

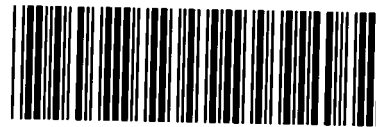
Registration number: 00390328

# G4S Care and Justice Services (UK) Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2017

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## **G4S Care and Justice Services (UK) Limited**

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## **G4S Care and Justice Services (UK) Limited**

### **Company Information**

<b>Directors</b>	J Hartley
	P Neden
	G Nienaber
<b>Company secretary</b>	V J Patel
<b>Registered office</b>	5th Floor, Southside 105 Victoria Street London SW1E 6QT
<b>Independent auditors</b>	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

## **G4S Care and Justice Services (UK) Limited**

### **Strategic Report for the Year Ended 31 December 2017**

The directors present their strategic report for the year ended 31 December 2017.

#### **Fair review of the business**

G4S Care and Justice Services (UK) Limited ("the Company") offers highly specialised services to central and local governments and government agencies and authorities including adult custody and rehabilitation, prisoner escorting and immigration services.

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 10, the Company's profit for the financial year of £31,160,000 (2016: £7,925,000) includes a credit of £4,904,000 (2016: net charge of £15,960,000) in respect of provisions for future unavoidable losses on specific contracts and claims provisions as described below.

The Company has net assets of £76,437,000 (2016: £45,107,000) as at 31 December 2017.

Under the UK Compass asylum seeker contract with the Home Office, the Company provides accommodation, transportation and subsistence services for asylum seekers whilst their claims are being processed. This contract commenced in 2012 and will come to an end in August 2019. An onerous contract provision for this contract was first recognised in 2014.

In 2016 the contract extension to August 2019 was confirmed by the customer resulting in an update to the estimate of future losses and an increase in this provision of £14,193,000. In addition, the Company also recognised a claims provision of £6,500,000 related to the estimated cost of settlement of subcontractor claims from commercial disputes in relation to prior years. This was partially offset by the release of £4,733,000 of onerous provisions for two legacy PFI contracts which were no longer deemed onerous based on the latest cash projections. In 2017 £4,904,000 of the future loss provision was released as a result of favourable trading reflected in the latest cash projections of two contracts.

All amounts were recorded within specific items in the income statement in 2016 and 2017.

In June 2017 the Company disposed of its children's home care business to Prospects Group for £11,400,000.

#### **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 2017 (continued)**

#### **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**

##### *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 performs 360° contract assurance reviews which focus on key aspects of contract management and performance. There are also monthly reviews attended by the senior management of the Company which cover current and expected demand along with current and future availability of accommodation either self-delivered or through subcontractors.

However, given the short period remaining to the finalisation of this contract, any potential future changes to key assumptions made when estimating its future losses are not expected to have a significant impact.

#### **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 perform 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.

## **G4S Care and Justice Services (UK) Limited**

### **Strategic Report for the Year Ended 31 December 2017 (continued)**

#### **3) Onerous contract obligations (continued)**

##### Risk mitigation approach

We have strict thresholds for the approval of major bids including completion and review of a comprehensive approval template, a 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.

Where a contract has been identified as onerous, senior management perform monthly reviews of performance against the latest projected losses. Where necessary, adjustments are made for future loss provision.

#### **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° contract assurance reviews which focus on key aspects of contract management and performance.

Senior management perform monthly reviews of contracts where commercial and/or performance issues have been identified. Management also regularly review the top 25 contracts across the division in which the Company is included.

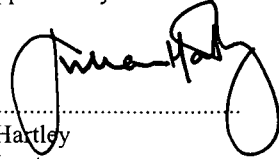
In 2018, group internal audit will continue to focus on major contracts in the UK business not covered by the 360° contract assurance reviews.

