Gov Facility Services Limited

Company registration number 11061429

Annual report and accounts

2025-26

From April 2025 to March 2026

October 2026

CP 1687



Government of the United Kingdom
Gov Facility Services Limited

Annual report and accounts 2025-26

For the period 01 April 2025 to 31 March 2026

Presented to Parliament
by the Secretary of State for Justice
by Command of His Majesty

OCTOBER 2026

CP 1687

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Contents

Section 1 – Strategic report **3**

Chair's statement 4

Chief Executive Officer's overview of 2025 to 2026 5

Performance overview 9

Section 2 – Accountability report **20**

Board of directors as of 31 March 2026 21

Directors' report 23

Statement of directors' and Accounting Officer's responsibilities 25

Governance statement 27

The Accounting Officer's review of effectiveness 35

Parliamentary accountability (audited) 36

Staff and remuneration report 37

Section 3 – Independent Auditor's report **46**

Independent Auditor's Report to the members of Gov Facility Services Limited 47

Section 4 – Financial statements **53**

Statement of comprehensive net expenditure (SoCNE) 54

Notes to the accounts 60

GFSL's registered office is 102 Petty France, London, England, SW1H 9AJ.

Section 1

Strategic report

Chair's statement

I am delighted to open this year's Annual Report, my first since taking up the role of Interim Chair of GFSL in August 2026.

Our focus in 2025-26 has been two-fold: first, continuing to deliver value for money BAU services to a high standard; second, readiness for our transition to new service providers in 2027 and our ultimate wind down of operations thereafter. I have been inspired by the expertise and unwavering effort of our people at what is undoubtedly a very challenging time for them.

We have continued to deliver well on top priorities including Health & Safety, Maintenance Work and Projects, and Cells out of Use. There is of course always more that we can do to improve our performance further and through the work of the executive and our sub committees we have demonstrated robust, timely interventions to address any slippages in performance, for example in the case of Health & Safety, where we saw an uptick in the level of injury accidents in the early part of the year and which, through a range of targeted actions has seen levels stabilise although not quite to the in-year targets which we set ourselves.

Elsewhere, we remain focused on building and retaining a high performing, engaged workforce and on supporting them through transition. We continue to lead efforts in broadening our workforce composition and I am pleased to report that we have supported over 100 apprentices in their development in the year. GFSL has been recognised for the apprenticeship commitment and has ranked 12th among the public sector entrants in the Sunday Times Top 100 Apprenticeship benchmarking process for 2026. I take great pride in the efforts that our People team put in to making GFSL a great place to work.

I would like to thank my predecessor, Colin Allars, for his contribution as Chair over 8 years, his dedication to GFSL and its people, and his support to me personally in ensuring a smooth handover.

As we move into 2026-27 and nearer to transition, we will be focused on continuing to work with our shareholder, MoJ, to support them in the successful handover to new third party providers.

Maura Sullivan
Interim Chair, GFSL

Chief Executive Officer's overview of 2025 to 2026

Two jobs at once

This year GFSL had to do two things at once. Keep the buildings and plant of 48 prisons safe and working, every day, for the people who live and work in them. Simultaneously to transfer and hand that work to the providers who will follow us under the Ministry of Justice's Property Transformation Programme. It was my first full year as Chief Executive, and throughout GFSL we no longer treat those as two tracks. They are one job, and the rule is a short one. Run it well, hand it over well.

The job matters beyond our gates. A prison whose locks hold and whose heating comes on is a safer place for the officers who work in it and a more decent one for the people held in it, and decency is where rehabilitation starts. A cell we return to service quickly is a bed the country needs. That is what our tradespeople, cleaners and engineers contribute to the justice system, day in, day out, 365 days a year.

The numbers say we delivered. Close to 380,000 planned and reactive maintenance tasks came through our teams, and we carried out £206.8 million of work for His Majesty's Prison and Probation Service, up from £189.0 million last year (see note 2 on page 69). Behind each figure is a person in a plant room or a workshop who chose to stay and do the job well, in a company that has been open with them about their future. All my colleagues continue to excel and impress while being a great team to work with. I am proud of every single one of them.

The basics got better, and keep getting better

We began the focus on closing down our open work order backlog. Our Business Dashboard, launched in July, was described by the Ministry as an exemplar and is part of the Hive toolset – more on that later. The Legionella Dossier, our digital record of every water safety task on every site, is now live across the whole estate. We also delivered over £41 million of project work for the Ministry, including difficult anti-drone work to counter a growing national threat. Every job we take out of the backlog now leaves the estate in better condition for the providers who inherit it and safer for those who live and work in it.

Safety tested us, and we changed how it is run

Safety is the measure I watch most closely, and this year tested us. Injury accidents rose and our accident incidence rate finished above the target we had set ourselves. We responded decisively and immediately by changing how safety is run. We brought safety, compliance and standards together in a Safety, Standards and Excellence team under a new and experienced lead, filled every regional health and safety lead post and ran safety deep dives with every site. Hazard reports through our "See it, Sort it" process have doubled since January, the clearest sign that people are spotting risks before they become accidents. Mandatory training, which had ended the previous year at 34% complete, closed this year at 98%. We have rebuilt our safety governance from site to Board and reset our targets to ranges that are stretching for the environment we work in. None of that is the finished article. I will report next year on whether the accident figures followed the improving leading indicators, as I expect they will. Our focus in this area will be unrelenting.

Built here, and worth keeping

In October, Hive won the Institute of Workplace and Facilities Management's Impact Award for "Excellence in Customer Service". Hive is the tool our own people built to show performance across the estate, including which cells are out of use and why. In March our internal auditors rated the work behind Hive Substantial, their highest rating, and advised us to ask the Ministry to carry it through to the providers who follow us rather than let it stop when we do.

We were shortlisted twice more in the same awards: for Social Value, for CRED, and for Equity, Diversity and Inclusion, on the strength of our Disability Confident Level 2 status. CRED, which stands for Clean, Rehabilitative, Enabling and Decent, puts prisoners to work alongside our tradespeople on the fabric of the prisons where they live. In September the Ministry funded 14 additional CRED supervisors across our prisons, and by the year end around 380 prisoners were working with our teams every week, undertaking about 10,000 hours of skilled work a week. Each prisoner builds a portfolio of the work they have undertaken, in a format the Ministry approved this year, so that what they learned in a GFSL workshop and undertaking work on the wings, leaves the gate with them in a form an employer can read, understand and hopefully employ them with.

People stayed

We employed 1,380 permanent colleagues on average, up from 1,312. Turnover which was above 23% two years ago was 13.55% this year. In financial year 2025-26, GFSL has supported 110 employees in either continuing or commencing apprenticeships across a diverse range of levels and durations. These apprenticeships span a timeframe of between 12 and 48 months, reflecting the varied nature of the programmes on offer and the commitment of our workforce to professional growth and development.
Since the year end GFSL has been ranked twelfth among public sector employers in the Sunday Times Top 100 Apprenticeship Employers. The Employee Forum grew from 33 elected representatives to 43.

Preparing people for a future beyond GFSL started in earnest this year. Career transition workshops began in September. We have given straight answers about colleagues TUPE protections and about timings, and I believe that is part of why turnover fell for a second year running.

One team at the top, one plan

The Board and the executive worked this year as one leadership team, in the same room, with transition a standing item at every meeting. In February the Board asked us what could break us through wind down, tested our answers and backed the three things the executive asked for. We reshaped the executive and have taken bold steps in restructuring the organisation and people to ensure we are fit for the next phase.

We reduced our business plan from 106 actions to the 24 that really matter and reframed it as six promises, on safety, people, customer, excellence, value and responsibility, the six headings of the performance overview that follows. The National Audit Office gave an unqualified opinion on our 2024-25 accounts. Our internal auditors' overall opinion for the year was moderate, which means improvement is still needed in places, and included one Substantial rating.

Run it well, hand it over well

The Ministry set the programme's plan of record in August 2025, and in November set out that our services are expected to transfer to new providers during 2027. Those are our planning dates, and we are actively planning to them. We have built a transition plan against that timetable, identified the risks and assumptions that sit behind it and given each one a named sponsor. The estate we hand over will be judged by the standard we run it to on the day before it changes hands. That is the standard we intend to be held to and we intend for it to be better than it has even been in our eight year history.

Since the year end

The backlog stood below 3,000 by late August. In May the Ministry confirmed the lot structure under which our sites will transfer, and in June it approved the business case for the national Workplace Services Management contract with KBR. Our integrated transition plan is written and nine projects now run against it. Formal consultation with our people is planned for the autumn.

On 31 July 2026, Colin Allars stepped down after eight years as our Chair. He led the Board from the weeks after Carillion's collapse to the stable company this report describes. GFSL and the nation owe him a great deal for his service. So do I for his wise counsel. I am delighted to be working with Maura Sullivan, who took up the role of interim Chair in August.

To every colleague who has restarted a boiler on a winter night so that a wing woke up warm, worked over a weekend to get a generator up and running or the many other un-noticed tasks you undertake, this report is about you. So is the year ahead.

Thank you for your service. I am humbled by my experience of working with you.

Alistair Watters
Chief Executive Officer, GFSL

Performance overview

Who We Are, Delivering on Our Strategic Priorities and Our Future Plan

Who we are

Gov Facility Services Limited (GFSL) is a non-profit company established by the Ministry of Justice (MOJ) and a Limited Company registered in the United Kingdom. We manage facilities within a framework agreement, ensuring good governance, finance, and management practices.

We support His Majesty's Prison and Probation Service (HMPPS) by delivering safe, high-quality, and cost-effective facilities management services across 48 prisons in the South of England.

We provide two main types of services:

- Core Services: delivered under a fixed annual budget. This includes planned maintenance, repairs under £2,000, and services like cleaning, waste management, and prisoner work programmes.
- Variable Services: performed upon instruction from HMPPS. This covers larger repairs, minor projects, and capital investment works.

Looking ahead: Property Transformation Programme

The Ministry of Justice's Property Transformation Programme (PTP) will continue to shape GFSL's strategic focus. As the programme progresses, our priority remains delivering safe, high-quality facilities management and project services across the prison estate while preparing for the planned transition of services to future providers. PTP represents a significant change for GFSL, with services expected to transfer to alternative providers in phases over the coming years and the scale of the Company's activities expected to reduce as services transition and programme milestones are achieved.

Throughout this period, we remain committed to supporting our people, maintaining service continuity, safeguarding critical capabilities and ensuring that the knowledge, skills and experience built within GFSL over many years are effectively transferred. Our objective is to leave a lasting legacy of safe, compliant and well-maintained assets, while supporting the Ministry of Justice's ambition to create a sustainable and effective long-term facilities management model for the justice estate.

Delivering on Our Strategic Priorities

Our vision is to provide best value facility services through a seamless transition to the private sector supporting an enduring world class justice system.

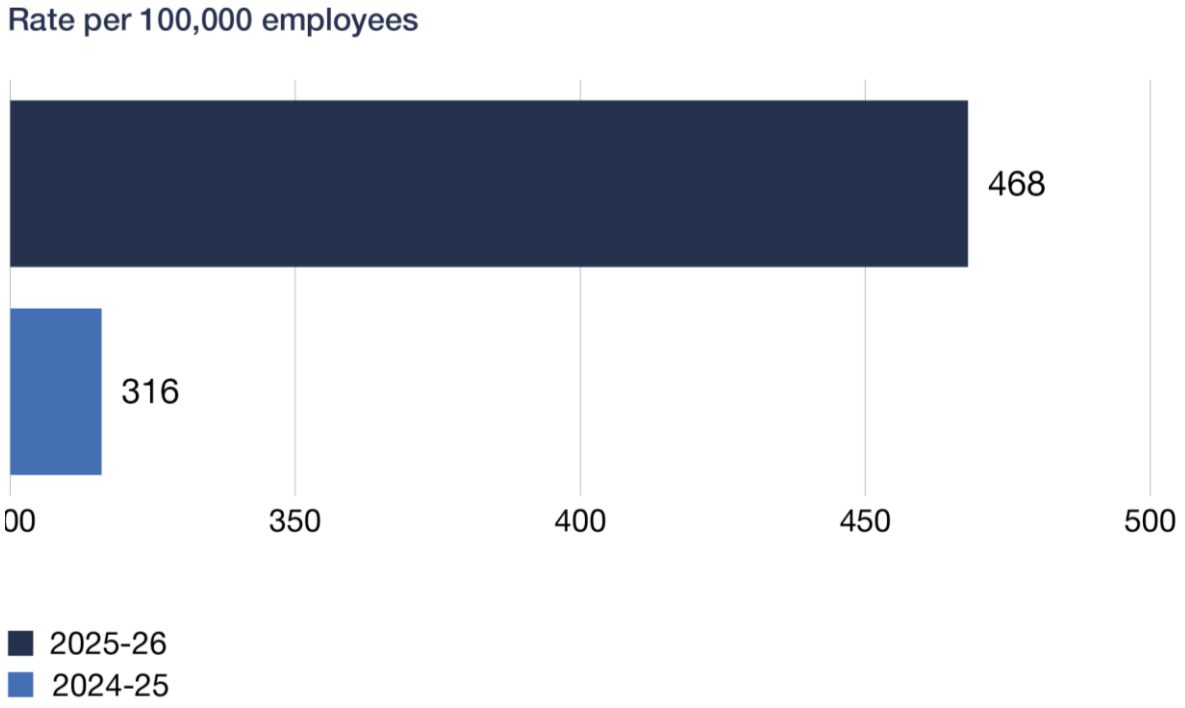
To fulfil this vision and deliver on our mission "to deliver safe, high-quality value-driven facilities services and streamline our processes to support the PTP transition of our services to the private sector". Our focus is built upon six core areas that underpin every action we take. The progress and key activities within each of these core areas are outlined below:

