

Registration number: 00390328

AMENDING

G4S Care and Justice Services (UK) Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2015

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G4S Care and Justice Services (UK) Limited

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G4S Care and Justice Services (UK) Limited

Company Information

Directors	J Hartley P Neden G Nienaber
Company secretary	V Patel
Registered office	Southside 105 Victoria Street London SW1E 6QT
Auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

G4S Care and Justice Services (UK) Limited

Strategic Report for the Year Ended 31 December 2015

The directors present their strategic report for the year ended 31 December 2015.

Fair review of the business

Care and Justice Services (UK) Limited offers highly specialised services to central and local governments and government agencies and authorities including adult custody and rehabilitation, prisoner escorting and immigration services.

As the numbers of those in custody continue to rise, governments are focusing increasingly on programmes to reduce rates of re-offending, whether in custody or in the community. Rehabilitation and education programmes for those in custody are widely seen as effective and appropriate responses to address offending behaviour of prisoners.

Accordingly, we continue to see attractive long-term growth opportunities in ancillary custodial services as governments consider how to extend their use to tackle other issues such as domestic violence.

In immigration, asylum, deportation, youth custody and associated services, declining margins coupled with greater reputation risk are expected to contribute to a more challenging operating environment.

As shown on the company's income statement on page 12, the company's profit for the year of £9,164,000 (2014: £23,912,000) includes £20,704,000 (2014: £30,530,000) in respect of provisions for future unavoidable losses on specific contracts, primarily the UK Compass asylum seeker contract described below.

Under the UK Compass asylum seeker contract with the Home Office, the group provides accommodation, transportation and subsistence services for asylum seekers whilst their claims are being processed. This contract commenced in 2012 and runs to 31 August 2017, with a potential extension of a further two years.

In 2014, an onerous contract provision was recognised in relation to the then-current assumptions regarding asylum seeker numbers, the duration and cost of accommodation and support services. We experienced a significant increase in the number of new asylum seekers between November 2015 and January 2016 and as a result the number of asylum seekers in our care increased by 9.6% year-on-year, this trend has continued into the first half of 2016. We have updated the Compass provision based upon our best estimate of the increase in asylum seekers assigned to the group, the availability of suitable accommodation approved by local authorities, the speed of processing of applications by the immigration authority and the costs of support services.

To date, the Compass contract has not been extended and the onerous contract provision has been increased by £20,704,000 to £31,286,000 covering the period to August 2017. Should the contract be extended for the period to August 2019 then, based on the assumptions in the current provision being extended for the next two years, a further provision for £56,000,000 would be required.

G4S Care and Justice Services (UK) Limited

Strategic Report for the Year Ended 31 December 2015

Transition to FRS 101

Between 2012 and 2015 the Financial Reporting Council revised financial reporting standards for the United Kingdom and Republic of Ireland. The revision fundamentally reformed financial reporting, replacing all previous accounting standards with Financial Reporting Standard ('FRS') 100 'Application of Financial Reporting Requirements' and other related standards, which are applicable from 1 January 2015.

Under FRS 100, the company has elected to apply FRS 101 'Reduced Disclosure Framework' in its annual financial statements for the year ended 31 December 2015. FRS 101 sets out a reduced disclosure framework which addresses the financial reporting requirements and disclosure exemptions for the individual financial statements of subsidiaries and ultimate parents that otherwise apply the recognition, measurement and disclosure requirements of International Financial Reporting Standards adopted by the European Union ('adopted IFRSs').

The date of transition from the previous accounting standards to FRS 101 was 1 January 2014. Comparable historical financial information has therefore been provided in accordance with FRS 101 as at 1 January 2014 and as at, and for the year ended, 31 December 2014. FRS 101 grants elections and certain exemptions from its full requirements when preparing the first financial statements that conform to FRS 101. An explanation of these and how the transition affected the previously reported financial position and financial performance of the company has been disclosed in note 29 to the financial statements. Prior year errors identified during the transition to FRS 101 have also been disclosed in note 29.

The company has early-adopted certain amendments to FRS 100 and FRS 101, and early-adopted The Companies, Partnerships, and Groups (Accounts and Reports) Regulations 2015 ('SI 2015/980') from 1 January 2015. SI 2015/980 allowed, among other items, the format of the financial statements to be presented in accordance with adopted IFRSs instead of the Companies Act 2006.

Key performance indicators

The company utilises a wide range of operational performance measures across its business activities. However, these are all activity or contract specific. The company's directors do not believe that further key performance indicators are necessary or appropriate for an understanding of the development, performance or position of the business as a whole.

G4S Care and Justice Services (UK) Limited

Strategic Report for the Year Ended 31 December 2015

Principal risks and uncertainties

All businesses are subject to risk and many individual risks are macro-economic or social and common across many businesses. The key risks are those which would materially damage the company's strategy, reputation, business, profitability or assets and these risks are listed below. This list is in no particular order and is not an exhaustive list of all potential risks. Some risks may be unknown and it may transpire that other currently considered immaterial become material.

1) COMPASS contract

Extension of the COMPASS contract

As described on page 2, the initial COMPASS contract term runs to 31 August 2017. Should the potential 2 year extension of the contract go ahead, the company's future financial results will be impacted.

Changes in demand for COMPASS contract

The company's ability to meet its obligations under the COMPASS contract are dependent on it being able to source suitable accommodation. An increase in demand for housing of asylum seekers under the COMPASS contract may result in an increase of costs without the ability for the company to recover such costs resulting in increased losses.

Risk mitigation approach

As one of G4S plc group's most significant running contracts, the company, in conjunction with G4S plc, performs 360° reviews of all aspects of contract management and performance. In 2016, an increased proportion of group internal audit reviews in the UK businesses will focus on major contracts.

2) Major changes in market dynamics

Such changes in dynamics could include changes in the housing market where asylum seeker accommodation is provided, changes in dynamics with suppliers, new technologies, government legislation or customer consolidation and could, particularly if rapid or unpredictable, impact the company's revenues and profitability.

Risk mitigation approach

So as to better understand and influence the market, the group is committed to a policy of proactive engagement across its geographic range, with customers, industry associations, government regulators and employee representatives. We continue to invest in and develop our sales and business development systems. We are placing a renewed focus on customer satisfaction monitoring to improve measurement of our engagement with our clients and therefore making us more effective in driving stronger customer relationships.

3) Onerous contract obligations

Should the company commit to sales contracts which result in unavoidable disadvantageous pricing mechanisms, unachievable service levels or excessive liability, these could result in future losses which would have to be recognised upfront based on the company's best estimate.

Risk mitigation approach

We have strict thresholds for the approval of major bids involving both detailed legal review and senior management oversight. These are embedded into our Salesforce opportunity management tool. When appropriate we conduct external reviews of bid models.

G4S Care and Justice Services (UK) Limited

Strategic Report for the Year Ended 31 December 2015

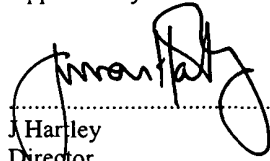
4) Poor operational service delivery

Should the company fail to meet the operational requirements of its customers, including a major failure of service delivery at a prison, it could impact its reputation, contract retention and growth.

Risk mitigation approach

The company, in conjunction with G4S plc, performs 360 degree reviews of all aspects of contract management and performance. In 2016, as increased proportion of group internal audit reviews in the UK businesses will focus on major contracts.

Approved by the Board on 27 September 2016 and signed on its behalf by:



J Hartley
Director

G4S Care and Justice Services (UK) Limited

Directors' Report for the Year Ended 31 December 2015

The directors present their report and the audited financial statements for the year ended 31 December 2015.

Directors of the company

The directors of the company who were in office during the year and up to the date of signing the financial statements were;

J Hartley

P Neden (appointed 24 November 2015)

G Nienaber

J Taillon - Director (resigned 24 November 2015)

Results and dividends

The results for the year are set out on page 12. The directors do not recommend the payment of a final dividend (2014: £nil).

A review of the progress of the company's business during the year, the key performance indicators, principal business risks and likely future developments are contained in the Strategic report on page 2.

Employment of disabled persons

It is the policy of the company to give fair consideration to applications for employment made by disabled persons acknowledging the particular abilities and aptitudes of each applicant and taking into account the requirements of the vacancies available. The company has been assessed and approved to use the Positive about Disabled People logo on its recruitment advertisements in the UK where the company is also a member of the Employers Forum on Disability to raise awareness in the organisation of the importance of giving assistance to disabled persons in employment.

In the event of a member of staff becoming disabled, every effort is made via the Company's Occupational Health Adviser to ensure that their employment with the company continues and that appropriate help is given to assist the member of staff.

