414C of the Companies Act 2006.

PRINCIPAL RISK AND UNCERTAINTIES

The company's principal activity as detailed above is risk free 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.

FINANCIAL RISK MANAGEMENT

The company has exposure to a variety of financial risks which are managed with the purpose of minimising any potentially adverse effect on the company's performance.

The board has policies for managing each of these risks and they are summarised below:

INTEREST RATE RISK

The company 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.

INFLATION RISK

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

LIQUIDITY RISK

The company adopts a prudent approach to liquidity management by maintaining sufficient cash and liquid resources to meet its obligations. Due to the nature of the project cash flows are reasonably predictable and so this is not a major risk area for the company.

CREDIT RISK

The company receives the bulk of its revenue from a Government agency and therefore is not exposed to significant credit risk.

Cash investments and interest rate swap arrangements are with institutions of a suitable credit quality.

EVENTS

There have been no significant events since the balance sheet date.

ADDIEWELL PRISON LIMITED

STRATEGIC REPORT (CONTINUED)

For the year ended 31 March 2016

OWNERSHIP

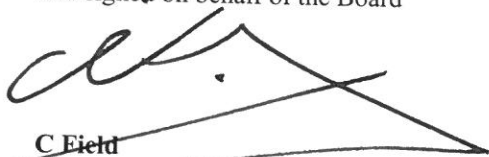
The company is owned by its ultimate shareholders Sodexo Investment Services Limited, Interserve plc and Infrastructure Investments Holdings Limited.

GOING CONCERN

The directors confirm that the financial statements have been prepared on the going concern basis and do not intend to liquidate the company or cease trading as we consider we have realistic alternatives to doing so. The consolidated statement of financial position on page 9 of the financial statements shows that the company is in a net liabilities position due largely to providing for the interest rate swap hedging costs under FRS 102 accounting requirements.

The directors are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the company's ability to continue as a going concern. The directors confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including plans for future actions.

Approved by the Board of Directors on
and signed on behalf of the Board

A handwritten signature in black ink, appearing to be 'C Field', written over a horizontal line.

C Field
Director

14 October 2016

ADDIEWELL PRISON LIMITED

DIRECTORS' REPORT

For the year ended 31 March 2016

Details of the principal risks and uncertainties are included in the Strategic Report.

The directors present their annual report and the audited financial statements for the year ended 31 March 2016.

STRATEGIC REPORT

The information that fulfils the Companies Act requirements of the business review is included in the Strategic Report. This includes a review of the development of the business of the company during the year, of its position at the end of the year and of the likely future developments in its business.

RESULTS AND DIVIDENDS

The profit for the financial year was £2,456,000 (2015: £1,790,000). Dividends of £600,000 (2015: £1,780,000) were recommended and paid during the year. This has led to net liabilities of £14,049,000 (2014: £15,822,000).

ENVIRONMENT

The company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and implements policies via its subcontractors to reduce any damage that might be caused by the company's activities.

EMPLOYEES

The company has no direct employees.

EVENTS AFTER REPORTING DATE

There have been no significant events since the statement of financial position date.

GOING CONCERN

Information related to the going concern assumptions is included in the strategic report.

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 Field
M Holden
A Leech (resigned 26 November 2015)
J McDowell (appointed 26 November 2015)
G Quaife
I Renhard

DISCLOSURE OF INFORMATION TO 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) As 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.

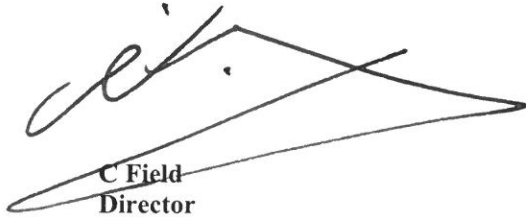
ADDIEWELL PRISON LIMITED

DIRECTORS' REPORT (Continued) **For the year ended 31 March 2016**

INDEPENDENT AUDITORS

The independent 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
14 October 2016

ADDIEWELL PRISON 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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 company and of the profit or loss of the company 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 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ADDIEWELL PRISON LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ADDIEWELL PRISON LIMITED

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

In our opinion, Addiewell Prison Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit 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.