Safety

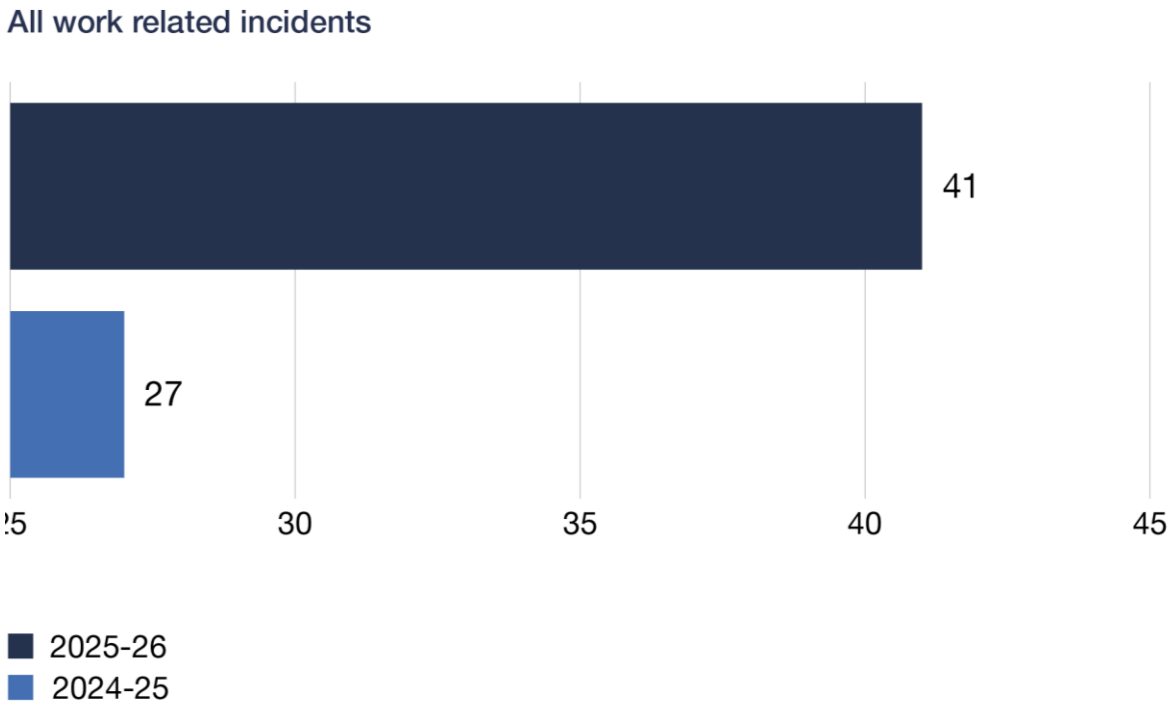
Our commitment to ensuring a safe and secure work environment remains a top priority at GFSL. Throughout the year, we have implemented a range of initiatives to actively reduce the likelihood and severity of injuries or damage.

In 2025-26, the Health and Safety strategy was strengthened through the creation of the Safety, Standards and Excellence Team (SSE), which brings together all relevant support functions and has improved visibility, capability and knowledge across GFSL.

Graph 1: Accident incidence rates - shows the incidence of RIDDOR-reportable accidents across 12 months per 100,000 employees



Graph 2: All work-related incidents - shows the rate of work-related injury accidents across 12 months per million hours worked



Following a challenging start to the year, during which a higher-than-expected level of injury accidents was recorded, a range of targeted measures were introduced to stabilise performance. These have focused on reinforcing simple, proactive behaviours and ensuring they are consistently demonstrated across the organisation.

There is now clear evidence that these interventions are having a positive impact, with a reduction in both incidents and accidents and a strengthening of overall safety performance. This improvement aligns with a significant increase in hazard reporting, reflecting greater engagement from staff and an improved safety culture. These reports represent important opportunities to identify and address risks before they develop into incidents.

While performance has improved, underlying risks remain, particularly in relation to aging infrastructure. Continued support from the MoJ will be critical in addressing these issues, as without targeted investment there is a risk that unresolved conditions could contribute to future incidents.

Excellence

Our operational performance is assessed across the following areas:

Service Delivery	Volume of maintenance work completed
KPIs	Timeliness in completing statutory and high-priority maintenance
Cell Availability	Speed of returning out-of-use cells to service

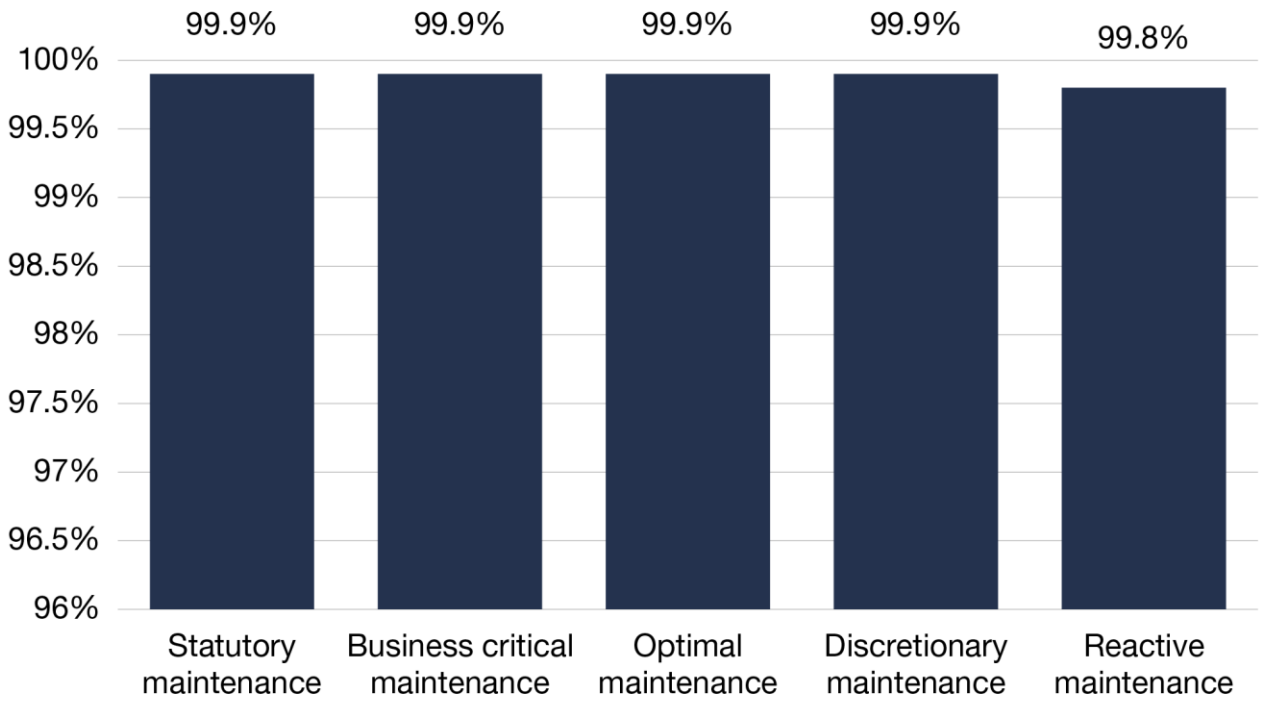
Service Delivery: maintenance work completion

In 2025-26, 99.9% of statutory and business-critical planned preventative maintenance (PPM) tasks were completed on time, 79,724 in total, ensuring regulatory compliance and supporting safety standards across the prison estate.

Additionally, 99.9% of optimal and 99.9% of discretionary PPM tasks were completed, totalling 31,528. These works help maintain plant and equipment performance, reducing failure risk and associated costs.

Reactive maintenance demand reached 266,807 tasks, with 99.8% completed within the year.

Graph 3: 2025-26 Planned and reactive completion performance

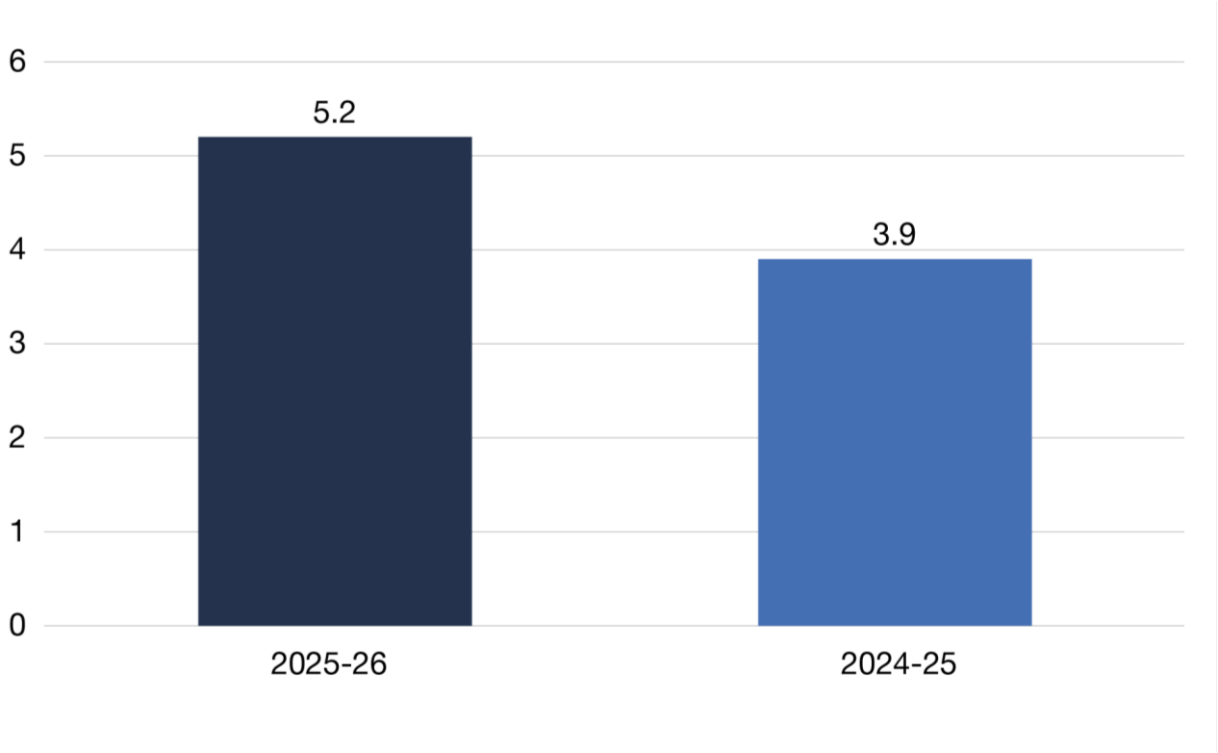


Cell Availability: Cells out of use

Cell availability remains critical to our customer amid ongoing capacity pressures within the UK prison estate. We measure our contribution to this through the "Cells Out of Use" metric.

Our performance is assessed by the time taken to complete maintenance and formally return affected cells to service.

Graph 4: Cell availability – duration of time to return to service (days)



Although the average time taken to return cells to service increased from 3.9 days in 2024-25 to 5.2 days in 2025-26, performance remained within an acceptable range of under seven days given the operational complexity of the prison estate and the nature of the works required.

Customer

Our commitment to our customer HMPPS was demonstrated through our focus on maintaining an estate where safety remained a top priority. We delivered collaborative and high-quality end-to-end projects, with a specific emphasis on improving customer engagement throughout the project lifecycle and strengthening supply chain resilience to ensure timely and effective delivery.

We actively supported our customer in discharging their responsibilities by providing effective visibility of risks during the year. Our planned and reactive maintenance teams delivered clear and high-quality services across the estate 24/7, ensuring operational continuity for our customers.

We played a key role in supporting capacity by focusing on the efficient return of out-of-use cells to operation. Our GFSL subject matter experts were deployed to support improvements in various HMPPS site operations, including cleaning, waste management, technical services, energy efficiency, and planned preventative works.