It is the policy of the company to ensure that the training, career development and promotion of a disabled person, should, as far as possible, be identical to that of a person who does not suffer any disability.

Employee involvement

The company is committed to inform and involve its staff in the business of the company. Formal consultative committees exist to ensure that issues of mutual interest can be discussed and resolved. Company newsletters, employee magazines and other communications are used to keep staff informed of events within the company.

Environmental matters

The company's business is not one that has a significant direct impact on the environment. However, the company recognises the importance of its responsibilities to reduce environmental impact in such areas as energy usage, recycling, environmentally-friendly products and paper products, where it operates in accordance with the policies of G4S plc as detailed in the group's annual report.

Financial Risk Management

The company operates under the financial risk management objectives and policies of its ultimate parent, G4S plc, into which the results of the company are consolidated. G4S plc's key objectives and policies include:

G4S Care and Justice Services (UK) Limited

Directors' Report for the Year Ended 31 December 2015

- Mitigating liquidity risk by ensuring there are sufficient undrawn committed facilities available to the G4S plc group;
- Conducting operating and financing activities, wherever possible, in the company's local currency; and
- Utilising interest rate swaps and, to a lesser extent, forward rate agreements to manage future cash outflows.

Further details of the financial risk management objectives and policies of the G4S plc group, of which the company is a member, are included in Note 31 of the consolidated financial statements of G4S plc (www.g4s.com).

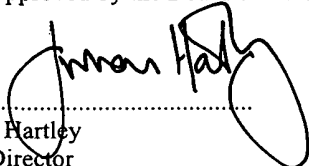
Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Auditors

During the year KPMG Audit Plc resigned as the company's auditors. A resolution was passed by the company to appoint PricewaterhouseCoopers LLP as the company's auditors. Pursuant to the provisions of section 485 of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to be reappointed following the period set out in section 485 and in accordance with section 487 of the Companies Act 2006.

Approved by the Board on 27 September 2016 and signed on its behalf by:



.....
J Hartley
Director

G4S Care and Justice Services (UK) Limited

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

G4S Care and Justice Services (UK) Limited

Independent Auditors' Report to the members of G4S Care and Justice Services (UK) Limited

Report on the financial statements

Our opinion

In our opinion, G4S Care and Justice Services (UK) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

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

- Income Statement and Statement of Comprehensive Income for the year ended 31 December 2015;
- Statement of Changes in Equity for the year ended 31 December 2015;
- Statement of Financial Position as at 31 December 2015; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

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

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

G4S Care and Justice Services (UK) Limited

Independent Auditors' Report to the members of G4S Care and Justice Services (UK) Limited

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

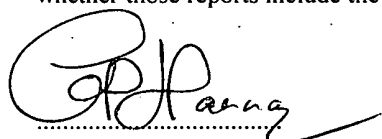
G4S Care and Justice Services (UK) Limited

Independent Auditors' Report to the members of G4S Care and Justice Services (UK) Limited

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

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Giles Hannam (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

1 Embankment Place
London
WC2N 6RH

27 September 2016

G4S Care and Justice Services (UK) Limited

Income Statement for the Year Ended 31 December 2015

		2015	(As restated)*
	Note	£ 000	2014
			£ 000
Revenue		333,006	332,912
Cost of sales		<u>(302,878)</u>	<u>(321,381)</u>
Cost of sales excluding specific items		(282,174)	(290,851)
Specific items	20	<u>(20,704)</u>	<u>(30,530)</u>
Gross profit		30,128	11,531
Administrative expenses		<u>(21,519)</u>	<u>(6,034)</u>
Operating profit	6	8,609	5,497
Dividend income		5,216	2,700
Net finance income/(expense)	7, 8	<u>(1,760)</u>	<u>(1,924)</u>
Profit before tax		12,065	6,273
Tax on profit	12	<u>(2,901)</u>	<u>17,639</u>
Profit for the year		<u>9,164</u>	<u>23,912</u>

All revenues and results in the income statement are derived only from continuing operations.

*See note 29 for an explanation of prior year adjustments.

G4S Care and Justice Services (UK) Limited

Statement of Comprehensive Income for the Year Ended 31 December 2015

	2015	(As restated)*
	£ 000	2014
		£ 000
Profit for the year	<u>9,164</u>	<u>23,912</u>
Total comprehensive income for the year	<u><u>9,164</u></u>	<u><u>23,912</u></u>

The notes on pages 19 to 49 form an integral part of these financial statements.

G4S Care and Justice Services (UK) Limited

Statement of Changes in Equity for the Year Ended 31 December 2015

	Share capital £ 000	Share premium £ 000	Revaluation reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2014 (as restated)*	1,538	3,983	603	(52,414)	(46,290)
Comprehensive income:					
Profit for the year	-	-	-	23,912	23,912
Other comprehensive income:					
Excess depreciation on revalued properties	-	-	(16)	16	-
Deferred tax on revalued properties	-	-	9	(9)	-
Total comprehensive (loss)/income	-	-	(7)	23,919	23,912
Transactions with owners:					
Shares issued	50,000	-	-	-	50,000
	50,000	-	-	-	50,000
At 31 December 2014 (As restated)*	51,538	3,983	596	(28,495)	27,622

*See note 29 for an explanation of prior year adjustments.

The notes on pages 19 to 49 form an integral part of these financial statements.

G4S Care and Justice Services (UK) Limited

Statement of Changes in Equity for the Year Ended 31 December 2015

Statement of Changes in Equity for the Year Ended 31 December 2015

	Share capital £ 000	Share premium £ 000	Revaluation reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2015 (as restated)*	51,538	3,983	596	(28,495)	27,622
Comprehensive income:					
Profit for the year	-	-	-	9,164	9,164
Other comprehensive income:					
Excess depreciation on revalued properties	-	-	(16)	16	-
Deferred tax on revalued properties	-	-	14	(14)	-
Total comprehensive (loss)/income	-	-	(2)	9,166	9,164
Transactions with owners:					
Share-based payments	-	-	-	161	161
	-	-	-	161	161
At 31 December 2015	51,538	3,983	594	(19,168)	36,947

The notes on pages 19 to 49 form an integral part of these financial statements.

G4S Care and Justice Services (UK) Limited

*See note 29 for an explanation of prior year adjustments.

The notes on pages 19 to 49 form an integral part of these financial statements.

G4S Care and Justice Services (UK) Limited

(Registration number: 00390328)

Statement of Financial Position as at 31 December 2015

		2015	(As restated)*
	Note	£ 000	2014 £ 000
ASSETS			
Non-current assets			
Intangible assets	13	514	805
Property, plant and equipment	14	8,257	13,428
Investments	15	7,233	10,900
Trade and other receivables	16	3,642	7,414
Deferred tax assets	12	12,515	19,581
		<u>32,161</u>	<u>52,128</u>
Current assets			
Inventories	17	913	779
Trade and other receivables	16	105,862	74,222
Current tax assets		4,166	-
Cash and cash equivalents	18	1,849	2,063
		<u>112,790</u>	<u>77,064</u>
Total assets		<u>144,951</u>	<u>129,192</u>
LIABILITIES			
Current liabilities			
Obligations under finance leases	21	(1,514)	(1,550)
Trade and other payables	19	(54,739)	(62,103)
Provisions	20	(28,872)	(9,652)
		<u>(85,125)</u>	<u>(73,305)</u>
Non-current liabilities			
Obligations under finance leases		(3,954)	(4,585)
Provisions	20	(18,925)	(23,680)
		<u>(22,879)</u>	<u>(28,265)</u>
Total liabilities		<u>(108,004)</u>	<u>(101,570)</u>
Net assets		<u>36,947</u>	<u>27,622</u>
EQUITY			
Share capital	24	51,538	51,538
Share premium		3,983	3,983
Revaluation reserve		594	596
Retained earnings		(19,168)	(28,495)
Total equity		<u>36,947</u>	<u>27,622</u>

*See note 29 for an explanation of prior year adjustments.

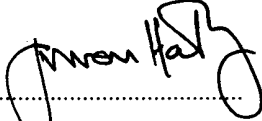
The notes on pages 19 to 49 form an integral part of these financial statements.

G4S Care and Justice Services (UK) Limited

(Registration number: 00390328)

Statement of Financial Position as at 31 December 2015

The financial statements on pages 12 to 49 were approved by the Board of directors on 27 September 2016 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'J Hanley', is written over a horizontal dotted line.

J Hanley

Director

The notes on pages 19 to 49 form an integral part of these financial statements.