What we have audited

The financial statements, included within the Report and Financial Statements (the "Annual Report"), comprise:

- the balance sheet as at 31 March 2016;
- the profit and loss account and statement of comprehensive income for the year then ended; and
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

ADDIEWELL PRISON LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ADDIEWELL PRISON LIMITED (CONTINUED)

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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Peter Adams (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Hull
14 October 2016

ADDIEWELL PRISON LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Turnover		24,646	24,057
Cost of sales		(21,620)	(21,080)
Gross Profit		3,026	2,977
Administrative expenses		(1,103)	(1,143)
Operating Profit	3	1,923	1,834
Interest receivable and similar income	5	6,305	6,455
Interest payable and similar charges	6	(5,648)	(5,869)
Profit on ordinary activities before taxation		2,580	2,420
Tax on profit on ordinary activities	7	(124)	(630)
Profit for the financial year		2,456	1,790

All activities are derived from continuing operations.

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.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2016

	2016 £'000	2015 £'000
Profit for the financial year	2,456	1,790
Other comprehensive income:		
Change in value of hedging instrument	466	(7,246)
Deferred tax (charge)/credit in relation to hedging instrument	(549)	1,449
Total comprehensive income/(expense) for the year	2,373	(4,007)

ADDIEWELL PRISON LIMITED

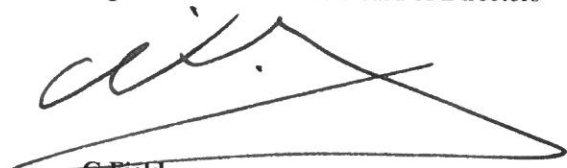
BALANCE SHEET

As at 31 March 2016

	Notes	2016 £'000	2015 £'000
CURRENT ASSETS			
Debtors:			
Amounts falling due after more than one year	9	85,914	88,466
Amounts falling due within one year	9	5,943	5,598
Cash at bank and in hand		6,277	9,169
		<u>98,134</u>	<u>103,233</u>
CREDITORS: amounts falling due within one year	10	(8,189)	(11,352)
		<u>89,945</u>	<u>91,881</u>
NET CURRENT ASSETS			
CREDITORS: amounts falling due after more than one year	11	(103,141)	(107,521)
PROVISIONS FOR LIABILITIES	12	(853)	(182)
		<u>(14,049)</u>	<u>(15,822)</u>
NET LIABILITIES			
		<u>(14,049)</u>	<u>(15,822)</u>
CAPITAL AND RESERVES			
Called up share capital	14	100	100
Retained earnings		4,521	2,665
Hedging reserve		(18,670)	(18,587)
		<u>(14,049)</u>	<u>(15,822)</u>
TOTAL SHAREHOLDERS' DEFICIT		<u>(14,049)</u>	<u>(15,822)</u>

The financial statements of Addiewell Prison Limited, registered number SC291454 on pages 8 to 20, were approved by the Board of Directors and authorised for issue on 14 October 2016.

Signed on behalf of the Board of Directors


C Field
Director

ADDIEWELL PRISON LIMITED

STATEMENT OF CHANGES IN EQUITY For the year ended 31 March 2016

	Note	Called-up share capital £'000	Share premium ¹ £'000	Hedging reserve ² £'000	Retained earnings £'000	Total Shareholders deficit £'000
Balance as at 1 April 2014		-	100	(12,790)	2,655	(10,035)
Profit for the financial year		-	-	-	1,790	1,790
Other comprehensive expense for the year		-	-	(5,797)	-	(5,797)
Total comprehensive income/(expense) for the year		-	-	(5,797)	1,790	(4,007)
Dividends	8	-	-	-	(1,780)	(1,780)
Balance as at 31 March 2015		-	100	(18,587)	2,665	(15,822)
Balance as at 1 April 2015		-	100	(18,587)	2,665	(15,822)
Profit for the financial year		-	-	-	2,456	2,456
Other comprehensive income/(expense) for the year		-	-	(83)	-	(83)
Total comprehensive income/(expense) for the year		-	-	(83)	2,456	2,373
Dividends	8	-	-	-	(600)	(600)
Balance as at 31 March 2016		-	100	(18,670)	4,521	(14,049)

¹ The hedging reserve arose on the revaluation of a financial instrument on transition to FRS 102 and includes the associated deferred tax of £4,098,000 (2015: £4,647,000). Amounts representing the calculated value and deferred tax are transferred to retained earnings each year.