People

Our people strategy focused on building a high-performing and engaged workforce. A key priority was developing strong leaders through targeted training programmes that addressed identified development needs. We actively worked to enhance employee engagement across all teams and sites by understanding current levels and implementing actions to improve them.

Investing in our people's skills, we provided relevant training and development, including leadership development, and created on-the-job learning opportunities.

We dedicated efforts to enhancing the overall employee experience, recognising its impact on culture, retention, wellbeing, safety outcomes, client satisfaction, and productivity. Clear and consistent communication was vital in building trust, clarifying expectations, and fostering collaboration and innovation.

Responsible

GFSL maintained a strong commitment to operating as an ethical and sustainable business. We were focused on embedding responsible practices across the organisation, supporting Clean, Rehabilitative, Enabling and Decent (CRED) programmes, and taking steps to reduce our environmental impact, all while upholding high standards of integrity. We also began exploring opportunities to more effectively share the positive work being done across our sites.

A key priority was reinforcing ethical practices, with initiatives aimed at enhancing every employee's understanding of working ethically and responsibly. Our commitment to a positive

social impact was also demonstrated through significant work in our people space, including advancing Equity, Diversity, and Inclusion (ED&I) initiatives, achieving Disability Confident Level 2 (Employer) status, and continuing to actively engage in veterans' recruitment, demonstrating our commitment to the Defence Employer Recognition Scheme Silver award.

Regarding environmental sustainability, we ensured that policy and practice decisions considered their impact on environmental efforts, laying the groundwork for future progress.

To support these principles, we emphasised employee training in critical ethical areas, such as modern slavery awareness and data protection. We also sought to support our customer, working collaboratively to promote the responsible management and use of energy and waste within the estate.

Furthermore, we continued to prioritise CRED working, actively identifying and developing opportunities to enhance operational effectiveness while supporting prisoner rehabilitation. While evidence of impact is still emerging in some areas, these foundational efforts demonstrate our ongoing commitment to operating as a responsible and sustainable organisation.

Value

Under the framework agreement with MOJ, GFSL's costs in providing facilities management services to the 48 prison sites for which we are responsible, are funded in full by MOJ. Therefore, our income will match our expenditure, and we break even each year.

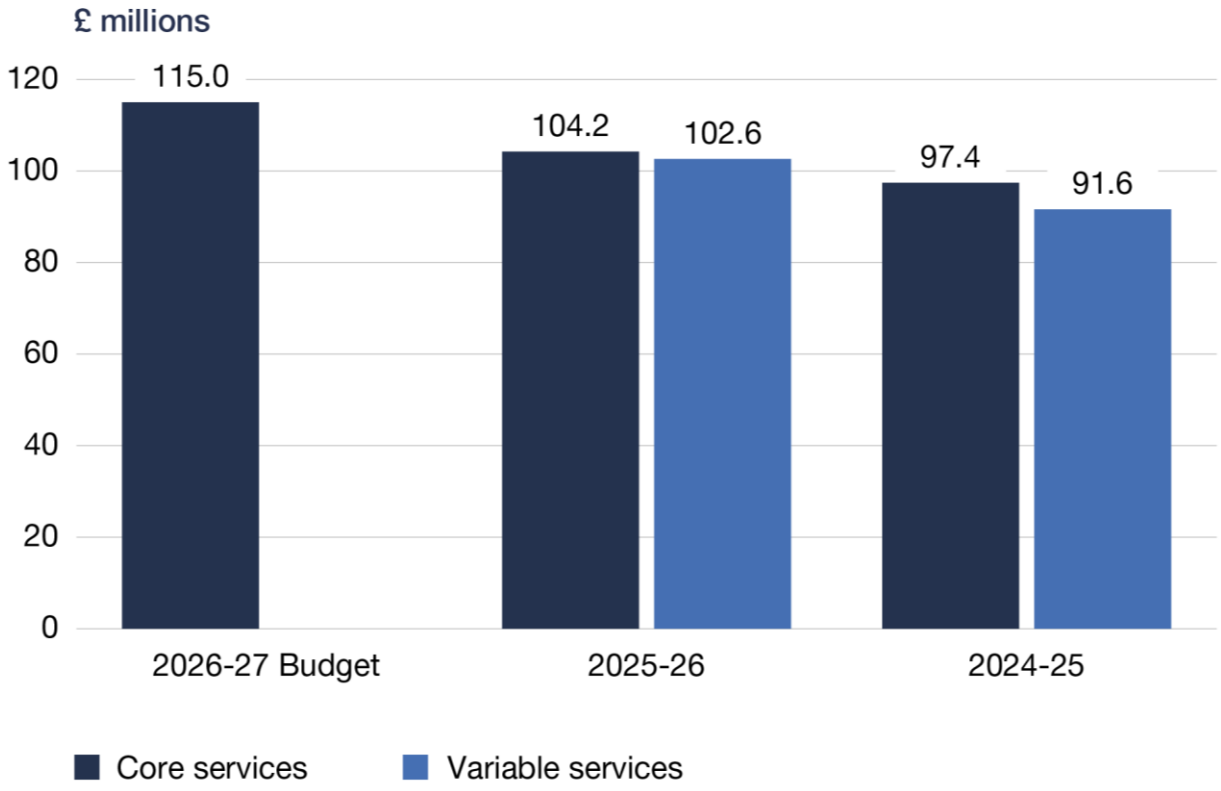
Income and expenditure relate to the two main services we provide: the core service, and variable work. The core service covers our planned preventative maintenance and reactive repairs up to a £2,000 per repair threshold. Variable work is commissioned by HMPPS and includes reactive repairs above the £2,000 threshold, and projects such as the installation of new plant, or new rapid deployment cells.

Core costs increased by £6.8 million (7%) rising from £97.4 million to £104.2 million, mainly due to higher staffing costs. The increase was driven primarily annual pay awards and increased resourcing requirements to support operational delivery. Our core budget for forthcoming year 2026-27 £115.0 million, reflecting an increase in the scope of services directed by the customer.

Variable services costs rose by £11.0 million (12%), from £91.6 million to £102.6 million, due to an increase in the volume of major project work completed. Variable services depend on customer requirements, which can change, and therefore no budget has been set for 2026-27.

GFSL core and variable Spend

Graph 5: Core and variable services



Section 172 statement

In this statement we describe how our directors have had regard to the matters set out in section 172 of the Companies Act 2006 when performing their duty to promote the success of the company for the benefit of the shareholder and stakeholders.

The likely consequences of any decisions in the long-term	**The interests of the company's employees**
As we work towards GFSL transferring their services to a new provider, the directors are committed to a smooth transfer for all concerned. The executive and Board are advocates for handing over the business to a successor organisation in good order having met key objectives.	The directors will continue to support staff in achieving their potential and providing development opportunities, whether this is with GFSL, the new service provider or another organisation. We understand that change can be unsettling to some, and we will continue to support our staff throughout the transition of the company. Our employee forum ensures that staff have a voice and can air any concerns openly.

	More information can be found in the People and Remuneration section.
The need to foster the company's business relationships with suppliers, customers and others Keeping an engaged supply chain is crucial in achieving our objectives and keeping the estate safe. GFSL continues to work with suppliers to update them on the transition of the business and how this will impact them. The supplier relationship meetings that are held are an opportunity to foster these relationships and maintain service levels.	**The impact of the company's operations on the community and environment** We have increased the number of sites that participate in CRED and the number of jobs completed by prisoners. This gives them a sense of purpose and assists in employment opportunities after release. More information can be found in the performance overview section.
The desirability of the company maintaining a reputation for high standards of business conduct To succeed as a business, it is important to act and behave in a way that meets internal and external customer expectations. We aim to follow high standards of business conduct, helping us stay compliant with company requirements and meet the behavioural expectations of our stakeholders. GFSL has a code of conduct policy that details expected staff behaviours. Staff have the right to send any whistleblowing concerns to the nominated officer and can disclose anonymously if required.	**The need to act fairly between members of the company** The directors have regular meetings with the shareholder and their representatives to discuss all areas of GFSL's performance. Tripartite meetings between GFSL, MOJ and HMPPS are in place to discuss and share any issues arising and actions taken to support.

Sustainability Policy Statement

Our Commitment

GFSL's commitment is to effectively manage and improve our environmental, carbon emissions and sustainability performance. We are focused on minimising negative impacts and promoting positive impacts of our own activities across the prison estate

We will achieve this by:

Compliance Being committed to complying with applicable ESG, environmental and carbon legislation, standards and other requirements associated with the sectors in which we operate.	**Collaboration** Working with our client, and suppliers to be best in class in reducing energy and waste, managing use of water and raw materials, and protecting biodiversity wherever we operate.	**Communication** Communicating about sustainability and the environment will be a key part of our process. We will ensure that our employees are involved in any continual improvements required to our policies and procedures.
Reporting & Accountability Monitoring and reviewing performance and progress against the Greening Government Commitments (GGC). Report performance publicly in line with Cabinet Office and Greening Government Commitment (GGC) and ESG (Responsible Business) requirements.	**Training** Commitment to the training of our staff to enhance awareness of relevant environmental matters, the importance of biodiversity, the prevention of pollution and to aid the reduction of any adverse impact of the company's operations on the environment.	**Performance** Implementing performance indicators to measure waste and carbon emissions to demonstrate environmental and sustainable improvement, driving continuous improvement by ensuring effective management of our own environment.
Lead from the Top Ensuring all leaders in GFSL will actively support a successful delivery of the policy which involves generating a culture that actively encourages best environmental practices and ensures the real involvement of all our people.	**Improvement** Delivering continuous environmental improvement and prevention of pollution across GFSL's estate and reducing any adverse impact of the company's operations on the environment.	**Capability** Providing the right training for all employees to have the necessary skills and competencies to contribute to a culture of ongoing sustainability and environmental improvement.

Looking forward

As we look ahead, our strategic direction is firmly set on preparation for transition while ensuring core service delivery is maintained. GFSL's focus will be on leading our transition programme, directly supporting the wider MOJ PTP to transition our services to the private sector. This involves building agility and responsiveness to maintain service delivery, ensuring limited impact to services during the transition phase. Our proactive approach is centred on thorough handover preparedness, allowing us to respond to this change effectively.

The performance overview has been approved by order of the Board as at the date of the signature.



Alistair Watters
Accounting Officer

30th September 2026

Section 2

Accountability report

This section explains the governance structures in GFSL and how they support the achievement of our objectives.

Board of directors as of 31 March 2026

Name	Job title	Date joined the Board	Date left the Board
Colin Allars	Chair	8 February 2018	31 July 2026
Maura Sullivan	Senior Independent Non-Executive Director and Chair of ARAC	1 April 2019	N/A
James Hayward	Independent Non-Executive Director and Chair of Health Safety and Sustainability Committee	1 April 2020	N/A
Ian Deninson	Independent Non-Executive Director and Chair of People and Remuneration Committee	24 May 2021	N/A
Naomi Mallick	Shareholder Non-Executive Director	19 September 2023	5 January 2026
Marcina Dunwell	Shareholder Non-Executive Director	5 January 2026	N/A
Alistair Watters	Chief Executive Officer	1 February 2025	N/A
Stephanie Hill	Operations Director	8 February 2018	30 June 2025
Don Keigher	Projects and Programmes Director. Chief Operating Officer	4 April 2019 - 13 June 2025. 16 June 2025	N/A
Stephen Ward	Chief Finance Officer	13 January 2025	N/A
Fiona Potter	Chief People Officer	1 June 2026	N/A

Colin Allars resigned from his position of GFSL chair and left the role on 31 July 2026 and Maura Sullivan was appointed Interim Chair with effect from 1 August 2026.

Stephanie Hill resigned from her position as Operations Director and left her role on 30 June 2025; Don Keigher moved from Projects and Programmes Director into the Chief Operating Officer role with effect from 16 June 2025.

Richard Short left his role as Company Secretary on 31 March 2026 and Lindsey Carling was appointed with effect from 1 June 2026.

Fiona Potter was appointed as a Director on 1 June 2026.

Naomi Mallick resigned from the Shareholder Non-Executive Director role and left on 5 January 2026 and Marcina Dunwell was appointed with effect from 5 January 2026.

Directors' report

The directors present their report together with the audited financial statements for the period 1 April 2025 to 31 March 2026 and any subsequent events after the reporting period and up to the publishing of the report.

The principal activities of the company are set out in the 'Performance Section' of the strategic report on page 9 to 19.

The principal risks and uncertainties of the company are set out on page 32.

Financial reporting

The company has prepared its 2025 to 2026 financial statements in accordance with the International Financial Reporting Standards (IFRS). The audited financial statements for the period are set out on pages 53 to 83.