#### **5) Brook House contact**

In late August 2017, the Company became aware of allegations regarding the conduct and behaviour of a number of staff at Brook House Immigration Removal Centre. In response to these allegations, the Company took immediate action to strengthen the safeguarding of detainees at Brook House. Together with the UK Home Office, an action plan was agreed and a joint working party created to oversee its implementation. The actions outlined in the plan are well underway and many have been completed. The key objective throughout has been to ensure that detainees are safe at Brook House.

Investigations into staff conduct resulted in the dismissal of six members of staff. Verita, a specialist consultancy, have been commissioned to carry out an independent review to understand the extent and root causes of the issues at Brook House. The review is examining the Company's management, operational and staffing arrangements and the practices and behaviour of its staff. It is also assessing how the Company oversees the care and welfare of detainees, including in relation to mental-health issues, self-harm, violence prevention, use of force and proper reporting of incidents. The review is led by Kate Lampard CBE, a former barrister and vice chair of the South of England Strategic Health Authority and of the Financial Ombudsman Services Limited. The findings will be presented directly to the Home Office and the G4S plc CSR Committee.

Approved by the Board on 9 July 2018 and signed on its behalf by:

  
.....  
J Hartley  
Director

## **G4S Care and Justice Services (UK) Limited**

### **Directors' Report for the Year Ended 31 December 2017**

The directors present their report and the audited financial statements for the year ended 31 December 2017.

#### **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

G Nienaber

#### **Results and dividends**

The results for the year are set out on page 10. The directors do not recommend the payment of a final dividend (2016: £ Nil).

A review of the progress of the Company's business during the year, the key performance indicators, internal controls, principal business risks and likely future developments are contained in the Strategic report on pages 2 to 4.

#### **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:

- 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.

## **G4S Care and Justice Services (UK) Limited**

### **Directors' Report for the Year Ended 31 December 2017 (continued)**

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](http://www.g4s.com)).

#### **Statement of directors' responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors 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.

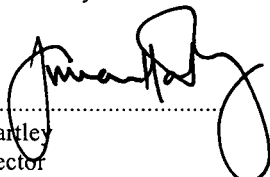
In the case of each director in office at the date the Directors' Report is approved:

- So far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- They have taken all the steps that he/she ought to have taken as a director in order to make him/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

#### **Independent auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution confirming their appointment will be approved at the Annual General meeting.

Approved by the Board on 9 July 2018 and signed on its behalf by:

  
.....  
J Hartley  
Director



## **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**

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##### ***Opinion***

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

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements ("the Annual Report"), which comprise: the statement of financial position as at 31 December 2017, the income statement, the statement of comprehensive income, statement of changes in equity for the year then ended, and the notes to the financial statements, which include a description of the significant accounting policies.

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##### ***Basis for opinion***

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### ***Independence***

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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##### ***Conclusions relating to going concern***

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

## **G4S Care and Justice Services (UK) Limited**

### **Independent Auditors' Report to the Members of G4S Care and Justice Services (UK) Limited (continued)**

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#### ***Reporting on other information***

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### ***Strategic Report and Directors' Report***

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

#### **Responsibilities for the financial statements and the audit**

##### ***Responsibilities of the directors for the financial statements***

As explained more fully in the Statement of directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

##### ***Auditors' responsibilities for the audit of the financial statements***

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

## **G4S Care and Justice Services (UK) Limited**

### **Independent Auditors' Report to the Members of G4S Care and Justice Services (UK) Limited (continued)**

#### **Responsibilities for the financial statements and the audit (continued)**

##### ***Auditors' responsibilities for the audit of the financial statements (continued)***

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

##### ***Use of this report***

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.