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

1 General information

G4S Care and Justice Services (UK) Limited (the 'company') is incorporated in the United Kingdom, registered in England and Wales, and domiciled in the UK. It is a private company, limited by shares. The company's registered office is Southside, 105 Victoria Street, London, SW1E 6QT.

The company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare and deliver consolidated financial statements as it is a wholly-owned subsidiary of a company established in the EU and it is included in the audited consolidated financial statements of its EU-established ultimate parent, G4S plc. The registered office of G4S plc is 5th Floor, Southside, 105 Victoria Street, London, SW1E 6QT. These financial statements therefore present information about the company as an individual entity only and not as a group.

The financial statements are presented in sterling, which is the company's functional currency, and in thousands of pounds unless stated otherwise.

2 Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard ('FRS') 101 'Reduced Disclosure Framework'.

3 Significant accounting policies

Basis of preparation

The financial statements have been prepared under the going concern basis and using the historical cost convention, except for the historical revaluation of certain property, plant and equipment, in accordance with Companies Act 2006 and applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice ('UK GAAP')). The principal accounting policies and measurement bases adopted are set out below and have been applied consistently to all the years presented, unless stated otherwise. Judgements made by the directors in the application of these accounting policies which have a significant effect on the financial statements, and estimates with a significant risk of material adjustment, are discussed in note 4.

The company has early-adopted certain amendments to FRS 100 'Application of Financial Reporting Requirements' and to FRS 101 issued in July 2015 by the Financial Reporting Council. These amendments related to changes made to the Companies Act 2006 to maintain consistency with company law and the early adoption of The Companies, Partnerships, and Groups (Accounts and Reports) Regulations 2015 ('SI 2015/980'). SI 2015/980 allowed, among other items, the format of the financial statements to be presented in accordance with International Financial Reporting Standards adopted by the European Union ('adopted IFRSs') instead of the Companies Act 2006.

Transition to FRS 101

These financial statements were prepared by the directors in accordance with FRS 101 for the first time. FRS 101 grants elections and certain exemptions from its full requirements when preparing the first financial statements that conform to FRS 101. An explanation of these and how the transition affected the previously reported financial position and financial performance of the company has been disclosed in note 28 to the financial statements. The date of transition from the previous accounting standards to FRS 101 was 1 January 2014. Comparable historical financial information has therefore been provided in accordance with FRS 101 as at 1 January 2014 and as at, and for the year ended, 31 December 2014.

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

Exemptions

The company has taken advantage of certain disclosure exemptions in FRS 101, in part because its financial statements are included in the publicly available consolidated financial statements of G4S plc. Copies of the consolidated financial statements of G4S plc may be obtained by writing to the Company Secretary, G4S plc, 5th Floor, Southside, 105 Victoria Street, London, SW1E 6QT.

These disclosure exemptions relate to:

- the presentation of a third or opening statement of financial position at the date of transition to FRS 101 and related notes;
- the requirements of IAS7 'Statement of cash flows';
- the statement of compliance with adopted IFRSs;
- new IFRSs that have been issued but are not yet effective and which have not been applied by the company;
- comparative information for the movements from the beginning to the end of the year in respect of intangible assets, property, plant and equipment, and the number of shares, and certain other additional comparative information;
- information on the assumptions used in the determination of fair value and recoverable amounts of cash-generating units containing goodwill and management's approach to determining these amounts;
- financial instruments disclosures required by IFRS 7 'Financial Instruments: Disclosures';
- disclosures required by IFRS 13 'Fair Value Measurement';
- movements during the year in the number and weighted average exercise prices of share-based payments, how the fair value of services received or equity instruments granted was determined and the effect of share based payment transactions on the income statement and financial position;
- certain related party disclosures on key management compensation and transactions entered into between two or more wholly-owned members of a group; and
- capital management disclosures.

Revenue

Revenue represents amounts receivable for goods and services provided in the normal course of business and is measured at the fair value of the consideration received or receivable, net of discounts, VAT and other sales-related taxes. Revenue is recognised in the period the service is provided. Certain low volume high value government contracts can cover a range of bundled services over a long period of time, that are provided on a time and materials basis. Revenue for these types of contracts is recognised on an accruals basis based on the individual services provided and in accordance with the terms of the contract.

Specific items

The company's income statement separately identified specific items. Specific items are those that in management's judgement need to be disclosed separately by virtue of their size, nature or incidence. In determining whether an event or transition is specific, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence.

Contract losses included within specific items arise from the recognition of material future losses, net of the release of any surplus provisions. Where onerous contract provisions are material by virtue of their size, they are separately charged within specific items. Such losses are distinct from "in-year" losses, which are utilised against provisions for onerous contract losses. Specific items may not be comparable to similarly titled measures used by other companies.

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

Dividend income

Dividend income from investments is recognised when shareholders' right to receive payment has been established.

Finance income and expense

Finance income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable. This is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset's net carrying amount. Finance costs are recognised as an expense in the income statement on the same basis.

Foreign currencies

The financial statements are presented in sterling, which is the company's functional currency. Transactions in currencies other than the functional currency are translated at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities which are denominated in other currencies are retranslated at the rates prevailing on that date. Non-monetary items measured at historical cost denominated in other currencies are not retranslated. Gains and losses arising on retranslation are included in the income statement.

Employee benefits

Retirement benefit costs

The G4S plc group, of which the company is a member, operates both defined contribution and defined benefit pension schemes.

Payments to the defined contribution schemes are charged as an expense as they fall due and represent contributions payable to the schemes for the year. Where the company is a member of state-managed or public sector schemes, payments are dealt with as payments to defined contribution schemes where the company's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefits scheme.

With respect to the defined benefit pension schemes, as there is no contractual agreement or stated policy for charging the net defined benefit cost to the company, the pension charge recognised in the income statement represents the contributions payable to the schemes for the year.

Share based payments

The company benefits from share-based payments issued by its parent to certain employees. The company does not have an obligation to settle the transaction with its employees, as this is the obligation of the parent. Therefore, the company accounts for the share-based payments as equity settled, and recognises the corresponding increase in equity as a contribution from its parent.

The fair value of share-based payments is determined at the date of grant and expensed, with a corresponding increase in equity, on a straight-line basis over the vesting period, based on the group's estimate of the shares that will eventually vest. The amount expensed is adjusted over the vesting period for changes in the estimate of the number of shares that will eventually vest. These changes exclude those resulting from any market-related performance conditions.

Income taxes

Tax is recognised in the income statement except to the extent that it relates to items recognised in equity, in which case it is recognised in equity or other comprehensive income. The tax expense represents the sum of current tax and deferred tax.

Current tax is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of each deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured based on the tax rates that have been enacted or substantively enacted by the end of the reporting period. Tax liabilities or refunds may differ from those anticipated due to changes in tax legislation, differing interpretations of tax legislation and uncertainties surrounding the application of tax legislation. In situations where uncertainties exist, provision is made for contingent tax liabilities and assets on the basis of management judgement following consideration of the available relevant information.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and any provision for impairment.

Any revaluation surplus created by a revaluation of certain freehold land and buildings conducted prior to the adoption of FRS 101 on 1 January 2014 has been credited to the revaluation reserve in equity. An annual transfer is made from the revaluation reserve to retained earnings for the difference between depreciation based on the carrying amount of the assets and that based on the assets' original cost. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation is provided on all property, plant and equipment, other than freehold land. Depreciation is calculated so as to write off the cost of the assets to their estimated residual values by equal annual instalments over their expected useful economic lives as follows:

Asset class	Depreciation method and rate
Land and buildings	3% and 12.5%
Short leasehold buildings	term of the lease
Plant and equipment	3 to 10 years

Assets held under finance leases are depreciated over the shorter of the expected useful economic life or the term of the relevant lease. Where significant, the residual values and the useful economic lives of property, plant and equipment are re-assessed annually.

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

Intangible assets

Goodwill

All business combinations are accounted for by the application of the acquisition model. Goodwill represents the excess of the cost of acquisition over the company's interest in the fair value of the identifiable assets and liabilities and contingent liabilities at the date of acquisition. No goodwill arises on the acquisition of an additional interest from a non-controlling interest in a subsidiary as this is accounted for as an equity transaction. Goodwill is stated at cost, less accumulated impairment losses and is tested annually for impairment if there are indications that amounts may be impaired. On disposal of the company's interest, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Other intangible assets

Capitalised computer software is stated at cost, net of amortisation and any provision for impairment. Amortisation is charged on software so as to write off the cost of the assets to their estimated residual values by equal annual instalments over their expected useful economic lives up to a maximum of eight years.