During the 2025 to 2026 financial year, GFSL has made no significant changes to financial controls and policies. Post Balance Sheet Events are detailed on page 83.

Dividends

GFSL will not be making any dividend payments in respect of this period.

Directors' and officers' liability insurance

MOJ provides directors' and officers' liability insurance. The Framework Agreement provide that MOJ shall cover its directors and officers against liabilities relating to company matters. It was not necessary to exercise these provisions during 2025 to 2026 financial year.

Going concern

The Ministry of Justice's Property Transformation Programme (PTP) aims to transform facilities management delivery across the prison, probation and Ministry of Justice headquarters estate. The services currently provided by GFSL are within the scope of the programme. Based on current plans, services provided by GFSL are expected to transfer to alternative providers as the programme progresses, with the scale of the Company's activities anticipated to reduce over time as transition arrangements are implemented.

As at the date of approval of these financial statements, procurement activity relating to the future delivery model remains ongoing and GFSL continues to work closely with the Ministry of Justice to support transition planning. The Ministry of Justice has confirmed its intention to continue utilising GFSL to provide facilities management services under existing arrangements while transition activities are undertaken.

The Directors have undertaken a detailed Going Concern Review, which considered the expected transition timetable, the status of the Property Transformation Programme, forecast cash flows and liquidity requirements, and a range of reasonably possible scenarios, including changes to the timing and implementation of the transition programme. The conclusions of this review have been shared with and supported by the Ministry of Justice as the Company's shareholder and principal customer.

Having considered the outcome of this review, together with the continued support provided by the Ministry of Justice, the Directors have a reasonable expectation that the Company will continue to operate and meet its liabilities as they fall due for a period of at least twelve months from the date of approval of these financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

Greenhouse gas emissions

Details of our disclosure is within the Performance analysis section on page 18.

Directors serving in period

The Directors serving in period are disclosed in the Accountability report on page 21.

Directors' interaction with employees

We have disclosed how the directors interact with employees within the People and Remuneration report on pages 38 to 39.

The Directors' Report has been approved by order of the Board as at the date of the signature.



Alistair Watters
Accounting Officer
30th September 2026

Statement of directors' and Accounting Officer's responsibilities

The directors and Accounting Officer are responsible for ensuring that the annual report and accounts are prepared in accordance with applicable law and regulations and that proper accounting records are maintained that disclose, with reasonable accuracy at any time, the financial position of GFSL and which enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for preparing the strategic report and the directors' report.

They are also responsible for safeguarding the assets of GFSL and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors and Accounting Officer are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and distribution of financial statements may differ from legislation in other jurisdictions.

The Accounting Officer of MOJ has directed the Accounting Officer of GFSL to prepare for each financial period a set of financial statements in the form and on the basis set out in the relevant Accounts Direction. The financial statements are prepared on an accruals basis and must give a true and fair view of the state of affairs of the business and of its income and expenditure, statement of financial position and cash flows for the financial year.

In preparing accounts, the directors and Accounting Officer are required to comply with the requirements of the Government Financial Reporting Manual and the Companies Act 2006, and in particular to:

- observe the Accounts Direction issued by MOJ, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a consistent and reasonable basis
- confirm that applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements
- ensure that the annual report and accounts are fair, balanced and understandable
- prepare the financial statements on a going concern basis

MOJ's Principal Accounting Officer, acting on behalf of HM Treasury, has designated the Chief Executive Officer of GFSL as its Accounting Officer, and has completed the appropriate training for the role. The duties of an Accounting Officer, as set out in HM Treasury's publication 'Managing Public Money', include responsibility for the propriety and regularity of public finances, keeping proper records and safeguarding GFSL's assets.

The Accounting Officer confirms that the annual report and accounts are fair, balanced and understandable and takes personal responsibility for the annual report and accounts and the judgements required for determining that they are fair, balanced and understandable.

Disclosure of information to auditor

In accordance with legislation in the UK, each of the directors confirms that:

- as far as the director is aware, there is no relevant audit information of which the company's auditor is unaware
- the director has taken all the necessary steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information

By order of the Board as at the date of the signature.



Alistair Watters
Accounting Officer
30th September 2026

Governance statement

This governance statement sets out the key features of the governance, risk management and internal controls operated in 2025 to 2026.

GFSL maintains robust governance arrangements to support the delivery of the company's strategic objectives and priorities. The governance framework:

- provides leadership and direction, giving a clear vision of what we are trying to achieve
- promotes transparency and accountability that maintains stakeholders' trust and confidence
- sets out details of our corporate governance, assurance and risk management
- works within the framework document which has been agreed between us and MOJ[1]

GFSL governance structure as of March 2026

The Board is supported by three sub committees as detailed below.

	Board	
Audit and Risk Assurance Committee	People and Remuneration Committee	Health, Safety and Sustainability Committee

The Board is also supported by the Executive team which consists of the CEO, the Chief Operations Officer, the Chief Finance Officer and the Chief People Officer, all of whom are members of the Board. The Chief Programme and Transition Officer, Chief of Staff and Chief Risk Officer also attend Board meetings but are not members of the Board.

GFSL executive team also attends various governance meetings with MOJ, such as the quarterly Holding to Account meeting with our shareholder and monthly Governance Board meetings with MOJ Property team.

1 The framework document has been agreed between us and MOJ in place of a formal contractual agreement and sets out our core responsibilities and how we interact with the MOJ on a day-to-day basis.

Role of the Board

The role of the Board is to run the company as provided by the Framework Document and in accordance with the Articles of Association, and in particular to deliver the company's strategic objectives and the overarching Government objectives.

The Board supports the Accounting Officer in meeting his statutory obligations.

The Board shall:

- Review the company's performance against its objectives.
- Have oversight of the work conducted by the sub-committees and discuss any recommendations and actions.
- Sign off and publish an annual report of its activities together with its audited accounts after the end of each financial year.
- Prepare and support the business through the transition of the company to a new service provider.

Role of the Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee (ARAC) is responsible for the monitoring and oversight of financial reporting, external and internal audit work, internal control and risk management, whistleblowing procedures and compliance.

The committee shall:

- Monitor the integrity of the financial statements of the company, including its annual report and other formal statements relating to its financial performance.
- Advise the Board on the company's overall risk position and strategy and discuss the principal and emerging risks of the company.
- Oversee and review the assurance programme of the company to ensure that suitable internal controls are in place.
- Discuss and review findings and recommendations from the Government Internal Audit Agency and the National Audit Office.
- Ensure that an adequate assurance framework is in place and adhered to.

Role of the People and Remuneration Committee

The People and Remuneration committee is responsible for the oversight of staff and directors' terms and conditions of employment. It advises the Board on any strategic people-related issues.

The committee shall:

- Oversee remuneration policies and practices to support strategy and promote long-term sustainable success, with executive remuneration aligned to company purpose and values, clearly linked to the successful delivery of the company's long-term strategy.
- Determine remuneration policy, taking into account all other factors, including any relevant legal and regulatory requirements.
- Approve the annual pay review.
- Evaluate the skills, knowledge experience and diversity of the Board before any appointments are made.

Role of the Health, Safety and Sustainability Committee

The health and safety committee has been established to assist the Board in fulfilling its obligations in overseeing and assuring the health & safety framework and management systems that enhance clarity around roles, accountability and responsibility throughout the organisation. It will do that through monitoring the Company's compliance with the approved Health and Safety policy and report regularly to the Board.

The committee shall:

- Review, advise and challenge the compliance of processes by the company with health and safety legislation.
- Ensure that the holistic outputs of accident/incident investigations are captured effectively and lessons learnt are utilised to improve performance.
- Recommend appropriate measures on any health and safety issues that may have strategic, business and reputational implications.
- Review and support any areas of sustainability that the business wants to take forward.
- Review that internal control mechanisms are operating effectively.

Board effectiveness review

To align with best practice, GFSL annually conducts a Board Effectiveness Review, the outputs have been shared and discussed with the Board.

Board appointments: managing conflicts of interest

Members of the Board are required to declare any interests they may have, and an assessment is made as to whether this conflicts with the work they do for GFSL. This is part of the agenda for each Board meeting and is documented within the minutes. There were no declarations of significant company directorships or other interests that may have conflicted with their responsibilities as directors of GFSL. Also, each year the directors must declare any related party interests. The declarations have confirmed that no conflicts existed.

Board meetings

The table below shows the names of the executive and non-executive directors who have had responsibility for the company in the financial year 2025 to 2026. It also includes the number of meetings attended during the year.

Board member	Board of directors	Audit and Risk Assurance Committee	People and Remuneration Committee	Health, Safety and Sustainability Committee
Meetings attended per member out of those eligible to attend				
Non-executive directors				
Colin Allars	4 of 4	4 of 4	4 of 4	4 of 4
Maura Sullivan	4 of 4	4 of 4	3 of 4	–
James Hayward	4 of 4	4 of 4	–	4 of 4
Ian Deninson	3 of 4	–	4 of 4	–
Naomi Mallick	2 of 3	3 of 3	–	–
Marcina Dunwell	1 of 1	1 of 1	–	–
Executive directors				
Alistair Watters	4 of 4	4 of 4	4 of 4	4 of 4
Don Keigher	4 of 4	4 of 4	–	4 of 4
Stephanie Hill	1 of 1	–	–	1 of 1
Stephen Ward	3 of 4	3 of 4	–	–

The provision of information and data to the Board

The Company Secretariate department acts as secretariate for the Board and all its sub-committees. Information collated is of good quality and shared within good time to allow members to read the data prior to the meetings.

The chairs of the sub-committees provide verbal updates each quarter to the Board and highlight the key points and any areas that require escalation and support.

Risk management and assurance

Effective risk management is the responsibility of every one of our employees, with the heads of departments championing the identification and escalation of risks.

Our risk management framework aligns to HM Treasury's Orange Book: Management of Risks – Principles and Concepts.

Risk Management is an essential part of our governance; there are monthly calls with all executive directors to discuss progress against strategic risks they sponsor, any emerging risks or any actions that are not progressing as they should, these are shared each quarter with the ARAC members and escalated to Board where appropriate.

We operate a three lines of defence model for assurance. Activity across all lines is discussed monthly as part of the assurance committee which has representatives from all business areas.

Principal risks and uncertainties

Our principal risks have been considered and are reported to the ARAC each quarter. All the strategic risks are reviewed by the Audit, Risk and Assurance Committee, together with progress and updates. All the strategic risk has actions and control measures in place. The principal risks and mitigating actions identified during 2025 to 2026 were as follows:

Risk category	Risk title	Mitigating actions and controls
Health and safety	Failure of health and safety processes	There is a revised annual safety plan in place to drive improvements across the business. Trend analysis of accident and incident reports to support improvements discussed at health and safety committee and actions taken to improve.
Operational	Failure to meet and adhere to statutory compliance	Focus has been on an increased number of first line audits to support and address the risk.
	Impact of MOJ Property Transformation Programme	A transition programme director has been appointed to build GFSL's transition plan.
Reputational	Failure to manage stakeholder expectations	Governance meetings are in place across GFSL/MOJ/HMPPS to discuss any issues.
Financial	Effectiveness of the MOJ/GFSL commercial management	GFSL staff can raise early warning notices to highlight any assets at risk of failure – these can also be discussed at the Governance Board held each month if escalation is needed. The Governance Board is held by MOJ Property services to highlight any issues or discuss any actions needed
People	Failure to retain appropriately skilled staff	Ongoing role reviews in place to ensure that GFSL staff are paid at market rates. Employee forum in place so that the employees voice is heard.
	Failure to attract appropriately skilled staff	Ongoing attendance at job fairs and open days to show the importance of the work we do. Disability Confident Level 2 achieved.

Internal audit

We commission the Government Internal Audit Agency (GIAA) to provide an independent and objective internal audit service, operating to the standards and methodology documented in the Public Sector Internal Audit Standards. The GIAA draws up the audit plan based on an analysis of the risks we are exposed to and discussions with the executive team and ARAC.

GFSL chooses to use GIAA for their services, governed by a memorandum of understanding.

GIAA provides us with opportunities to improve our processes and internal controls, and actions are taken forward, monitored and implemented.

GIAA provides an annual report to the Accounting Officer, which gives the overall opinion for the year on our frameworks of risk management, control and governance. The rating is based on GIAA activities throughout the year and on information supplied to the ARAC.

The GIAA report for 2025 to 2026 concluded an annual rating of 'moderate assurance'. Moderate assurance is defined as: "Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control." Two of the audits conducted in the year received a moderate rating, and one received a substantial assurance rating. One audit completed was advisory only.

Government functional standards

GFSL has developed an annual review of each standard where relevant to the company.

Information assurance, data loss and freedom of information

We disclose any data breaches to the ARAC on a quarterly basis and any actions taken to stop reoccurrence. All breaches are reported to MOJ who act as our Data Protection Officer. No data breaches were required to be reported to the Information Commissioner's Office during the year.