² Retained earnings represent accumulated comprehensive income for the year and prior years.

ADDIEWELL PRISON LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year Ended 31 March 2016**

1. ACCOUNTING POLICIES

The company and its subsidiary (together "the Group") are a Private Finance Initiative ("PFI") vehicle whose purpose is to design, construct, finance and manage Addiewell Prison. The company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is Interserve House, Ruscombe Park, Twyford, Reading, RG10 9JU.

Statement of compliance

The individual financial statements of Addiewell Prison (Holdings) Limited have been prepared in compliance with United Kingdom Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements. Details of the transition to FRS 102 are disclosed in note 17.

Basis of preparation

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions are estimates are significant to the financial statements are disclosed where appropriate.

The company has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual profit and loss account.

Exemptions

Under the provision of FRS 102, the company is exempt from the requirement to produce a cash flow statement on the grounds that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows.

Turnover and Private Finance Initiative ("PFI") contract accounting

Turnover, which excludes VAT and originates solely in the United Kingdom, represents amounts receivable from the operation of the prison, provided in the normal course of the subsidiary's 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 7.38% (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.

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 difference can be deducted.

ADDIEWELL PRISON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) **Year Ended 31 March 2016**

1. ACCOUNTING POLICIES (Continued)

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.

Related party transactions

The Group discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the Group financial statements.

Share capital

Share capital recognised at amortised cost represents the amount of equity in the form of shares invested by the shareholders.

Distribution to equity holders

Dividends and other distributions to the Group's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the shareholder. These amounts are recognised in the statement of changes in equity.

Profit and loss account

The profit and loss reserve represents cumulative profit and losses.

Hedging reserve

The hedging reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in hedging variable interest rate risk of recognised financial instruments. Amounts accumulated in this reserve are reclassified to profit or loss in the periods in which the hedged item effects profit or loss or when the hedging relationship ends.

Going concern

The financial statements are prepared on a going concern basis. As disclosed on page 2 the directors believe that the company has adequate resources to continue in operational existence for the foreseeable future.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

Derivative financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Basic financial assets and liabilities, including trade debtors, cash at bank and in hand, trade creditors and bank loans are initially recognised at transaction value. Such assets and liabilities are subsequently carried at amortised cost.

The company holds derivative financial instruments which hedge its exposure to interest rate risk. This has the effect of fixing the interest rate payable on bank borrowings. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value within the company's balance sheet at each balance sheet date. The changes in fair value of these financial instruments that are designated as effective hedges of future cash flows are recognised directly in the other comprehensive income statement. Any ineffective portion is recognised immediately in the income statement.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

ADDIEWELL PRISON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) Year Ended 31 March 2016

1. ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the obligation specified in the contract is discharged, cancelled, or expires.

Hedge accounting

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 fair value of the derivative financial instrument is recognised directly in the statement of comprehensive income as other comprehensive income or expense. Any ineffective portion of the hedge is recognised immediately in profit or loss. Where hedge accounting recognises a liability or asset then an associated deferred tax asset or liability is also recognised.

2. TURNOVER

All turnover is generated from the principal activity of the company. All turnover arose within the United Kingdom.

3. OPERATING PROFIT

	2016 £'000	2015 £'000
Operating profit is stated after charging:		
Auditors' remuneration		
- audit fee	8	7
Directors' services	92	92
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ADDIEWELL PRISON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) Year Ended 31 March 2016

4. EMPLOYEES AND DIRECTORS

The company has no employees (2015: none).