Investments

Investments in subsidiary undertakings are stated at cost less provisions for impairment.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost represents expenditure incurred in the ordinary course of business in bringing inventories to their present condition and location and includes appropriate overheads. Cost is calculated on a first-in-first out basis. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal.

Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instruments.

Trade receivables

Trade receivables do not carry interest and are stated initially at their fair value. The carrying amount of trade receivables is reduced through the use of a bad debt allowance account. The company provides for bad debts based upon an analysis of those that are past due, in accordance with local conditions and past default experience.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Trade payables

Trade payables are non interest-bearing and are stated initially at fair value

Amounts owed by/to group undertaking

Amounts owed by/to group undertakings are recognised initially at fair value and subsequently stated at amortised cost.

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

Pre-contract costs and mobilisation costs

Pre-contract costs in respect of major outsourcing contracts, incurred after the point at which the group achieves preferred bidder status (at which point it is considered probable that the contract will be obtained) and before contract mobilisation, are capitalised and expensed over the life of the contract, subject to recoverability criteria. Costs incurred prior to this point are expensed as incurred. Capitalised costs are expensed immediately in the event that preferred bidder status is not followed by the award of the contract, or where these may no longer be expected to be recovered through future profits.

Mobilisation costs are those costs incurred after the signing of a contract with a customer, and prior to commencement of delivery of the contract. Costs incurred during this stage are generally only capitalised if the criteria to be capitalised as inventories or as property, plant and equipment are met. In all other cases mobilization costs are expensed as incurred.

Impairment

The carrying value of the company's assets, with the exception of inventories, financial receivables and deferred tax assets, is reviewed on an ongoing basis for any indication of impairment and, if any such indication exists, the assets' recoverable amount is estimated. An impairment loss is recognised in the income statement whenever the carrying value of an asset or its cash-generating unit exceeds its recoverable amount.

An impairment loss in respect of goodwill is not reversed. In respect of any other asset, an impairment loss is reversed if there has been a change in the estimates used to determine its recoverable amount. The amount of the reversal is limited such that the asset's carrying amount does not exceed that which would have been determined (after depreciation and amortisation) if no impairment loss had been recognised.

The company provides for impairments in financial assets when there is objective evidence of impairment as a result of one or more events that impact the estimated future cash flows of the financial assets.

Deferred income

Amounts received prior to the delivery of services are recorded as deferred income and released to the income statement as the services are provided.

Provisions and contingent liabilities

Provisions are recognised when a present legal or constructive obligation exists for a future liability in respect of a past event and where the amount of the obligation can be estimated reliably. The amount recognised as a provision is the company's best estimate of the cost of settlement at the end of the reporting period.

In respect of claims and litigation, the company provides for anticipated costs where an outflow of resources is considered probable and a reasonable estimate can be made of the likely outcome. For all risks, the ultimate liability may vary from the amounts provided and will be dependent upon the eventual outcome of any settlement. Management exercise judgement in measuring the exposures to contingent liabilities (see note 20) through assessing the likelihood that a potential claim or liability will arise and in quantifying the possible range of financial outcomes.

Where the time value of money is material, provisions are stated at the present value of the expected expenditure using an appropriate discount rate.

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

Onerous contracts

Onerous contract provisions are recognised where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Management profit improvement plans to recover the position on loss-making contracts require a level of judgement and are generally taken into account in the calculation of the onerous contract provision only when implementation has commenced and tangible evidence exists of benefits being delivered. The provision is calculated based on discounted cash flows to the end of the contract. In general, provisions recognised for future losses are charged to the income statement. Where onerous contract provisions are material by virtue of their size, they are separately charged within specific items. In-year operating losses from onerous contracts are accounted for as a utilisation of the related provision for future losses. Any excess or shortfall to the initial estimate for onerous contract provisions is credited or charged in the income statement consistent with where the charge for the initial provision was recognised.

Leasing

Leases are classified as finance leases when the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. On occasion this classification requires a level of judgement. All other leases are classified as operating leases.

Assets held under finance leases are recognised at the inception of the lease at their fair value or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments made or received are apportioned between finance charges or income and the reduction of the lease liability or asset so as to produce a constant rate of interest on the outstanding balance of the liability or asset.

Dividend distribution

Dividends are recognised as distributions to equity holders in the period in which they are paid or approved by the shareholders at a general meeting.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Share premium

Share premium reserve is used to recognise any premium over the nominal value of equity shares issued.

Revaluation reserve

Revaluation reserve comprises the surplus or deficit arising on the revaluation of land and buildings.

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

4 Accounting estimates, judgements and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of the company's accounting policies. These judgements, estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, including current and expected economic conditions, and in some cases, actuarial techniques.

Although these judgements, estimates and associated assumptions are based on management's best knowledge of current events and circumstances, the actual results may differ.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The judgements, estimates and assumptions which are of most significance in preparing the company's accounts are detailed below:

Revenue recognition and contract review

The company delivers outsourcing services that in some circumstances can be complex in nature and may be governed by unique contractual arrangements. In these cases, revenue is recognised in line with the contract at the fair value of the consideration received or receivable. In such contracts, there can be significant judgements and estimates in relation to variations or claims not specified within the original contract, to interpretation of complex contract wording, and in relation to estimates required to determine future costs to complete and expected margins, including the impact of contractual performance conditions which may give rise to penalties.

Onerous contracts

When a long-term contract is expected to incur future unavoidable losses and has therefore become onerous, judgement is required to assess the future expected revenue and costs and hence to determine the appropriate level of provision. Further judgement is necessary in determining the extent to which account is taken of profit improvement plans developed by management to improve the profitability of the contract over the remainder of its life. Such plans are generally taken into account only once they have been developed and implementation has commenced, and there is tangible evidence of benefits being delivered. In addition, where onerous contracts have a termination date that can be extended solely at the customer's request, consideration is given, based on all facts and circumstances known by management, as to whether to provide for future losses to the earliest or the final termination date.

Deferred tax

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

5 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

	2015	2014
	£ 000	£ 000
Rendering of services	<u>333,006</u>	<u>332,912</u>

Revenue arose from activities originating solely in the United Kingdom.

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

6 Operating profit

Arrived at after charging/(crediting)

	2015 £ 000	2014 £ 000
Specific items	20,704	30,530
Depreciation expense	2,580	2,594
Amortisation expense	296	618
Impairment loss	7,991	3,749
Operating lease expense - plant and machinery	437	489
Operating lease expense - other	1,462	1,933
Loss/(profit) on disposal of property, plant and equipment	<u>1</u>	<u>(45)</u>

The prior year balances for operating lease expenses have been represented to be consistent with current year disclosures.

Impairment losses include a £3,667,000 (2014: £3,749,000) charge in respect of investments and £4,324,000 (2014: nil) charge in respect of finance leased assets. Please see notes 15 and 14 for further details.

An amount of £20,704,000 (2014: 30,530,000) has been charged in respect of provisions for future unavoidable losses on specific contracts up to the earliest date when the contracts can be terminated at the company's request or contractual terms revised. See note 20 for further details.

7 Finance income

	2015 £ 000	2014 £ 000
Interest receivable from group undertakings	412	83

8 Finance expense

	2015 £ 000	2014 £ 000
Interest on bank overdrafts and borrowings	15	68
Interest on obligations under finance leases and hire purchase contracts	2,157	793
Interest payable to group undertakings	<u>-</u>	<u>1,146</u>
	<u>2,172</u>	<u>2,007</u>

9 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

	2015 £ 000	(As restated) 2014 £ 000
Wages and salaries	131,285	135,164
Social security costs	12,179	12,472
Employee benefits	7,638	7,212
Redundancy costs	264	314
	<u>151,366</u>	<u>155,162</u>

Prior year numbers have been restated to ensure comparability with the current year.

The average monthly number of persons employed by the company (including directors) during the year was as follows:

	2015 No.	2014 No.
Direct	4,904	5,172
Indirect	102	183
	<u>5,006</u>	<u>5,355</u>

10 Directors' remuneration

The directors' remuneration for the year was as follows:

	2015 £ 000	2014 £ 000
Aggregate emoluments*	441	245
Compensation for loss of office	214	-
	<u>655</u>	<u>245</u>

The remuneration of three directors is paid by G4S Regional Management (UK&I) Limited which makes no recharge to the company. These three directors are directors of a number of fellow subsidiaries, and it is not possible to make an accurate apportionment of their remuneration in respect of each of the subsidiaries. Accordingly, the above details include no remuneration in respect of these three directors. Their total remuneration is included in the aggregate of directors' remuneration disclosed in the financial statements of G4S Regional Management (UK&I) Limited.