All information assets have a designated owner, and we manage our information asset register through a regular information asset owners steering group.

Freedom of Information requests received during the year were all responded to within statutory timescales.

Whistleblowing

Our whistleblowing policy sets out the process that staff can follow, should they wish to report any wrongdoing.

A record is made of all reports by the nominated officer and anonymity is maintained where requested.

We have enhanced our reporting through the year by investing in a system where staff can report anonymously.

ARAC is informed of all cases and outcomes of investigations.

Fraud, bribery and corruption

Each year we review and refresh our fraud risk assessment, together with our fraud policy and response plan. We work with the MOJ fraud team to ensure that we align to the government standards for fraud.

Every quarter, staff are required to declare any gifts or hospitality they have received or offered, whether accepted or declined.

All staff are required to declare any outside interests or relationships that could affect their employment at GFSL.

Modern slavery statement

As an arm's length body of MOJ, we provide information to MOJ on the actions we take to follow and adhere to modern slavery. That feeds into MOJ's contribution to the UK government modern slavery statement, which can be found on GOV.UK

Independent oversight of assurance arrangements

GFSL is subject to independent oversight by:

- the National Audit Office which reports on the annual report and accounts
- GIAA which reports on process areas linked to our strategic risk areas, which also includes value for money
- HMPPS, MOJ and other external bodies which also conduct audits and feed in any actions, including statutory compliance
- business performance reviews with the MOJ sponsor, acting on behalf of the shareholder

The Accounting Officer's review of effectiveness

As Accounting Officer, I am responsible for ensuring there is an effective process in place for the monitoring and escalation of any governance issues. I am personally responsible for safeguarding the public funds under my control, and for ensuring propriety, regularity and value for money in the handling of those public funds. I am supported by the executive directors and senior leadership team who have delegated financial and risk management authority appropriate to their roles.

To prepare the company's governance statement I am provided with feedback from the following areas:

- review with all the executive directors around their assessment of the risks and challenges within their area of responsibility
- challenge from our non-executive directors on our risk management, governance, assurance activity and financial controls
- the updating and review of risk registers throughout the business to provide escalation of risks to the executive
- enhancement of our assurance regime by putting resource into our internal assurance processes to highlight any deficiencies and put in actions to resolve them
- external assurance from GIAA and the National Audit Office

The company continues to review and improve its financial and risk controls and I am satisfied that governance is effective, any areas of non-compliance are identified and appropriate actions are put in place.

GFSL does not seek to comply with the Corporate Governance Code in full, but we do an annual Board effectiveness evaluation each year. This was conducted with actions reviewed to further enhance the Board's performance.



Alistair Watters
Accounting Officer
30th September 2026

Parliamentary accountability (audited)

The following sections are included to satisfy parliamentary reporting requirements and are subject to audit.

Fees and charges

We make no fees or charges, other than to HMPPS and MOJ, which are fully disclosed and explained in the financial statements.

Remote contingent liabilities

As required by Managing Public Money, we disclose for parliamentary reporting purposes contingent liabilities for which the likelihood of a transfer of economic benefit is remote.

There are no remote contingent liabilities beyond those disclosed in the accounts. This is subject to audit.

Losses and special payments

There were no special payments over £300,000.

During the year GFSL made no political contributions.

Parliamentary Ombudsman

GFSL did not receive any complaints from the Parliamentary Ombudsman.

Staff and remuneration report

People and remuneration policies

GFSL continues to operate under a set of terms and conditions delegated by the Ministry of Justice, maintaining our focus on supporting employees fairly and sustainably as we approach organisational transition.

People Strategy

Our People Strategy remains consistent with our core values: *Pride in People, Do the Right Thing, One Team*. This strategy has been delivered with a sharper focus on supporting employees through change, while continuing to attract, retain and develop talent in line with our operational goals and the demands of the Property Transformation Programme (PTP).

The GFSL People strategy is based on our unwavering commitment to continuously enhance employee experience.



Gender pay gap reporting

We remain committed to promoting equality of opportunity and addressing gender disparities. During 2025-26, the mean gender pay gap increased from 14.1% to 15.9%, while the median gender pay gap increased from 22.6% to 26.0%. The workforce remained broadly unchanged, comprising 1,022 men (73%) and 383 women (27%) from a total workforce of 1,405 employees.

Analysis of pay quartiles shows that women continue to be underrepresented in higher-paid roles and overrepresented in lower-paid roles. Women represented 16.5% of the upper pay quartile compared with 51.4% of the lower pay quartile. The distribution of employees across pay quartiles is considered to be a significant contributor to the gender pay gap.

	2026	2025	2024	2023
Mean pay gap	15.9%	14.1%	13.0%	11.4%
Median pay gap	26.0%	22.6%	23.9%	18.8%

Our commitments for the year ahead include:

- Enhancing equitable career progression opportunities, particularly for women into higher-paid and specialist roles.
- Improving recruitment practices to attract diverse candidates across all levels.
- Supporting development and progression opportunities to improve representation across pay quartiles.
- Continuing to monitor workforce demographics and gender pay gap trends to assess progress and inform future actions.

While progress remains a long-term objective, GFSL is committed to fostering a workplace where all colleagues have equitable opportunities to develop, progress and succeed. By continuing to attract, develop and retain a diverse workforce, we aim to improve representation across all pay quartiles and reduce the gender pay gap over time.

Employee Wellbeing and Inclusion

During 2025-26, GFSL recorded an average of 13.02 working days lost per employee due to sickness absence, while staff turnover was 13.55%. GFSL is also a Disability Confident Employer and is committed to supporting disabled employees through inclusive employment practices and the consideration of reasonable workplace adjustments where appropriate.

Reward and recognition

The 2025-26 pay remit delivered increases of 3.25%. Job evaluations continue to close gaps in market rates, with final evaluations due in preparation for submission to and consideration by our People and Remuneration Committee.

Our Annual Leave Purchase Scheme and Salary Exchange pension scheme remain available to employees. These benefits provide greater flexibility and long-term financial planning and are regularly promoted through internal channels.

Board remuneration (audited)

Executive directors: April 2025 to March 2026

	Fees and salary (£'000)		Bonus payment (£'000)		Taxable benefit (£'000)		Pension contribution (£'000)		Total (£'000)	
	2025-26	2024-25	2025-26	2024-25	2025-26	2024-25	2025-26	2024-25	2025-26	2024-25
Alistair Watters	165-170	40-45	–	–	3.5	1.4	45-50	10-15	220-225	50-55
Don Keigher	145-150	140-145	0-5	–	4.3	8.9	25-30	10-15	175-180	165-170
Stephen Ward	140-145	30-35	–	–	7.5	2.4	10-15	0-5	160-165	30-35
Stephanie Hill	85-90	140-145	0-5	10-15	3.3	10.8	5-10	5-10	95-100	165-170

The amount disclosed is the total remuneration paid by GFSL to the individual when employed as a director in the period between 1 April 2025 and 31 March 2026. 'Salary' includes gross salary, recruitment and retention allowances, and any other allowance that is subject to UK taxation. Taxable benefits are the travel, accommodation and subsistence costs of the directors when travelling to either the MOJ headquarters building at 102 Petty France or GFSL's office in Sheffield. Although the directors are home based, by the nature of their employment, those two locations are deemed to be permanent workplaces, and the travel costs are therefore deemed to be ordinary commuting costs. The tax on the benefit is calculated and paid to HMRC under a PAYE Settlement Agreement. The difference in the value of the benefit relates to the difference in distance travelled and frequency of visits by the individuals.

All pension contributions relate to GFSL's contribution into a defined contribution scheme with Royal London. These benefits will be accessed at the normal pension age.

Alistair Watters, on secondment from another government department, took over the role of Executive Director. The disclosure represents the costs that GFSL was charged by the government department for his services from 1 April 2025 and 31 March 2026.

Stephanie Hill left GFSL in June 2025, where she served as Operations Director. Don Keigher took on the role of Chief Operating Officer, and his existing responsibilities were transferred to other senior staff members.

Non-executive directors' fees (audited)

Non-executive member	Expiry date of current contract	Fees 2025-26 £'000	Fees 2024-25 £'000
Colin Allars	31 October 2027	30-35	25-30
Maura Sullivan	31 October 2027	15-20	10-15
James Hayward	31 October 2027	20-25	15-20
Ian Deninson	31 October 2027	10-15	5-10
Marcina Dunwell	31 October 2027	-	-

Naomi Mallick was the shareholder non-executive director and also Legal Director of Department for Science and Innovation Technology who resigned on 5 January 2026.

Marcina Dunwell replaced Naomi Mallick as the shareholder non-executive director. Marcina works as a Director for Corporate Service Transformation and Senior Responsible Officer for MOJ Synergy programme.

The shareholder non-executive directors are not remunerated separately by GFSL for their roles as a director of GFSL.

Non-executive directors do not receive pension benefits or other benefits in kind. Their fees are their total remuneration.

Pension entitlements (audited)

Staff transferred to GFSL were participants in several pension schemes, including the Principal Civil Service Pension Scheme (PCSPS) where the individuals had previously been employees of HMPPS. GFSL set up a defined contribution scheme operated by Royal London under a group personal pension agreement, which replaced the Carillion legacy schemes.

Accrued pension benefits included in this table for any individual affected by the Public Service Pensions Remedy have been calculated based on their inclusion in the legacy scheme for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment. The Public Service Pensions Remedy applies to individuals that were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the relevant legacy scheme for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the Alpha scheme for the period from 1 April 2015 to 31 March 2022.

This scheme is available to all staff who are not members of a Civil Service pension scheme.

Fair pay disclosures (audited)

The banded remuneration of permanent employees (including performance pay and bonuses but excluding pension benefits) in GFSL ranged from £25,000-£30,000 to £170,000-£175,000 (2024 to 2025: £25,000-£30,000 to £165,000-£170,000).

Percentile salary and pay ratios (audited)

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the lower quartile, median and upper quartile remuneration of the organisation's workforce.

	Lower quartile 2025-26	Median 2025-26	Upper quartile 2025-26	Lower quartile 2024-25	Median 2024-25	Upper quartile 2024-25
Salary	£28,854	£36,067	£45,336	£27,401	£30,910	£42,768
Ratio	5.8:1	4.6:1	3.7:1	5.9:1	5.3:1	3.8:1
Total pay including bonuses	**£28,854**	**£36,467**	**£45,701**	**£27,668**	**£31,312**	**£43,457**
Ratio	5.8:1	4.6:1	3.7:1	5.9:1	5.2:1	3.7:1

The pay ratio is between the respective staff quartile total pay and benefits and the midpoint of the banded remuneration of the highest paid director.

The median and quartile remuneration of GFSL's staff is based on annualised, full-time equivalent remuneration of all staff (including temporary and agency staff).

Percentage increase (audited)

Highest paid director	Salaries and allowances 2025-26	Salaries and allowances 2024-25	Percentage change
Salary and allowances	£165,000 to £170,000	£160,000 to £165,000	3.0%
Performance pay and bonuses	Nil	Nil	Nil
Total pay including bonuses	**£165,000 to £170,000**	**£160,000 to £165,000**	**3.0%**

Average of other employees	Salaries and allowances 2025-26	Salaries and allowances 2024-25	Percentage change
Salary and allowances	£39,108	£36,593	6.9%
Performance pay and bonuses	£252	£350	-28.0%
Total pay including bonuses	**£39,360**	**£36,943**	**6.5%**

The calculations for employees' salary and allowances are based on the total for all employees on an annualised basis, excluding the highest paid director, divided by the full-time equivalent number of employees (also excluding the highest paid director).

The calculations for employees' performance pay and bonuses payable are based on the total for all employees, excluding the highest paid director, divided by the full-time equivalent number of employees (also excluding the highest paid director).