Amounts paid to related parties for directors' services totalled £92,000 (2015: £92,000).

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2016 £'000	2015 £'000
Interest income on financial asset	6,281	6,428
Bank interest receivable	24	27
	<hr/>	<hr/>
	6,305	6,455
	<hr/>	<hr/>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2016 £'000	2015 £'000
Interest payable to parent undertaking (note 15)	1,044	1,056
Bank term loan interest payable	4,540	4,736
Other bank loans interest payable	22	35
Other finance costs	42	42
	<hr/>	<hr/>
	5,648	5,869
	<hr/>	<hr/>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2016 £'000	2015 £'000
Current tax		
The tax credit is based on the profit for the year comprises:		
UK corporation tax on profits of the period	(2)	(2)
Adjustments in respect of prior periods	-	-
	<hr/>	<hr/>
	(2)	(2)
Deferred tax		
Accelerated capital allowances and other short term timing differences	(672)	(628)
Changes in tax rates or laws	550	-
	<hr/>	<hr/>
Total deferred tax (note 12)	(122)	(628)
	<hr/>	<hr/>
Tax on profit on ordinary activities	(124)	(630)
	<hr/>	<hr/>

ADDIEWELL PRISON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) Year Ended 31 March 2016

7 TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

	2016 £'000	2015 £'000
Tax expense included in other comprehensive income		
Deferred tax		
Origination and reversal of timing differences	(93)	1,449
Changes in tax rate or laws	(456)	-
	<hr/>	<hr/>
Total tax (expense)/income included in other comprehensive income	(549)	1,449
	<hr/>	<hr/>
The tax assessed for the year is lower (2015: lower) than the standard rate of corporation tax in the UK of 20% (2015: 20%).		
Profit on ordinary activities before taxation	2,580	2,420
	<hr/>	<hr/>
Profit on ordinary activities at the UK tax rate 20% (2015: 20%)	516	484
Tax rate changes	(550)	-
Expenses not deductible for tax purposes	158	146
	<hr/>	<hr/>
Total tax charge	124	630
	<hr/>	<hr/>

The rate of corporation tax reduced from 21% to 20% effective from 1 April 2015. Further reductions to 19% and 18%, effective from 1 April 2017 and 1 April 2020 respectively, were included in the Finance Act (No.2) 2015 which was enacted on 18 November 2015. The deferred tax balances have therefore been re-measured at 18%.

8. DIVIDENDS

	2016 £'000	2015 £'000
Equity – Ordinary share		
Interim paid (June): £300,000 (2015: £780,000) per £1 share	300	780
Interim paid (December): £300,000 (2015: £1,000,000) per £1 share	300	1,000
	<hr/>	<hr/>
	600	1,780
	<hr/>	<hr/>

ADDIEWELL PRISON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) Year Ended 31 March 2016

9. DEBTORS

	2016 £'000	2015 £'000
Amounts falling due within one year:		
Trade debtors		
Financial asset	3,345	3,299
Prepayments and accrued income	2,390	2,223
	208	76
	<hr/>	<hr/>
	5,943	5,598
Amounts falling due after more than one year:		
Financial asset		
	85,914	88,466
	<hr/>	<hr/>

The company has taken advantage of exemptions made available under section 35 10(i) of FRS 102, and as such there has been no substantial change to the treatment of the financial asset receivable due to the adoption of the standard.

Trade debtors are stated after provision for impairment of £Nil (2015: £Nil)

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £'000	2015 £'000
Bank loans and overdrafts (net of unamortised issue costs) (note 11)	4,867	7,661
Amounts owed to parent undertaking (note 15)	148	133
Trade creditors	3	-
Interest owed to parent undertaking (note 15)	258	259
Amounts due to other related parties (note 15)	2,174	2,130
Corporation tax	2	2
Other taxation and social security	585	566
Accruals and deferred income	152	601
	<hr/>	<hr/>
	8,189	11,352
	<hr/>	<hr/>

See note 11 for details of terms and security in respect of bank loans.