In respect of the highest paid director:

	2015 £ 000	2014 £ 000
Aggregate emoluments*	441	245
Compensation for loss of office	214	-
Total	655	245

The highest paid director made no contributions in respect of money purchase schemes, did not exercise any share options during the period and did not participate in a defined benefit pension scheme.

*Includes base pay, benefits, annual bonus and cash pension allowance paid.

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

11 Auditors' remuneration

Fees payable to the company's auditor for the audit of the company's financial statements was £226,000 (2014: £218,000). The company did not incur any non-audit fee in the current and prior year.

12 Income tax

Tax charged/(credited) in the income statement

	2015 £ 000	(As restated)* 2014 £ 000
Current taxation		
UK corporation tax	(4,165)	(824)
Deferred taxation		
Arising from origination and reversal of temporary differences	2,165	1,377
Arising from changes in tax rates and laws	825	(96)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	4,076	(18,096)
Total deferred taxation	7,066	(16,815)
Tax expense/(receipt) in the income statement	2,901	(17,639)

*See note 29 for an explanation of prior year adjustments.

See page 30 for a breakdown of the movement on deferred tax.

The tax rate applied on profit before tax is the standard effective rate of corporation tax in the UK of 20.25% (2014: 21.5%).

The standard effective rate of corporation tax in the UK reduced from 21.5% in 2014 to 20.25% for 2015 in accordance with legislation enacted by the UK Government during 2013.

The differences are reconciled below:

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

	2015 £ 000	(As restated) 2014 £ 000
Profit before tax	<u>12,065</u>	<u>6,273</u>
Corporation tax at standard rate	2,443	1,349
Increase/(decrease) in current tax due to non taxable dividends	(1,056)	-
Increase/(decrease) in current tax due to disallowable impairment of investments	743	-
Increase/(decrease) in current tax due to other permanent differences	66	38
Deferred tax expense/(credit) relating to equity settled share based payments	(26)	-
Deferred tax expense/(credit) relating to revaluation of property	(5)	(10)
Deferred tax expense/(credit) following a change in tax rates	825	(96)
Increase/(decrease) in current tax relating to adjustments in respect of prior periods	(4,165)	(824)
Deferred tax expense/(credit) relating to adjustments in respect of prior periods	<u>4,076</u>	<u>(18,096)</u>
Total tax charge/(credit)	<u>2,901</u>	<u>(17,639)</u>

The UK corporation tax rate reduced from 21% to 20% with effect from 1 April 2015. Further reductions in the UK corporation tax rate will apply from 1 April 2017 when the rate reduces to 19% and from 1 April 2020 when the rate reduces to 18%. All of these rate changes were enacted at the balance sheet date.

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. As the change to 17% had not been substantively enacted at the balance sheet date its effects are not included in these financial statements.

Management have assessed that the change in rate to 17% would have an immaterial impact on the closing deferred tax position.

Deferred tax assets and liabilities on timing differences have been calculated using the UK corporation tax rate which will apply in the period during which they are expected to reverse.

Deferred tax assets and liabilities on timing differences expected to reverse in the period from 1 January 2016 to 31 March 2017 have been provided at 20%. Deferred tax assets and liabilities on timing differences expected to reverse in the period from 1 April 2017 to 31 March 2020 have been provided at 19%. Deferred tax assets and liabilities on timing differences expected to reverse on or after 1 April 2020 have been provided at 18%.

At 31 December 2015 the company had unutilised tax losses of approximately £48.5m (2014: £86.6m) potentially available for offset against future profits. A deferred tax asset of £9.2m (2014: £17.3m) arising on these losses has been recognised as sufficient taxable profits are expected in next five years against which the tax losses can be utilised.

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

Deferred tax

Deferred tax assets and liabilities

	Asset £ 000	Liability £ 000	Net deferred tax £ 000
2015			
Accelerated tax depreciation	3,232	-	3,232
Other items	104	-	104
Revaluation of property	-	(86)	(86)
Tax losses carry-forwards	9,218	-	9,218
Share-based payment	47	-	47
	<u>12,601</u>	<u>(86)</u>	<u>12,515</u>

	Asset £ 000	Liability £ 000	Net deferred tax £ 000
2014			
Accelerated tax depreciation	2,206	-	2,206
Other items	160	-	160
Revaluation of property	-	(100)	(100)
Tax losses carry-forwards	17,315	-	17,315
Share-based payment	-	-	-
	<u>19,681</u>	<u>(100)</u>	<u>19,581</u>

2015

Deferred tax movement during the year:

	As restated* At 1 January 2015 £ 000	Recognised in income £ 000	At 31 December 2015 £ 000
Accelerated tax depreciation	2,206	1,026	3,232
Other items	160	(56)	104
Revaluation of property	(100)	14	(86)
Tax losses carry-forwards	17,315	(8,097)	9,218
Share-based payment	-	47	47
Net tax assets/(liabilities)	<u>19,581</u>	<u>(7,066)</u>	<u>12,515</u>

2014

Deferred tax movement during the prior year:

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

	As restated* at 1 January 2014 £ 000	Recognised in income £ 000	As restated* at 31 December 2014 £ 000
Accelerated tax depreciation	2,705	(499)	2,206
Other items	170	(10)	160
Revaluation of property	(109)	9	(100)
Tax losses carry-forwards	-	17,315	17,315
Share-based payment	-	-	-
Net tax assets/(liabilities)	<u>2,766</u>	<u>16,815</u>	<u>19,581</u>

*See note 29 for an explanation of prior year adjustments.

13 Intangible assets

	Software £ 000
Cost	
At 1 January 2015 (as restated*)	6,531
Additions	5
Disposals	<u>(9)</u>
At 31 December 2015	<u>6,527</u>
Accumulated amortisation	
At 1 January 2015 (as restated*)	5,726
Amortisation charge	296
Eliminated on disposals	<u>(9)</u>
At 31 December 2015	<u>6,013</u>
Carrying amount	
At 31 December 2015	<u>514</u>
At 31 December 2014 (as restated*)	<u>805</u>

*See note 29 for an explanation of prior year adjustments.

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

14 Property, plant and equipment

	Land and buildings £ 000	Short leasehold buildings £ 000	(As restated)* Plant & equipment £ 000	(As restated)* Total £ 000
Cost				
At 1 January 2015	3,187	352	23,288	26,827
Additions	1,215	10	509	1,734
Disposals	-	-	(411)	(411)
At 31 December 2015	<u>4,402</u>	<u>362</u>	<u>23,386</u>	<u>28,150</u>
Accumulated depreciation				
At 1 January 2015	334	100	12,965	13,399
Charge for the year	87	39	2,454	2,580
Eliminated on disposal	-	-	(410)	(410)
Impairment	-	-	4,324	4,324
At 31 December 2015	<u>421</u>	<u>139</u>	<u>19,333</u>	<u>19,893</u>
Carrying amount				
At 31 December 2015	<u>3,981</u>	<u>223</u>	<u>4,053</u>	<u>8,257</u>
At 31 December 2014	<u>2,853</u>	<u>252</u>	<u>10,323</u>	<u>13,428</u>

*The balances for cost and accumulated depreciation as at 1 January 2015 have been restated to reflect the underlying balances in the fixed asset register, eliminating fully depreciated assets no longer in use. The cost and accumulated depreciation of plant and machinery brought forward have both been reduced by £14,843,000. This had no effect on the net book value of these assets.

Depreciation expense of £2,544,000 (2014 - £2,502,000) is included in cost of sales. The remaining £36,000 (2014 - £92,000) is included in administrative expenses.

Assets held under finance leases and hire purchase contracts

The net carrying amount of property, plant and equipment includes the following amounts in respect of assets held under finance leases and hire purchase contracts:

	2015 £ 000	2014 £ 000
Other property, plant and equipment	<u>8</u>	<u>5,168</u>

Impairment

During the year a total impairment charge in respect of property, plant and equipment of £4,324,000 (2014 - £nil) was recognised in the income statement. All of this impairment charge related to vehicles held under finance leases used by our Court Custody and Prisoner Escort Systems (CCPES) business. Management identified the CCPES contract as onerous and associated fixed assets held under finance leases that are dedicated to this contract have therefore been written off as part of the recognition of the onerous contract.

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

15 Investments

Subsidiaries	£ 000
Cost	
At 1 January 2015	14,649
At 31 December 2015	14,649
Accumulated impairment	
At 1 January 2015	3,749
Impairment	3,667
At 31 December 2015	7,416
Carrying amount	
At 31 December 2015	7,233
At 31 December 2014	10,900

Impairment

An impairment charge of £3,667,000 (£3,749,000) was recognised in the income statement in relation to the company's investments. The impairment charge in the current year relates to the company's investment in G4S Policing Solutions Limited as management determined the operations of this undertaking would be discontinued. The value of the investment was written down to the amount management expects G4S Policing Solutions Limited to be able to return as a dividend during 2016.