Staff costs (audited)

	Permanent staff 2025-26 £'000	Permanent staff 2024-25 £'000	Others 2025-26 £'000	Others 2024-25 £'000	Total 2025-26 £'000	Total 2024-25 £'000
Wages and salaries	57,414	52,310	15,777	13,042	73,191	65,352
Social security costs	7,793	5,875	–	–	7,793	5,875
Pension costs	3,366	2,881	–	–	3,366	2,881
Total	**68,573**	**61,066**	**15,777**	**13,042**	**84,350**	**74,108**

Average number of people employed (audited)

	Number 2025-26	Number 2024-25
Permanently employed staff	1,380	1,312
Agency and temporary staff	424	368
Total	**1,804**	**1,680**

Gender split of employees

	Male 2025-26	Male 2024-25	Female 2025-26	Female 2024-25	Total 2025-26	Total 2024-25
Directors	6	5	2	4	8	9
Other senior staff	12	12	6	5	18	17
Other employees	1,000	955	354	331	1,354	1,286
Total	**1,018**	**972**	**362**	**340**	**1,380**	**1,312**

Spend on consultancy staff and contingent labour

	2025-26 £'000	2024-25 £'000
Agency escort costs	14,583	11,541
Sub-contracted labour costs	5,135	5,740
Other consultancy staff or contingent labour	1,152	1,500
Total	**20,870**	**18,781**

Off-payroll engagements

Highly paid off-payroll worker engagements as at 31 March 2026, earning £245 per day or greater	
Number of existing engagements as of 31 March 2026	**15**
Of which:	
Number that have existed for less than one year at time of reporting	6
Number that have existed for between one and two years at time of reporting	3
Number that have existed for between two and three years at time of reporting	2
Number that have existed for between three and four years at time of reporting	1
Number that have existed for four or more years at time of reporting	3

All highly paid off-payroll workers engaged at any point during the year ended 31 March 2026, earning £245 per day or greater	
Number of new engagements, or those that reached six months in duration, between 1 April 2025 and 31 March 2026	**18**
Of which:	
Subject to off-payroll legislation and determined as in scope of IR35	18
Subject to off-payroll legislation and determined as out of scope of IR35	–
Number of engagements reassessed for compliance or assurance purposes during the year	–
Of which:	–
Number of engagements that saw a change to IR35 status following review	–

Exit packages (audited)

During the year, twenty exit payments totalling £303,303 were made. Of these, seventeen were in the £0-£25,000 band, two were between £25,000 and £50,000, and one was in the £50,000-£100,000 band.

By order of the Board as at the date of the signature.



Alistair Watters
Accounting Officer
30th September 2026

Section 3

Independent Auditor's report

Independent Auditor's Report to the members of Gov Facility Services Limited

Opinion on financial statements

I have audited the financial statements of Gov Facility Services Limited ('GFSL') for the year ended 31 March 2026 under the Companies Act 2006.

The financial statements comprise the GFSL's

- Statement of Financial Position as at 31 March 2026;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity, for the year then ended; and
- the related Notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and the UK adopted International Accounting Standards.

In my opinion the financial statements:

- give a true and fair view of the state of GFSL's affairs as at 31 March 2026 and its result for the year then ended; and
- have been properly prepared in accordance with the UK adopted International Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinion

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2024)* My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2024*. I am independent of GFSL in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that GFSL's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on GFSL's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

The going concern basis of accounting for GFSL is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Other information

The other information comprises the information included in the Annual Report, but does not include the financial statements and my auditor's report thereon. The directors are responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In my opinion the part of the Staff and Remuneration Report (contained within Section 2: Accountability Report) to be audited has been properly prepared in accordance with the Companies Act 2006.

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report, and the Directors' Report (contained within section 2: Accountability Report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of GFSL and its environment obtained in the course of the audit, I have not identified material misstatements in the Strategic Report or the Directors' Report.

I have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires me to report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Staff and remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- I have not received all of the information and explanations I require for my audit;
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' and Accounting Officers' responsibilities, directors are responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within GFSL from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;

- preparing financial statements, which give a true and fair view, in accordance with the Companies Act 2006;
- preparing the Annual Report, which includes the Staff and Remuneration Report, in accordance with the Companies Act 2006; and
- assessing GFSL's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and report on the financial statements in accordance with the applicable law and International Standards on Auditing (UK) (ISAs (UK)).

My 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 a report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of GFSL's accounting policies.
- inquired of management, GFSL's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to GFSL's policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and

  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including GFSL's controls relating to GFSL's compliance with employment laws, tax laws, the Companies Act 2006, and Managing Public Money;
- inquired of management, GFSL's head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations; and
  - they had knowledge of any actual, suspected, or alleged fraud;
- discussed with the engagement team and the relevant external specialists, including corporation tax where specialist expertise was engaged on the audit regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within GFSL for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of GFSL's framework of authority and other legal and regulatory frameworks in which GFSL operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of GFSL. The key laws and regulations I considered in this context included Companies Act 2006, Managing Public Money, employment law and tax legislation.

I considered whether GFSL's PTP transition increases the risk of fraud, non-compliance with laws and regulations and regularity.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports;
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and

- I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my report.

Other auditor's responsibilities

I am required to obtain sufficient appropriate audit evidence to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Lewis Knights (Senior Statutory Auditor)

30th September 2026

For and on behalf of the

Comptroller and Auditor General (Statutory Auditor)
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Section 4

Financial statements

Statement of comprehensive net expenditure (SoCNE)

For the year ended 31 March 2026

	Note	2025-26 £'000	2024-25 £'000
Income	2	**207,186**	**189,407**
Expenditure			
Staff costs	3	(84,350)	(74,108)
Other operating costs	4	(121,947)	(114,060)
Non-cash items	5	(800)	(1,239)
Total expenditure		**(207,097)**	**(189,407)**
Net profit/(loss) before taxation		89	–
Taxation	6	(89)	–
Net profit after taxation		**–**	**–**

Other comprehensive net expenditure

For the year ended 31 March 2026

	Note	2025-26 £'000	2024-25 £'000
Net profit after taxation		–	–
Total comprehensive income and expenditure		**–**	**–**

The notes on pages 60 to 83 form part of these financial statements.

Statement of financial position

As at 31 March 2026

	Note	2025-26 £'000	2024-25 £'000
Non-current assets			
Property, plant and equipment	7	131	153
Intangible assets	8	507	1,310
Total non-current assets		**638**	**1,463**
Current assets			
Inventories		1,450	1,434
Trade and other receivables	9	27,954	26,583
Cash and cash equivalents	10	13,846	10,681
Total current assets		**43,250**	**38,698**
Total assets		**43,888**	**40,161**
Current liabilities			
Trade and other payables	11	(25,640)	(21,204)
Provisions	12	(57)	(295)
Total current liabilities		**(25,697)**	**(21,499)**
Total current assets less total current liabilities		**17,553**	**17,199**
Total assets less current liabilities		**18,191**	**18,662**
Non-current liabilities			
Trade and other payables	11	(698)	(1,101)
Provisions	12	(20)	(88)
Total non-current liabilities		**(718)**	**(1,189)**
Total assets less total liabilities		**17,473**	**17,473**
Taxpayers' equity			
Share capital	13	–	–
General fund		–	–
Capital contribution		17,473	17,473
Total taxpayers' equity		**17,473**	**17,473**

The £17,473,000 of capital contribution relates to the initial set up costs of GFSL, which were funded by MOJ.

The notes on pages 60 to 83 form part of these financial statements.



Alistair Watters
Accounting Officer

Gov Facility Services Limited – Registered number 11061429
30th September 2026

Statement of changes in taxpayers' equity

For the year ended 31 March 2026

	Share capital £'000	Capital contribution £'000	General fund £'000	Total 2025-26 £'000	Total 2024-25 £'000
Balance at the beginning of the period	–	17,473	–	17,473	17,473
Net deficit for the year (SoCNE)	–	–	–	–	–
Capital contribution from MOJ	–	–	–	–	–
Balance at the end of the period	–	**17,473**	**–**	**17,473**	**17,473**

The notes on pages 60 to 83 form part of these financial statements.

Capital contribution consists of the initial start-up funding provided by MOJ.

The general fund is nil brought forward and carried forward as a consequence of GFSL's funding arrangements. GFSL has one customer, HMPPS, who funds all of GFSL's expenditure. GFSL therefore recognises income to match its expenditure, and breaks even every year.

Statement of cash flows

For the year ended 31 March 2026

	Note	2025-26 £'000	2024-25 £'000
Cash flows from operating activities			
(Deficit) for the year		–	–
Non-cash charges	5	800	1,239
(Increase)/decrease in trade and other receivables	9	(1,371)	(2,907)
(Increase)/decrease in inventories		(16)	(233)
Increase/(decrease) in trade and other payables	11	4,494	3,196
Utilisation of provisions	12	(146)	(96)
Net cash inflows/(outflows) from operating activities		**3,761**	**1,199**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	–	–
Purchase of intangible assets	8	–	(32)
Net cash inflows/(outflows) from investing activities		–	**(32)**
Cash flows from financing activities			
Capital contribution from MOJ		–	–
Lease payments	11	(596)	(596)
Net cash inflows/(outflows) from financing		**(596)**	**(596)**
Net increase/(decrease) in cash		3,165	571
Cash and cash equivalents at the beginning of the period	10	10,681	10,110
Cash and cash equivalents at the end of the period	10	**13,846**	**10,681**

The notes on pages 60 to 83 form part of these financial statements.

Notes to the accounts

1. Accounting policies

1.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) applied in accordance with the provisions of the Companies Act 2006 applicable to companies reporting under IFRS.

Where the Companies Act and the Government Financial Reporting Manual permit a choice of accounting policy, the Companies Act will usually take precedence. Where appropriate, the policy which has been judged to be most relevant to the company and for the purposes of MOJ's consolidated statements, and which gives a true and fair view, has been chosen and applied consistently in dealing with matters considered material to the accounts.

The functional and presentational currency of GFSL is the British pound sterling (£). As allowed by International Accounting Standard (IAS) 1, we have presented the SoCNE using different headings from those suggested by the Companies Act to provide more clarity for the reader.

1.2 Accounting convention

These accounts have been prepared on an accruals basis under the historical cost convention.

1.3 Going concern

The directors have a reasonable expectation that the company has adequate resources to continue to operate at least until September 2027.

An assessment has been undertaken to support this view and has considered the following points.

- Regulatory and legal – the directors do not envisage any changes to the current regulatory or legal regime that will adversely impact the operation of the company within the next 12 months.
- Continuation of services – GFSL operates under a framework agreement with our sponsor department, MOJ, to provide services to HMPPS. GFSL has delegated funding and equal expected revenue via a budget delegation letter from the MOJ Chief Property Officer. Any transfer of services currently provided by GFSL to new suppliers, as an outcome of the Property Transformation Programme (PTP), is not expected to

take place before the autumn of 2027. GFSL has received confirmation from MOJ that they intend to continue to use GFSL to provide facilities management services in line with existing arrangements at least until September 2027 by a letter of comfort provided to GFSL and that they do not anticipate significant changes in the value of services consumed by MOJ or to GFSL's budget.

- Working capital – GFSL receives its revenue from HMPPS. This is expected to continue in line with the continuation of services and will support the company liquidity position.
- From this assessment the directors are satisfied that the company is a going concern and the company financial statements have been prepared on that basis.

1.4 Changes in accounting policies, new and amended standards and changes in presentation and classification

Other than the prospective adoption of the 2025-26 FReM changes relating to the valuation of non-investment assets described in Note 1.16, there were no changes to the Company's accounting policies, no new or amended accounting standards adopted, and no changes to presentation or reclassifications during the year ended 31 March 2026.

1.5 Property, plant and equipment

Property, plant and equipment are recognised at cost where expenditure exceeds GFSL's capitalisation threshold of £10,000 and it is probable that future economic benefits or service potential will arise. In accordance with the FReM, assets are carried at current value. For assets with short useful lives and/or low individual values, depreciated historical cost is used as a proxy for current value as management considers any difference to be immaterial.

Depreciation is charged on a straight-line basis from the date assets are available for use over their estimated useful economic lives. Assets are reviewed for indicators of impairment at each reporting date, with any impairment losses recognised in the Statement of Comprehensive Net Expenditure. Gains and losses on disposal are recognised in the Statement of Comprehensive Net Expenditure.

1.6 Intangible assets

Intangible assets, principally software, are recognised at cost where expenditure exceeds GFSL's capitalisation threshold of £10,000. Software projects are capitalised where expenditure exceeds £100,000 and the recognition criteria of IAS 38 *Intangible Assets* are met. In accordance with the FReM, intangible assets are carried at current value. Where assets have short useful lives and/or low values, amortised historical cost is used as a proxy for current value as management considers any difference to be immaterial.

Amortisation is charged on a straight-line basis from the date the asset is available for use over its estimated useful economic life. Purchased software licences are amortised over the licence period, while cloud-based software arrangements are recognised as operating expenditure over the relevant contract term. Intangible assets are reviewed annually for impairment indicators and useful economic lives.

1.7 Leases

Scope and exclusions

IFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset is of low value (less than £10,000 when new). The assets are described as 'right-of-use' assets and are presented under property, plant and equipment.

Initial recognition

At the start of a lease, GFSL recognises a right-of-use asset and a lease liability.

The lease liability is measured at the value of the remaining lease payments, discounted by the interest rate implicit in the lease. Where the lease includes extension or termination options, the lease payments will be for the non-cancellable period together with any extension options GFSL is reasonably certain to exercise and any termination options GFSL is reasonably certain not to exercise.

The right-of-use asset is measured at the value of the lease liability, adjusted for: any lease payments made before the start date, any lease incentives received, any incremental costs of obtaining the lease, and any costs of removing the asset and restoring the site at the end of the lease.