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2016 £'000	2015 £'000
Bank loans and overdrafts (net of unamortised issue costs)	71,911	75,677
Amounts owed to parent undertaking (note 15)	8,462	8,610
Derivative financial instruments (note 15)	22,768	23,234
	<hr/>	<hr/>
	103,141	107,521
	<hr/>	<hr/>

ADDIEWELL PRISON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) Year Ended 31 March 2016

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (Continued)

	2016 £'000	2015 £'000
The maturity analysis of bank loans is:		
Within one year		
Between one and two years	3,807	3,561
Between two and five years	4,014	3,807
Over five years	11,298	11,609
	57,255	60,957
	<hr/>	<hr/>
Less unamortised issue costs	76,374 (698)	79,934 (741)
	<hr/>	<hr/>
	75,676	79,193
	<hr/>	<hr/>

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 +0.85%. The loan is repayable in instalments over a period of 23 years, which commenced in 2009. The bank loan is with The Bank of Tokyo Mitsubishi UFJ.

In June 2006 the company entered into a 25 year fixed interest rate swap arrangement (amended March 2011) to hedge its exposure to the effect of interest rate fluctuations.

The swap converts the bank loan to a fixed rate of 5.04% and is payable in semi-annual amounts between 30 June 2009 and 31 December 2031.

The maturity analysis of amounts owed to parent company is:

	2016 £'000	2015 £'000
Within one year		
Between one and two years	148	133
Between two and five years	167	148
Over five years	902	566
	7,393	7,896
	<hr/>	<hr/>
	8,610	8,743
	<hr/>	<hr/>

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 2009.

12. PROVISION FOR LIABILITIES

	2016 £'000 Provided	2015 £'000 Provided
Accelerated capital allowances	5,320	5,783
Losses	(369)	(954)
Deferred tax asset relating to derivative financial liability	(4,098)	(4,647)
	<hr/>	<hr/>
Deferred tax liability	853	182
	<hr/>	<hr/>

ADDIEWELL PRISON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) Year Ended 31 March 2016

12 PROVISIONS FOR LIABILITIES (continued)

Movement in deferred tax in year:	
At 1 April 2015	£'000
Profit and loss account – total tax charge/(credit)	182
Other comprehensive income – total tax charge/(credit)	122
	549
At 31 March 2016	<u>853</u>

13. FINANCIAL INSTRUMENTS

The company has the following financial instruments:

	2016 £'000	2015 £'000
Financial assets that are debt instruments measured at amortised cost		
- Trade receivables (note 9)	3,345	3,299
- Financial asset (note 9)	88,304	90,689
	<u>91,649</u>	<u>93,988</u>
Financial liabilities measured at fair value through other comprehensive income		
- Derivative financial instruments	(22,768)	(23,234)
Financial liabilities measured at amortised cost		
- Bank loans (note 10 and 11)	(76,778)	(83,338)
- Trade creditors (note 10)	(3)	-
- Amounts owed to parent undertakings (note 10 and 11)	(8,868)	(9,002)
- Amounts owed to related parties (note 10)	(2,174)	(2,130)
	<u>(87,823)</u>	<u>(94,470)</u>
	<u>(18,942)</u>	<u>(23,716)</u>

On 20 June 2006, in order to hedge against interest variations the company 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 5.04% on the senior loan. The interest rate swap is considered to be effective and has been designated a cash flow hedge. The fair value of the swap is calculated using valuation models operated by the counterparty financial institution. No charges have gone through the profit and loss account (2015: £nil) but £83,000 of gain (2015: £5,797,000 loss) has gone through other comprehensive income in respect to changes in fair value of the hedge.