Details of the subsidiaries as at 31 December 2015 are as follows:

Subsidiary undertakings	Class of holding	Ownership	Nature of business	Registered address
G4S Policing Solutions Limited *	Ordinary	100%	Policing recruitment and support	Southside, 105 Victoria Street, London, SW1E 6QT
G4S Monitoring Technologies Limited *	Ordinary	100%	Manufacture and sell/lease monitoring units to Government agencies across the world	Southside, 105 Victoria Street, London, SW1E 6QT
G4S Monitoring Technologies France Limited	Ordinary	100%	Monitoring services	Southside, 105 Victoria Street, London, SW1E 6QT
Guidance Surveillance Electronique SAS	Ordinary	100%	Monitoring services	104 Rue d'amsterdam 75009 PARIS

* Direct ownership

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

16 Trade and other receivables

	2015 £ 000	(As restated)* 2014 £ 000
Trade receivables	27,817	33,754
Provision for impairment of trade receivables	(211)	(33)
Net trade receivables	27,606	33,721
Amounts due from group undertakings (members of the G4S plc group)	60,728	24,290
Accrued income	13,163	11,724
Prepayments	2,690	2,964
Other receivables	1,675	1,523
	<u>105,862</u>	<u>74,222</u>
Non-current trade and other receivables		
Accrued income	3,642	7,414
	<u>109,504</u>	<u>81,636</u>

*See note 29 for an explanation of prior year adjustments.

Included in amounts due from group undertakings is a £46,505,597 (2014: £6,124,219) short term loan receivable which is repayable on demand. Interest on this loan is charged at a rate of LIBOR plus 1.5%.

All other amounts due from group undertakings are trading in nature and attract no interest.

17 Inventories

	2015 £ 000	2014 £ 000
Raw materials and consumables	47	16
Work in progress	13	12
Other inventories	853	751
	<u>913</u>	<u>779</u>

The amount of inventory consumed and recognised in the income statement during the year is £1,764,229 (2014 - £1,617,499). The amount of write-down of inventories recognised as an expense in the year is £1,983 (2014 - £3,575) included within cost of sales.

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

18 Cash and cash equivalents

	2015 £ 000	(As restated)* 2014 £ 000
Cash on hand	83	71
Cash at bank	1,766	1,992
	<u>1,849</u>	<u>2,063</u>

Included in cash and cash equivalents is £584,000 (2014 - £1,752,000) that is restricted and not available for general use by the company as it is held on behalf of third parties.

19 Trade and other payables

	2015 £ 000	(As restated)* 2014 £ 000
Current		
Trade payables	1,605	8,491
Accrued expenses	21,736	23,438
Amounts owed to group undertakings (members of the G4S plc group)	9,748	10,838
Social security and other taxes	11,659	11,100
Other payables	9,178	5,604
Deferred income	813	2,632
	<u>54,739</u>	<u>62,103</u>

*See note 29 for an explanation of certain prior year adjustments.

Amounts owed from group undertakings are trading in nature and attract no interest.

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

20 Provisions and contingent liabilities

	Asset replacement £ 000	Onerous contracts £ 000	Other provisions £ 000	Total £ 000
At 1 January 2015	2,802	30,530	-	33,332
Additional provisions	2,626	20,704	7,191	30,521
Provisions used	(1,984)	(15,750)	(32)	(17,766)
Unused provision reversed	(744)	-	(431)	(1,175)
Increase (decrease) due to unwinding of discount	-	468	-	468
Increase (decrease) from transfers	-	-	2,417	2,417
At 31 December 2015	<u>2,700</u>	<u>35,952</u>	<u>9,145</u>	<u>47,797</u>
Non-current liabilities		(18,925)		(18,925)
Current liabilities	<u>(2,700)</u>	<u>(17,027)</u>	<u>(9,145)</u>	<u>(28,872)</u>

Onerous contracts

The present value of estimated future net cash outflows relating to onerous customer contracts is provided for where the unavoidable costs of meeting the obligations in a customer contract exceed the economic benefits expected to be received under the contract. During the year this included £20,704,000 (2014: £30,530,000) of additional provisions mainly relating to updating estimates in respect of future losses on legacy UK government Compass contract. These additional provisions were recorded within specific items in the income statement.

Under the UK Compass asylum seeker contract with the Home Office, the group provides accommodation, transportation and subsistence services for asylum seekers whilst their claims are being processed. This contract commenced in 2012 and runs to 31 August 2017, with a potential extension of a further two years.

In 2014, an onerous contract provision was recognised in relation to the then-current assumptions regarding asylum seeker numbers, the duration and cost of accommodation and support services. The group experienced a significant increase in the number of new asylum seekers in the first six months of 2016 and as a result the number of asylum seekers in the group's care increased by 8.3% year-on-year. The Compass provision has been updated based upon our best estimate of the increase in asylum seekers assigned to the group, the availability of suitable accommodation approved by local authorities and the speed of processing of applications by the immigration authority.

The additional provision of £20,704,000 (2014: 30,530,000) in respect of future unavoidable losses on specific contracts has been recognised as a specific item on the income statement.

Asset replacement

The asset replacement provision represents expected expenditure existing at the balance sheet date in accordance with the terms of customer contracts in respect of plant and equipment currently in use, but not owned by the company. This provision will be utilised over the contract lives.

Contingent liabilities

To date, the Compass contract has not been extended and the onerous contract provision covers the period to August 2017. Should the contract be extended for the period to August 2019 then, based on the same assumptions as the current provision, a further provision for £56m would be required.

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

The company, together with certain other group companies, is jointly and severally liable under the terms of a guarantee provided in respect of a cash pooling arrangement with The Royal Bank of Scotland.

21 Obligations under leases and hire purchase contracts

Finance leases

	Minimum lease payments £ 000	Interest £ 000	Present value £ 000
2015			
Within one year	2,400	(886)	1,514
In two to five years	5,000	(1,046)	3,954
	<u>7,400</u>	<u>(1,932)</u>	<u>5,468</u>
	Minimum lease payments £ 000	Interest £ 000	Present value £ 000
2014			
Within one year	2,640	(1,090)	1,550
In two to five years	7,400	(2,815)	4,585
	<u>10,040</u>	<u>(3,905)</u>	<u>6,135</u>

The present values of future finance lease payments are analysed as follows:

	2015 £ 000	2014 £ 000
Current liabilities	1,514	1,550
Non-current liabilities	3,954	4,585
	<u>5,468</u>	<u>6,135</u>

Operating leases

The total future value of minimum lease payments is as follows:

	2015 £ 000	2014 £ 000
Within one year	743	701
In two to five years	833	1,174
	<u>1,576</u>	<u>1,875</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £1,899,000 (2014: 3,946,000).

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

22 Pension arrangements

The G4S plc group operates both defined benefit and defined contribution pension schemes. Employer contributions to these schemes are fixed at a set level or set percentage of employees' pay. Total pension costs of £7,476,187 (2014 - £7,209,336) have been charged to the income statement.

Defined benefit scheme

The defined benefit scheme is comprised of three sections. The UK scheme is closed to future accrual apart from some sub-sections of the GSL section, and for most members defines the pension based on final salary. Certain sub-sections of the GSL section have historically remained open to provide a facility to accept former public-sector employees who join the G4S plc group through outsourcings. In the Group 4 and Securicor sections, members retain their link to final salary where appropriate on their benefits accrued up to closure in 2011.

As there is no contractual agreement or stated policy for charging the net defined benefit cost of the defined benefit schemes to the company, the pension charge recognised in the income statement represents the contributions payable for the year.

Further information on the defined benefit schemes has been disclosed in the consolidated financial statements of G4S plc.

Defined contribution scheme

The pension charge recognised in the income statement for the defined contribution scheme represents the contributions payable for the year.

23 Share based payments

The shares are allocated under G4S plc performance share plan and vest after three years, to the extent that certain non-market performance conditions are met. The vesting occurs on the third anniversary of the date the shares were allocated conditionally.

The weighted average remaining contractual life of conditional share allocations outstanding at 31 December 2015 was 17 months (2014: 20 months). The weighted average share price at the date of allocation of shares allocated conditionally during the year was 264.8p (2014: 259.8p). The contractual life of all conditional allocations was three years.

24 Share capital

Allotted, called up and fully paid shares

	2015		2014	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	<u>51,538</u>	<u>51,538</u>	<u>51,538</u>	<u>51,538</u>

25 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £nil (2014: £620,564).