Subsequent measurement

The lease liability is adjusted for the accrual of interest, repayments, reassessments and modifications. Reassessments are reappraisals of the probability of the options given by the existing lease contract, while modifications are changes to the lease contract.

Reassessments and modifications are accounted for by discounting the revised cash flows. A revised discount rate is used where GFSL becomes or stops being reasonably certain to exercise or not exercise an extension or termination option, or the lease is modified to amend the non-cancellable period, change the term of the lease or change the consideration or the scope. The existing discount rate is used where there is a movement in an index or rate that will alter the cash flows, or the amount payable under a residual value guarantee changes.

After initial recognition, the right-of-use asset is measured using the fair value model. GFSL considers that the cost model (measurement by reference to the lease liability) is a reasonable proxy for fair value, in the case of non-property leases, and for property leases of less than five years or with regular rent reviews. For other leases, the asset will be carried at a revalued amount.

The value of the asset is adjusted for subsequent depreciation and impairment, and for reassessments and modifications of the lease liability as described above. Where the amount of a reduction to the asset exceeds the carrying value of the asset, the excess amount is recognised in expenditure.

Expenditure for each financial year includes interest on the lease liability and a straight-line depreciation charge on the right-of-use asset, together with any impairment of the right-of-use asset and any change in variable lease payments that was not included in the measurement of the lease payments during the period in which the triggering event occurred. Rental payments in respect of leases of low value items, or with a term under 12 months, are also expensed.

1.8 Estimates and judgements

As discussed above, GFSL has determined the lease term by assessing the level of certainty as to whether termination or extension options will be exercised. In making these judgements, reliance has been placed on the professional judgement of estates staff, supported by information on corporate asset management plans, other business strategies, investment already made in the underlying asset, ongoing business needs and market conditions.

As a consequence of the Property Transformation Programme (PTP), we expect that any leases whose terms subject to break clauses stretch beyond 31 March 2026 will become onerous leases at that date.

The recognition and measurement of accrued income requires management to estimate the value of services provided at the reporting date for which invoicing has not yet occurred. The estimate is based on contractual arrangements, operational performance information and management's assessment of entitlement at the year end. Actual amounts invoiced may differ from these estimates and are reviewed as further information becomes available.

1.9 Inventories

Inventories comprise higher valued consumable stores. Current replacement cost is not considered materially different from replacement cost due to the short period these items are held for before they are consumed.

Higher valued consumable items, minor spare parts and servicing equipment are typically carried as inventory and recognised in the SoCNE as consumed. Low valued items that are regularly consumed are immediately expensed and recognised in the SoCNE. Major spare parts and stand-by equipment are carried as property, plant and equipment when GFSL expects to use them during more than one period, or when they can be used only in connection with an item of property, plant and equipment.

Should we procure any significant assets for HMPPS, these will be capitalised by them.

1.10 Employee benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year end. For the company, they typically include wages, salaries, and paid annual, flexi and sick leave. These are recognised in the year in which the employee provided these services for the company. An accrual has been made for the cost of holiday entitlement (including any flexi leave entitlement) earned by employees but not taken before the year end, which employees can carry forward into the next financial year.

Termination benefits

Termination benefits are amounts payable because of the company's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy if offered.

Pension schemes

Principal Civil Service Pension Scheme

Some employees who were HMPPS employees before transferring to Carillion under the Transfer of Undertakings (Protection of Employment) Regulations are covered by the provisions of the PCSPS. GFSL recognises contributions payable to defined contribution schemes as an expense in the year in which it is incurred, and the legal or constructive obligation is limited to the amount it agrees to contribute to the fund. While the PCSPS is an unfunded defined benefit scheme, GFSL is unable to identify its share of liabilities in these multi-employer schemes so accounts for its expenses as if the schemes were on a defined contribution basis, as required by IAS 19. Expenditure accrues to the extent that contributions are payable by GFSL as an employer.

Royal London Pension Scheme

Since 2018, GFSL employees have been enrolled into a defined contribution pension scheme administered by Royal London. GFSL recognises contributions to the scheme as an expense in the year in which it is incurred.

Early departure and injury benefit costs

Some employees who were HMPPS employees before transferring to Carillion under the Transfer of Undertakings (Protection of Employment) Regulations are covered by the Civil Service Injury Benefits Scheme, which requires GFSL to pay benefits to any individual who is injured in connection with their employment.

Benefits are paid only in respect of loss of earning capacity, and a provision is made for expected future costs.

For seconded employees, MOJ is required to pay the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. The total cost is provided in full when the early departure programme has been announced and is binding on MOJ, not GFSL.

1.11 Turnover

GFSL turnover is stated net of value added tax (VAT) and is categorised as follows.

Core income

This represents the main part of the GFSL business and is for services as documented in the core contract, the provision of PPM, and minor reactive and remedial repairs up to the value of £2,000 per repair. Core income is recognised over the life of the service monthly as agreed with HMPPS.

Variable income

This is for all services that are not covered by the scope of the core service, at the request of the client for project work, and repairs over the £2,000 per repair threshold. Variable income is recognised in line with the degree of completion of the related project or repairs.

Deferred income

An MOJ grant was provided in 2018 to 2019 to cover exceptional expenditure for setting up the company. This was deferred and has continued to be released during 2023 to 2024 and 2024 to 2025 when GFSL incurs costs that the funding is intended to cover.

Operating income is recognised as revenue in the SoCNE in accordance with IFRS 15 Revenue from Contracts with Customers. In accordance with paragraph 35 of IFRS 15, operating income from project activities is recognised as costs are incurred as GFSL does not have control of the asset being improved, which is typically a building on the prison estate. Revenue is recognised using an input method, namely costs incurred.

1.12 Provisions

Provisions are recognised when GFSL has a present legal or constructive obligation, because of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and for which a reliable estimate can be made for the amount of the obligation.

GFSL has not provided for a bad debt provision or credit loss at 31 March 2025. All interdepartmental debt is expected to be fully recovered and always has been fully recovered. A breakdown of the current provisions is detailed in note 12.

1.13 Contingent liabilities

In accordance with IAS 37, GFSL discloses, as a contingent liability, those possible obligations arising from past events, whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within its control. GFSL also discloses those present obligations arising from past events not recognised because it is either not probable that an outflow of resources will be required to settle the obligation, or the amount cannot be measured with sufficient reliability.

1.14 Contingent assets

A contingent asset arises when an event has taken place that gives the company a possible asset, whose existence will only be confirmed by the occurrence of uncertain future events, not wholly in control of the company. We disclose assets as contingent until such time that the event becomes certain, at which point we will recognise as an asset.

1.15 Taxation

VAT

Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT. GFSL has adopted the domestic VAT reverse charge for building and construction services from 1 March 2021.

Construction Industry Scheme

GFSL operates in accordance with the Construction Industry Scheme operated by HM Revenue and Customs. GFSL works with new and existing suppliers to ensure that the appropriate tax deductions are made from supplier payments and timely payments are made to HM Revenue and Customs.

Corporation tax

GFSL is a limited company operating under the Companies Act 2006 and is subject to UK corporation tax legislation. The Company prepares corporation tax computations and submits returns to HM Revenue & Customs. Corporation tax balances are recognised in the financial statements where a tax liability or asset arises.

1.16 Financial instruments

Financial assets and financial liabilities which arise from contracts for the purchase and sale of non-financial items (such as goods or services) and are entered into in accordance with GFSL's normal purchase, sale or usage requirements, are recognised when performance occurs. Other financial assets and liabilities are also recognised when GFSL becomes party to the contractual provisions to receive or make cash payments.

De-recognition

Financial assets are de-recognised when the contractual rights to receive future cash flows have expired or are transferred, and GFSL has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

Classification and measurement of financial assets

GFSL's financial assets comprise cash and cash equivalents, trade receivables, other receivables and accrued income, which are measured at amortised cost.

Loans and receivables

Loans and receivables comprise trade receivables, other receivables and accrued income with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method net of any impairment, in accordance with IFRS 9 Financial Instruments.

Financial assets at fair value through profit and loss

Fair value is equal to the market value at the reporting date. The movement in the value of the assets is recognised immediately in the SoCNE, as income or as an expense.

Impairment of financial assets

GFSL assesses expected credit losses on financial assets measured at amortised cost at each reporting date in accordance with IFRS 9 Financial Instruments. Expected credit losses are recognised based on the risk of default and the estimated loss arising over the expected life of the asset. Where credit risk is assessed as low, no material loss allowance is recognised.

The credit risk associated with financial assets due from government departments is considered low. Accordingly, no material expected credit loss provision has been recognised in 2025-26 (2024-25: nil).

Classification and measurement – financial liabilities

GFSL's financial liabilities comprise trade payables, goods received not invoiced, accruals, other payables and lease liabilities. All financial liabilities are recognised initially at fair value, net of any transaction costs incurred, and then measured at amortised cost using the effective interest rate method. Where the effect is material, the estimated cash flows of financial liabilities are discounted.

1.17 Changes in Accounting Policies and Standards Not Yet Effective

From 1 April 2025, HM Treasury amended the Government Financial Reporting Manual (FReM) requirements relating to the valuation of non-investment assets, including property, plant and equipment and intangible assets. This change in accounting policy has been applied prospectively in accordance with the FReM transitional provisions, with no restatement of comparative information. The Company does not expect the revised valuation approach to have a material impact on the financial statements beyond the timing of future asset revaluations.

The Company has also considered the requirements of IFRS 17 *Insurance Contracts*, IFRS 18 *Presentation and Disclosure in Financial Statements* and IFRS 19 *Subsidiaries without Public Accountability: Disclosures*. Based on the nature of its operations, IFRS 17 is not expected to have a material impact on the financial statements. The impact of IFRS

18 and IFRS 19 on public sector reporting continues to be assessed and implementation dates under the FReM have not yet been determined.

The Company has assessed the FReM requirements relating to social benefit expenditure and concluded that they are not applicable to its activities.

2. Operating income

For the period ended 31 March 2026

	2025-26 £'000	2024-25 £'000
Income		
Core income	104,203	97,385
Variable services income	102,579	91,618
Total before release of deferred income	**206,782**	**189,003**
Release of deferred income	404	404
Total income	**207,186**	**189,407**

Core income represents revenue for provision of minor PPM and reactive repair activities up to the value of £2,000 per repair.

Variable services income is for all services not covered by the scope of the core contract.

A £4 million grant was received from MOJ to fund the exceptional costs relating to the set-up of GFSL. It was deferred and is being released to income in accordance with International Accounting Standard 20; Accounting for Government Grants and Disclosure.

3. Staff costs

For the period ended 31 March 2026

	Permanently employed £'000	Others £'000	Total 2025-26 £'000	Total 2024-25 £'000
Wages and salaries	57,414	15,777	73,191	65,352
Social security costs	7,793	–	7,793	5,875
Pension costs	3,366	–	3,366	2,881
Total ordinary staff costs	**68,573**	**15,777**	**84,350**	**74,108**

	2025-26			2024-25		
	Core £'000	Variable £'000	Total £'000	Core £'000	Variable £'000	Total £'000
Wages and salaries	56,761	16,430	73,191	53,186	12,166	65,352
Social security costs	7,793	–	7,793	5,875	–	5,875
Pension costs	3,366	–	3,366	2,881	–	2,881
Total staff costs	**67,920**	**16,430**	**84,350**	**61,942**	**12,166**	**74,108**

Details of the directors' salaries and the average number of people employed are provided within the staff and remuneration report on pages 40 to 45. Further information on the staff numbers and costs can be found on pages 43 to 44 in the staff and remuneration report.

Other staff costs of £15,777,000 consists mainly of escorts engaged through agencies supporting trades people on site.

Pension costs consist of £2,293,000 employer contributions to the Royal London defined contribution scheme, and £1,073,000 to various Principal Civil Service Pension Schemes.

4. Other operating costs

For the period ended 31 March 2026

	2025-26			2024-25		
	Core £'000	Variable £'000	Total £'000	Core £'000	Variable £'000	Total £'000
Direct costs of service						
Other direct costs*	26,355	46,524	72,879	25,500	41,876	67,376
Materials costs**	4,986	39,620	44,606	4,799	37,576	42,375
Total direct costs of service	**31,341**	**86,144**	**117,485**	**30,299**	**79,452**	**109,751**
Other employment costs						
Vehicle costs	229	–	229	246	–	246
Travel and subsistence	934	–	934	808	–	808
IT and telecommunications	935	–	935	969	–	969
Uniforms and personal protective equipment	323	–	323	252	–	252
Training costs	861	–	861	806	–	806
Other staff-related costs	491	–	491	663	–	663
Total other employment costs	**3,773**	**–**	**3,773**	**3,744**	**–**	**3,744**

* Other direct costs of service include subcontracted planned and reactive maintenance, labour only subcontractors, project costs and hire of equipment.