ADDIEWELL PRISON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) Year Ended 31 March 2016

14. CALLED UP SHARE CAPITAL

	2016 £'000	2015 £'000
Allotted, called up and fully-paid 1 (2015: 1) ordinary share of £1 each	-	-

15. RELATED PARTY TRANSACTIONS

Name of company	Type of transaction	Year ended 31 March 2016 £'000	Balance due at 31 March 2016 £'000
Addiewell Prison (Holdings) Ltd	Parent company loan	-	(8,610)
Addiewell Prison (Holdings) Ltd	Parent company loan interest	(1,044)	(258)
Infrastructure Investments Holdings Ltd	SPV Charges	(31)	(31)
Sodexo Investment Services Limited	SPV Charges	(31)	(16)
Interserve Investments Ltd	SPV Charges	(82)	(20)
Sodexo Ltd	Operator & SPV fees	(20,923)	(1,854)

Name of company	Type of transaction	Year ended 31 March 2015 £'000	Balance due at 31 March 2015 £'000
Addiewell Prison (Holdings) Ltd	Parent company loan	-	(8,743)
Addiewell Prison (Holdings) Ltd	Parent company loan interest	(1,056)	(259)
Royal Bank Project Services Ltd	SPV Charges	(31)	(66)
Sodexo Investment Services Limited	SPV Charges	(31)	(15)
Interserve Investments Ltd	SPV Charges	(81)	(49)
Sodexo Ltd	Operator & SPV fees	(20,482)	(1,832)

16. PARENT COMPANY AND CONTROLLING PARTIES

The company's immediate parent undertaking is Addiewell Prison (Holdings) Limited, which is the smallest and largest entity to consolidate these financial statements. Copies of the financial statements of Addiewell Prison (Holdings) Limited are available from Addiewell Prison Limited, Interserve House, Ruscombe Park, Twyford, Reading, RG10 9JU.

Under a share pledge agreement Addiewell Prison (Holdings) Limited transferred the entire shareholding of Addiewell Prison Limited to Project & Export Finance (Nominees) Limited who are a nominee subsidiary of the company's bankers The Royal Bank of Scotland Plc, a related party. However, although in the legal form Addiewell Prison Limited is owned by Project & Export Finance (Nominees) Limited in substance Addiewell Prison (Holdings) Limited is able to exercise control via voting rights and is entitled to dividends, interest and other payments (whether of an income or capital nature) paid in respect of the shares.

Addiewell Prison Holdings limited is owned equally by three parties: Sodexo Investment Services Limited, Interserve PLC and Infrastructure Investments Holdings Limited. Accordingly, the Directors are of the opinion that the company does not have an ultimate controlling party.

ADDIEWELL PRISON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) Year Ended 31 March 2016

17. TRANSITION TO FRS 102

This is the first year that the company has presented its results under FRS 102. The last financial statements under the UK GAAP were for the year ended 31 March 2015. The date of transition to FRS 102 was 1 April 2014. Set out below are the changes in accounting policies which reconcile other comprehensive income for the financial year ended 31 March 2015 and the total equity as at 1 April 2014 and 31 March 2015 between UK GAAP as previously reported and FRS 102. There were no changes to the profit and loss account.

	2015 £'000	
Other comprehensive income		
UK GAAP - as previously reported		-
Revaluation of financial instruments (A)		(7,246)
Deferred tax impact of adjustment (B)		1,449
FRS 102		(5,797)
	1 April 2014 £'000	31 March 2015 £'000
Total equity		
UK GAAP – as previously reported		
Revaluation of financial instruments (A)	2,755	2,765
Deferred tax impact of adjustment (B)	(15,988)	(23,234)
	3,198	4,647
FRS 102	(10,035)	(15,822)

(A) FRS 102 requires derivative financial instruments to be recognised at fair value. Previously under UK GAAP the company did not recognise these instruments in the financial statements. Accordingly on transition a liability of £15,988,000 was recognised and a loss of £7,246,000 was recognised in the comprehensive income statement for the year ended 31 March 2015. A liability of £23,234,000 was recognised at that date.

(B) Deferred taxation on transition has been accounted for on derivative financial instruments. £3,298,000 has been recognised at 20% on the liability recognised on transition at 1 April 2014. In the year ended 31 March 2015 the company has recognised a credit of £1,449,000 in comprehensive income in respect of the increase in the value of derivative liabilities recognised in the balance sheet.