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

26 Related party transactions

Summary of transactions with joint ventures

The immediate parent company participates in a number of joint ventures held within the G4S plc group via an investment partnership agreement with Semperian PPP Investment Partners Group Limited. Sales are made to these joint ventures in the normal course of business. The significant transactions of the company with these joint venture companies are:

	2015	2015	2014	2014
	Services/sales	Amounts	Services/sales	Amounts
	to £ 000	receivable	to £ 000	receivable
		£ 000		£ 000
Brigend Custodial Services Limited	47,469	4,819	46,174	5,037
ECD Cookham Wood Limited	2,945	-	11,896	1,209
ECD Onley Limited	10,762	1,593	12,920	12,920
Fazakerley Prison Services Limited	34,095	3,423	35,572	3,567
Onley Prison Services Limited	15,013	1,592	14,760	1,546

27 Events after the balance sheet date

In 2016 the Company commenced plans to dispose of its Children Services business. The sale is expected to be concluded by early 2017.

28 Parent and ultimate parent undertaking

In the opinion of the directors, the company's ultimate parent company and ultimate controlling party is G4S plc, a company incorporated in the United Kingdom.

The parent undertaking of the largest group, which included the company and for which group financial statements are prepared, is also G4S plc. The parent undertaking of the smallest such group is G4S Regional Management (UK&I) Limited, a company incorporated in the United Kingdom. G4S Regional Management (UK&I) Limited is also the company's immediate controlling parent.

Copies of the group financial statements for both G4S plc and G4S Regional Management (UK&I) Limited are available upon request from the Company Secretary, Southside, 105 Victoria Street, London, SW1E 6QT.

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

29 Transition to FRS 101

As stated in the Significant accounting policies note, these are the company's first financial statements prepared in accordance with FRS 101. The transition date from the legacy UK GAAP to FRS 101 was 1 January 2014.

The policies disclosed in the Significant accounting policies note have been applied in preparing these financial statements for each of the years ended, and as at, 31 December 2015 and 31 December 2014, and in the preparation of an opening FRS 101 statement of financial position as at 1 January 2014.

In preparing its opening FRS 101 statement of financial position the company has adjusted amounts reported in its previous statutory annual report and financial statements. An explanation of how the transition to FRS 101 has affected the company's financial position and financial performance has been provided below.

First-time adoption of FRS 101

FRS 101 grants elections and certain exemptions from its full requirements when preparing the first financial statements that conform to FRS 101.

Deemed cost for freehold land and buildings

Under the legacy UK GAAP accounting policies, the Company had chosen to perform periodic revaluations of its freehold land and buildings to fair value. As permitted by FRS 101, the company has elected to use the legacy UK GAAP fair value of those assets as its deemed cost as at the date of revaluation. On transition to FRS 101, the historical revaluation reserves attributable to a previous revaluation was separately disclosed and the appropriate amount transferred to retained earnings each year thereafter (see below).

Investments in subsidiaries

The carrying amounts of the company's investments in subsidiaries have been unaffected by the transition to FRS 101.

Share-based payment transactions

Under legacy UK GAAP the company previously applied FRS 20 (IFRS2) 'Share-based Payment' when accounting for its share-based payment transactions. As there are no differences between FRS 20 and the FRS 101 equivalent, IFRS 2 'Share-based Payment', transactions previously recognised in equity relating to share options that were granted after 7 November 2002 and vested before 1 January 2014 have been unaffected by the transition to FRS 101.

Business combinations

The company has elected not to apply IFRS 3 'Business Combinations' retrospectively to business combinations prior to the FRS 101 transition date, 1 January 2014.

In 2009, the company acquired the care and justice services business from a fellow subsidiary company in the G4S plc group. This group transfer was outside the scope of IFRS 3 as the combining entities, both before and after the business transfer, were controlled by the same entity, G4S plc, the ultimate parent undertaking of the company, and control was not transitory. The accounting policy applied for this common control transaction was the acquisition method of accounting under legacy UK GAAP, whereby the company included the results and the fair value of the identifiable assets and liabilities of the business acquired from the date of acquisition, and goodwill was recorded for the excess of the consideration paid over the fair value of the identifiable assets and liabilities acquired. The goodwill was reviewed on transition to FRS 101 as noted below.

Reconciliation of equity

A reconciliation of the company's equity reported in accordance with legacy UK GAAP to its equity in accordance with FRS 101 as at 1 January 2014 and as at 31 December 2014 has been provided below.

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

1 January 2014

	As originally reported £ 000 Note A	Presentational £ 000 Notes B, F	Other £ 000 Notes C-E, G	Under FRS 101 £ 000
ASSETS				
Non-current assets				
Goodwill	3,149	-	(3,149)	-
Other intangible assets	-	932	-	932
Property, plant and equipment	13,357	(932)	-	12,425
Investments	14,649	-	-	14,649
Trade and other receivables	-	-	10,512	10,512
Deferred tax assets	-	2,875	(109)	2,766
	<u>31,155</u>	<u>2,875</u>	<u>7,254</u>	<u>41,284</u>
Current assets				
Inventories	970	-	-	970
Trade and other receivables	138,311	(2,875)	(10,512)	124,924
Cash and cash equivalents	5,992	-	-	5,992
	<u>145,273</u>	<u>(2,875)</u>	<u>(10,512)</u>	<u>131,886</u>
Total assets	<u>176,428</u>	<u>-</u>	<u>(3,258)</u>	<u>173,170</u>
LIABILITIES				
Current liabilities				
Obligations under finance leases	-	(1,834)	-	(1,834)
Trade and other payables	(94,254)	2,658	(151)	(91,747)
Current tax liability	-	(824)	-	(824)
Provisions	-	(117,035)	-	(117,035)
	<u>(94,254)</u>	<u>(117,035)</u>	<u>(151)</u>	<u>(211,440)</u>
Non-current liabilities				
Obligations under finance leases	-	(6,516)	-	(6,516)
Trade and other payables	(6,667)	6,516	151	-
Provisions	(118,539)	117,035	-	(1,504)
	<u>(125,206)</u>	<u>117,035</u>	<u>151</u>	<u>(8,020)</u>
Total liabilities	<u>(219,460)</u>	<u>-</u>	<u>-</u>	<u>(219,460)</u>
Net liabilities	<u>(43,032)</u>	<u>-</u>	<u>(3,258)</u>	<u>(46,290)</u>

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

	As originally reported £ 000 Note A	Presentational £ 000 Notes B, F	Other £ 000 Notes C-E, G	Under FRS 101 £ 000
EQUITY				
Share capital	1,538	-	-	1,538
Share premium	3,983	-	-	3,983
Capital contribution reserve	561	(561)	-	-
Revaluation reserve	-	-	603	603
Retained earnings	(49,114)	561	(3,861)	(52,414)
Total equity	<u>(43,032)</u>	<u>-</u>	<u>(3,258)</u>	<u>(46,290)</u>

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

31 December 2014

	As originally reported £ 000 Note A	Presentational £ 000 Notes B, F	Other £ 000 Notes C-E, G	Under FRS 101 £ 000
ASSETS				
Non-current assets				
Goodwill	2,686	-	(2,686)	-
Other intangible assets	-	805	-	805
Property, plant and equipment	14,233	(805)	-	13,428
Investments	10,900	-	-	10,900
Trade and other receivables	-	-	7,414	7,414
Deferred tax assets	-	19,681	(100)	19,581
	<u>27,819</u>	<u>19,681</u>	<u>4,628</u>	<u>52,128</u>
Current assets				
Inventories	779	-	-	779
Trade and other receivables	101,317	(19,681)	(7,414)	74,222
Cash and cash equivalents	2,063	-	-	2,063
	<u>104,159</u>	<u>(19,681)</u>	<u>(7,414)</u>	<u>77,064</u>
Total assets	<u>131,978</u>	<u>-</u>	<u>(2,786)</u>	<u>129,192</u>
LIABILITIES				
Current liabilities				
Obligations under finance leases	-	(1,550)	-	(1,550)
Trade and other payables	(63,458)	1,550	(195)	(62,103)
Provisions	-	(9,652)	-	(9,652)
	<u>(63,458)</u>	<u>(9,652)</u>	<u>(195)</u>	<u>(73,305)</u>
Non-current liabilities				
Obligations under finance leases	-	(4,585)	-	(4,585)
Trade and other payables	(4,780)	4,585	195	-
Provisions	(33,332)	9,652	-	(23,680)
	<u>(38,112)</u>	<u>9,652</u>	<u>195</u>	<u>(28,265)</u>
Total liabilities	<u>(101,570)</u>	<u>-</u>	<u>-</u>	<u>(101,570)</u>
Net assets/(liabilities)	<u>30,408</u>	<u>-</u>	<u>(2,786)</u>	<u>27,622</u>

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

	As originally reported £ 000 Note A	Presentational £ 000 Notes B, F	Other £ 000 Notes C-E, G	Under FRS 101 £ 000
EQUITY				
Share capital	51,538	-	-	51,538
Share premium	3,983	-	-	3,983
Capital contribution reserve	561	(561)	-	-
Revaluation reserve	-	-	596	596
Retained earnings	(25,674)	561	(3,382)	(28,495)
Total equity	<u>30,408</u>	<u>-</u>	<u>(2,786)</u>	<u>27,622</u>

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

Reconciliation of profit or loss

A reconciliation of the company's profit or loss reported in accordance with legacy UK GAAP to its profit or loss in accordance with FRS 101 for the year ended 31 December 2014 has been provided below.