** Materials costs include £16,000 of inventory credited to the SoCNE.

For the period ended 31 March 2026

	2025-26			2024-25		
	Core £'000	Variable £'000	Total £'000	Core £'000	Variable £'000	Total £'000
Headquarters and other overhead costs						
Accommodation, maintenance and utilities	32	–	32	3	–	3
Auditor's remuneration and expenses	136	–	136	98	–	98
Other overhead costs	179	–	179	177	–	177
Professional fees*	342	–	342	287	–	287
Total headquarters and other overhead costs	**689**	**–**	**689**	**565**	**–**	**565**
Total ordinary operating costs	**35,803**	**86,144**	**121,947**	**34,608**	**79,452**	**114,060**
Exceptional costs	–	–	–	–	–	–
Total other operating costs	**35,803**	**86,144**	**121,947**	**34,608**	**79,452**	**114,060**

* Professional fees include the costs of those individuals classified as consultants under Cabinet Office definitions.

5. Non-cash expenditure

For the period ended 31 March 2026

	2025-26 £'000	2024-25 £'000
Depreciation – property, plant and equipment	136	154
Amortisation – intangible assets	803	1,345
Write off – investment projects	–	50
IFRS16 finance charge	21	70
Provision for liabilities		
Provided in year	107	124
Provisions written back	(267)	(504)
Total non-cash expenditure	**800**	**1,239**

All non-cash expenditure relates to the core service.

6. Taxation

A Corporation Tax liability was recognised at 31 March 2026 due to differences between the accounting and taxable treatment of certain provisions recognised in 2020-21 and 2021-22. Nil returns were originally submitted to HMRC for those periods and were subsequently corrected and resubmitted, resulting in a liability of £89,000.

7. Property, plant and equipment

For the period ended 31 March 2026

	2025-26			2024-25		
	IT £'000	Building £'000	Total £'000	IT £'000	Building £'000	Total £'000
Cost brought forward at the beginning of the period	100	293	393	100	294	394
Additions	–	114	114	–	–	–
Disposals	–	–	–	–	(1)	(1)
Total cost carried forward at the end of the period	**100**	**407**	**507**	**100**	**293**	**393**
Depreciation brought forward at the beginning of the period	62	178	240	24	62	86
Charge in year	38	98	136	38	116	154
Disposals	–	–	–	–	–	–
Total depreciation carried forward at the end of the period	100	276	376	62	178	240
Net book value at the beginning of the period	**38**	**115**	**153**	**76**	**232**	**308**
Net book value at the end of the period	–	**131**	**131**	**38**	**115**	**153**

The 2025-26 additions are a revaluation of the building lease due to the extension of the expected Property Transformation Programme (PTP) timeline to 30 September 2027.

8. Intangible assets

For the period ended 31 March 2026

Software and development	2025-26 £'000	2024-25 £'000
Cost brought forward at the beginning of the period	4,513	4,531
Additions	–	31
Disposals	–	(49)
Total cost carried forward at the end of the period	**4,513**	**4,513**
Amortisation brought forward at the beginning of the period	3,203	1,858
Charge in year	803	1,345
Disposals	–	–
Total amortisation carried forward at the end of the period	**4,006**	**3,203**
Net book value at the beginning of the period	**1,310**	**2,673**
Net book value at the end of the period	**507**	**1,310**

9. Trade and other receivables

For the period ended 31 March 2026

Amounts falling due within one year	2025-26 £'000	2024-25 £'000
Prepayments	1,289	365
Other receivables	207	194
Accrued income*	26,458	26,024
Total trade and other receivables	**27,954**	**26,583**

* Accrued income is income recognised and agreed but not invoiced at the year end with our customer HMPPS.

10. Cash and cash equivalents

For the period ended 31 March 2026

	2025-26 £'000	2024-25 £'000
Opening balance	10,681	10,110
Net cash inflow/(outflow)	3,165	571
Balance at the end of the period	**13,846**	**10,681**

GFSL is part of the Government Banking Service.

11. Trade payables and other liabilities

For the period ended 31 March 2026

Amounts falling due within one year	2025-26 £'000	2024-25 £'000
Trade payables	(8,634)	(8,021)
Accruals	(2,169)	(2,359)
Goods received not invoiced	(9,172)	(6,283)
Taxation and social security	(4,489)	(3,080)
IFRS 16 liabilities	(539)	(596)
Deferred income*	–	(404)
Other payables	(637)	(461)
Total current payables	**(25,640)**	**(21,204)**

Amounts falling due after more than one year	2025-26 £'000	2024-25 £'000
Deferred income*	–	–
IFRS 16 liabilities	(698)	(1,101)
Total non-current payables	**(698)**	**(1,101)**

Total trade payables and other liabilities	**(26,338)**	**(22,305)**

* Deferred income is the value remaining from the £4 million government grant received from MOJ in 2018 to 2019 to cover the cost of depreciation and amortisation of capital costs.

Part of the movement in IFRS16 liabilities relates to lease payments so (£596,000) is shown as financing activities in the Statement of cash flows (£596,000 in 2024-25). See note 15 for more details.

12. Provisions for liabilities and charges

For the period ended March 2026

Claim provision	Personal injury claims 2025-26 £'000	Dilapidation Provision 2025-26 £'000	Total 2025-26 £'000	Total 2024-25 £'000
Balance at the start of the period	(363)	(20)	(383)	(860)
Provisions in the period	(107)	–	(107)	(123)
Provisions written back	267	–	267	504
Provisions utilised in the period	146	–	146	96
Balance at the end of the period	**(57)**	**(20)**	**(77)**	**(383)**

Analysis of expected timings of cashflow				
Not later than one year	(57)	–	(57)	(295)
Later than one year and not later than five years	–	(20)	(20)	(88)
Later than five years	–	–	–	–
Total	**(57)**	**(20)**	**(77)**	**(383)**

The reduction in provisions reflects the release of a significant provision previously recognised in respect of legal proceedings. Following the conclusion of the case, the Company determined that the obligation was lower than originally estimated and accordingly released the excess provision in the year.

13. Share capital

For the year ended 31 March 2026

	Nominal	2025-26 £	2024-25 £
Ordinary shares of £1 each	**100**	**100**	**100**

100 ordinary shares were issued at nominal value, of which £99 was fully paid up as of 31 March 2026. All the shares are held by the Secretary of State for Justice.

14. Financial instruments

IFRS 7 requires disclosures about the nature and extent of credit risk, liquidity risk and market risk that GFSL faces in undertaking its activities.

GFSL aims to maintain minimal holdings of cash equivalents appropriate to its short-term needs, and cash requirements are largely met by the cost-recovery arrangement in place with HMPPS. GFSL has no significant receivables, aside from those trade receivables arising with HMPPS as part of the normal course of business. None of these significant receivables are impaired or present a material credit risk.

GFSL has no borrowings or investments, so has very limited exposure to interest rate or market risk. Financial assets and liabilities are generated by ordinary operating activities. GFSL is considered to have no material credit, liquidity, interest rate or market risk. All cash holdings are lodged in a Government Banking Service entity.

15. IFRS 16 disclosures

As of 31 March 2026, GFSL has two leases which have been classified under IFRS 16. In September 2023 a new lease for office space in Sheffield was entered into which expires in September 2028. In May 2023, a lease for our Oracle Enterprise Resource Planning system was entered into which will expire in June 2028. The interest expense on lease liabilities has been charged to the Statement of comprehensive net expenditure within 'non-cash expenditure'. Both of these leases expire after the cessation date of the company, depreciation of the assets have been adjusted accordingly.

	Class of underlying asset					
	Building 2025-26 £'000	IT 2025-26 £'000	Total 2025-26 £'000	Building 2024-25 £'000	IT 2024-25 £'000	Total 2024-25 £'000
Brought forward amount of right-of-use assets	105	821	926	211	1,670	1,881
Additions to right-of-use assets	114	-	114	-	-	-
Depreciation charge for right-of-use assets	(88)	(314)	(402)	(106)	(849)	(955)
Carrying amount of right-of-use assets	**131**	**507**	**638**	**105**	**821**	**926**
Interest expense on lease liabilities	13	8	21	6	64	70
Cash outflows for leases	95	501	596	95	501	596

A maturity analysis of contractual undiscounted cash flows relating to lease liabilities is presented below Amounts falling due						
Less than one year	73	501	574	95	501	596
One to five years	81	627	708	24	1,128	1,152
More than five years	–	–	–	–	–	–
Less interest element	(5)	(40)	(45)	(3)	(48)	(51)
Balance as at 31 March 2026	**149**	**1,088**	**1,237**	**116**	**1,581**	**1,697**

	Class of underlying asset					
	Building 2025-26 £'000	IT 2025-26 £'000	Total 2025-26 £'000	Building 2024-25 £'000	IT 2024-25 £'000	Total 2024-25 £'000
Lease liabilities presented in the statement of financial position						
Current	69	470	539	95	501	596
Non-current	80	618	698	21	1,080	1,101
Total lease liabilities	**149**	**1,088**	**1,237**	**116**	**1,581**	**1,697**

16. Related party transactions

MOJ publishes a consolidated annual report and accounts for the core department each year. GFSL is classified within MOJ's consolidation boundary, meaning that transactions within the group are considered related party transactions.

GFSL has a credit of £103,000 presented within revenue for two employees seconded to MOJ core (credit of £140,000 in 2024 to 2025). The remaining £206,679,000 of GFSL's revenue (£189,267,000 in 2024 to 2025) relates to charges to HMPPS for work undertaken in the period.

Staff costs also include a further £51,000 (£52,000 in 2024 to 2025) from HMPPS which relates to the National Offender Management Service Programme.

Other operating costs include £2,000 (£3,000 in 2024 to 2025) from MOJ core which relates to phone call costs and line rental, £6,000 (£15,000 in 2024 to 2025) from MOJ core which relates to administration and printing for the annual report and £159,000 (£73,000 in 2024 to 2025) from MOJ core which relates to IT costs. In 2024 to 2025 other operating costs also included £2,000 relating to casework costs. In 2025 to 2026 these costs were £0.

At the balance sheet date, GFSL had a balance of £1,000 (£4,000 in 2024 to 2025) owing to HMPPS presented within trade and other payables. Trade and other payables also contained accruals for MOJ core for £129,000 (£80,000 in 2024 to 2025) relating to IT software costs.

At the balance sheet date, GFSL had an accrued income balance of £26,445,000 (£26,019,000 in 2024 to 2025) due from HMPPS, which is presented within trade and other receivables. Trade and other receivables also contained a balance of £13,000 (£5,000 in 2024 to 2025) due from MOJ core.

No Board members, key managers or other related parties have undertaken any material transactions with the company during the period. There are no conflicts of interest to report.

17. Financial commitments

For the period ended 31 March 2026

	2025-26 £'000	2024-25 £'000
Financial commitments (excluding capital commitments)	374	399
Property, plant and equipment	–	–
Intangible assets	–	–
Contracted capital commitments at the end of the period	–	–

18. Contingent liabilities

As at 31 March 2026, GFSL has a contingent liability of £661,000 (2024-25: £nil) in respect of a retention scheme established to support the continued delivery of services during the transition arising from the Ministry of Justice's Property Transformation Programme (PTP). The scheme is designed to retain key employees and critical skills required to support the orderly transition of services and the wind-down of GFSL's operations. Payments under the scheme are contingent on specified conditions being met and, as a result, no provision has been recognised at the reporting date.

GFSL has undertaken a review of the potential application of the UK transfer pricing legislation to arrangements with the Ministry of Justice and His Majesty's Prison and Probation Service. Whilst there is a risk that the legislation could apply, management's current view, having consulted with the Ministry of Justice and Tax Centre of Excellence, is that HMRC is likely to accept the Company's existing tax treatment. Given the uncertainty surrounding the application of the legislation and the difficulty in determining whether any arm's length adjustment would arise, no provision has been recognised. Accordingly, the matter has been disclosed as a contingent liability.

19. Losses and special payments

The statement of comprehensive income includes the following losses and special payments.

(a) Losses statement	Number of cases 2025-26	Total 2025-26 £'000	Total 2024-25 £'000
Other	-	-	11
Ex gratia	8	3	7
Proactis contract charges	-	-	83
Total losses	**8**	**3**	**101**

In 2025 to 2026, there were no losses over £300,000.

(b) Special payments	Number of cases 2025-26	Total 2025-26 £'000	Total 2024-25 £'000
Personal injury claims	4	146	106
Other	4	3	1
Total losses	**8**	**149**	**107**

There were no special payments over £300,000.

20. Events after the reporting period

In accordance with IAS 10 Events after the Reporting Period, events occurring between 31 March 2026 and the date on which the financial statements are authorised for issue have been considered. Adjusting events have been reflected in the financial statements where appropriate and material non-adjusting events have been disclosed where required.

No adjusting or material non-adjusting events were identified.

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