Year ended 31 December 2014

	As originally reported £ 000 Note A	Reverse goodwill amortisation £ 000 Note C	Other £ 000 Note H	Under FRS 101 £ 000
Turnover	332,912	-	-	332,912
Cost of sales	(260,321)	-	(30,530)	(290,851)
Cost of sales - specific items	(30,530)	-	-	(30,530)
Gross profit	42,061	-	(30,530)	11,531
Administrative expenses	(37,027)	463	30,530	(6,034)
Operating profit	5,034	463	-	5,497
Dividend income	2,700	-	-	2,700
Net finance expense	(1,924)	-	-	(1,924)
Profit before tax	5,810	463	-	6,273
Tax on profit	17,630	-	9	17,639
Profit for the year	23,440	463	9	23,912

Explanation of transition adjustments

Note A

These balances are as presented in the statutory annual report and financial statements of the company under legacy UK GAAP but aligned with FRS 101 and adopted IFRS headings, prior to adjustments required to comply with FRS 101. The presentation under headings in accordance with adopted IFRSs is permitted by the early adoption of SI 2015/980, as explained in the Significant accounting policies.

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

Note B

Presentational adjustments to the statement of financial position due to the transition to FRS 101.

On transition to FRS 101, the company has reclassified the following items:

- Software.-FRS 101 requires software costs to be capitalised as intangible assets and classified separately from property, plant and equipment. On transition to FRS 101 this resulted in a reclassification of £932,000 to other intangible assets and as at 31 December 2014, the equivalent reclassification was £805,000.
- Non-current/current assets and liabilities. Under FRS 101, as permitted by the early adoption of SI 2015/980, the company has presented all assets and liabilities on a non-current and current basis. The following balances reported under legacy UK GAAP have been reclassified accordingly:
 - within current assets, debtors due after more than one year relating to deferred tax assets. As at 1 January 2014 this resulted in a reclassification of £2,875,000 (31 December 2014: £19,681,000);
 - within provisions, amounts payable within one year have been reclassified to current liabilities. As at 1 January 2014 this resulted in a reclassification of £117,035,000 (31 December 2014: £9,652,000); and
 - other reclassifications disclosed in Note D below.
- Taxation. Deferred tax assets and current tax liabilities are presented separately on the face of the statement of financial position in accordance with FRS 101 instead of within debtors and creditors respectively under legacy UK GAAP.
- Obligations under finance leases. The company has chosen to present these balances separately on the face of the statement of financial position, consistent with the wider G4S plc group, instead of within creditors under legacy UK GAAP. As at 1 January 2014, this reclassification was £1,834,000 (31 December 2014: £1,550,000) for current obligations and £6,516,000 (31 December 2014: £4,585,000) for non-current obligations.

Note C

Goodwill

In accordance with FRS 10 'Goodwill and Intangible Assets' under legacy UK GAAP, goodwill was amortised over its useful economic life, usually 20 years or less. It was tested for impairment at the end of the first full financial year following initial recognition and thereafter if events or other changes in circumstances indicated that its carrying value may not be recoverable in full, as required by FRS 11 'Impairment of Fixed Assets and Goodwill'.

Under FRS 101 goodwill is not amortised. Instead it is tested annually for impairment or more frequently if there are indicators that it may be impaired. An impairment loss is recognised whenever the carrying value of an asset or its cash-generating unit exceeds its recoverable amount. An impairment loss in respect of goodwill is not reversed in future periods.

On transition to FRS 101, the goodwill balance held by the company was reviewed. It was initially recognised in 2009 on the acquisition of the care and justice business from a fellow subsidiary company in the G4S plc group. However, due to changes in the operations of the company since the acquisition and the subsequent integration of that business with other trading operations, it was no longer possible to specifically support this goodwill. The balance of £3,149,000 was therefore written off to retained earnings as at 1 January 2014 and the amortisation charged in the 2014 legacy UK GAAP financial statements was reversed, resulting in a gain in the income statement for the year ended 31 December 2014 of £463,000 in administration expenses. Both the write-off and the amortisation reversal are non-cash adjustments to the financial statements and do not affect the future cash generation of the company.

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

Note D

Other non-current/current reclassifications

Adjustments were made to certain items to correctly reflect the non-current/current nature of the balances in accordance with FRS 101. The following balances reported under legacy UK GAAP have been reclassified accordingly:

- within current assets, non-current balances relating to accrued income. As at 1 January 2014 this resulted in a reclassification of £10,512,000 (31 December 2014: £7,414,000); and
- within non-current liabilities, current balances relating to lottery grant income. As at 1 January 2014 this resulted in a reclassification of £151,000 (31 December 2014: £195,000).

Note E

Historical revaluation reserves

Under the legacy UK GAAP accounting policies, the Company had chosen to perform periodic revaluations of its freehold land and buildings to fair value. Changes in the fair value of these assets should have been credited to a revaluation reserve within equity. In subsequent years a portion of the revaluation reserve should have been transferred to retained earnings, representing the realisation of a portion of the increase in value of the fixed assets.

However, in 2008 the revaluation attributable to an item of property, plant and equipment was not separately reported within revaluation reserves. On the grounds of materiality, this was corrected on transition to FRS 101 by the recognition of the historical revaluation in its own reserve within equity. As at 1 January 2014, £712,000 before tax was transferred from retained earnings to revaluation reserves. The equivalent transfer as at 31 December 2014 was £696,000 before tax. The related deferred tax adjustment arising from this has been disclosed below.

Note F

Share-based payments

Under legacy UK GAAP, share-based payment adjustments to equity could be reported in a separate reserve, the capital contribution reserve. Following the transition to FRS 101 these balances were reclassified to retained earnings, resulting in a reclassification within equity of £561,000 as at 1 January 2014 and as at 31 December 2014.

Note G

Deferred tax

Under legacy UK GAAP, deferred tax was recognised on timing differences arising in the income statement. Timing differences arose from the inclusion of items of income and expenditure in the taxation computations in periods different from those in which they are included in the financial statements.

Under FRS 101, IAS 12 'Income Taxes' requires full provision for all taxable temporary differences unless specifically exempted. Deferred tax is recognised in the statement of financial position by applying the appropriate tax rate to the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the company's financial statements.

On transition to FRS 101, deferred tax was recognised on an item of property, plant and equipment previously revalued under legacy UK GAAP (see above). As at 1 January 2014, deferred tax liabilities of £109,000 was recognised on the statement of financial position and offset against the deferred tax assets already recognised under legacy UK GAAP. The corresponding £109,000 loss as at 1 January 2014 was recognised in the revaluation reserve. During the year ended 31 December 2014, a gain of £9,000 was recognised in the income statement for the changes in this deferred tax resulting in a deferred tax liability of £100,000 on the statement of financial position as at 31 December 2014, which was offset against the deferred tax assets already recognised under legacy UK GAAP.

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

Note H

Other income statement reclassification

A reclassification was made to the income statement to correctly reflect the underlying nature of the balances reported in cost of sales and in administrative expenses. £30,530,000 previously reported in administrative expenses in the legacy UK GAAP financial statements for the year ended 31 December 2014 was therefore reclassified to cost of sales. This reclassification had no impact on the operating profit of the company.

Statement of comprehensive income and statement of changes in equity

Under legacy UK GAAP, the financial statements included a statement of total recognised gains and losses as a primary statement, if required, and a reconciliation of movements in shareholders' funds as a note to the financial statements.

Under FRS 101, these have been replaced by the statement of comprehensive income and the statement of changes in equity, respectively. In addition, the statement of changes in equity is now presented as a primary statement instead of a note to the financial statements and it analyses in more detail the changes in equity during the year.