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#### **Other required reporting**

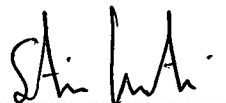
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##### **Companies Act 2006 exception reporting**

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 by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



.....  
Sotiris Kroustis (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountant and Statutory Auditors

1 Embankment Place  
London  
WC2N 6RH

9 July 2018

# G4S Care and Justice Services (UK) Limited

## Income Statement for the Year Ended 31 December 2017

	Note	2017 £ 000	2016 £ 000
Revenue	5	333,948	335,405
Cost of sales		(286,245)	(306,113)
Cost of sales		(291,149)	(290,153)
Specific items - charges		-	(20,693)
Specific items - credits		4,904	4,733
Gross profit		47,703	29,292
Administrative expenses		(19,835)	(24,187)
Administrative expenses		(23,018)	(24,187)
Profits on disposal of assets held for sale	13	3,183	-
Other income		3,167	-
<b>Operating profit</b>	6	31,035	5,105
Dividend income		3,918	3,816
Finance income	10	2,290	2,137
Finance costs	11	(380)	(810)
<b>Profit before income tax</b>		36,863	10,248
Income tax on profit	12	(5,703)	(2,323)
<b>Profit for the financial year</b>		<u>31,160</u>	<u>7,925</u>

The notes on pages 16 to 39 form an integral part of these financial statements.

**G4S Care and Justice Services (UK) Limited**

**Statement of Comprehensive Income for the Year Ended 31 December 2017**

	<b>2017</b> <b>£ 000</b>	<b>2016</b> <b>£ 000</b>
Profit for the financial year	<u>31,160</u>	<u>7,925</u>
<b>Total comprehensive income for the financial year</b>	<u><u>31,160</u></u>	<u><u>7,925</u></u>

The notes on pages 16 to 39 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 2016**

	Share capital £ 000	Share premium £ 000	Revaluation reserve - £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2016	51,538	3,983	594	(19,168)	36,947
<b>Comprehensive income:</b>					
Profit for the financial year	-	-	-	7,925	7,925
<b>Other comprehensive income:</b>					
Excess depreciation on revalued properties	-	-	(16)	16	-
Deferred tax on revalued properties	-	-	14	(14)	-
Total comprehensive income/(expense)	-	-	(2)	7,927	7,925
<b>Transactions with owners:</b>					
Share based payment transactions	-	-	-	235	235
	-	-	-	235	235
<b>At 31 December 2016</b>	<b>51,538</b>	<b>3,983</b>	<b>592</b>	<b>(11,006)</b>	<b>45,107</b>

**G4S Care and Justice Services (UK) Limited**

**Statement of Changes in Equity for the Year Ended 31 December 2017**

	Share capital £ 000	Share premium £ 000	Revaluation reserve £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2017	51,538	3,983	592	(11,006)	45,107
<b>Comprehensive income:</b>					
Profit for the financial year	-	-	-	31,160	31,160
<b>Other comprehensive income:</b>					
Excess depreciation on revalued properties	-	-	(16)	16	-
Deferred tax on revalued properties	-	-	14	(14)	-
Total comprehensive (expense)/income	-	-	(2)	2	-
<b>Transactions with owners:</b>					
Share based payment transactions	-	-	-	170	170
	-	-	-	170	170
<b>At 31 December 2017</b>	<b>51,538</b>	<b>3,983</b>	<b>590</b>	<b>20,326</b>	<b>76,437</b>

The notes on pages 16 to 39 form an integral part of these financial statements.  
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# G4S Care and Justice Services (UK) Limited

(Registration number: 00390328)

## Statement of Financial Position as at 31 December 2017

	Note	2017 £ 000	2016 £ 000
<b>Non-current assets</b>			
Intangible assets	14	333	390
Property, plant and equipment	15	2,471	3,156
Investments	16	20,433	6,403
Deferred tax assets	12	7,996	10,442
Non-current trade and other receivables	17	-	419
		<u>31,233</u>	<u>20,810</u>
<b>Current assets</b>			
Inventories	18	956	1,102
Trade and other receivables	17	170,374	120,952
Cash and cash equivalents	19	1,943	12,519
Assets of disposal group classified as held for sale*	13	-	6,798
		<u>173,273</u>	<u>141,371</u>
<b>Total assets</b>		<u>204,506</u>	<u>162,181</u>
<b>Current liabilities</b>			
Trade and other payables	20	(78,954)	(51,963)
Obligations under finance lease	23	(2,098)	(1,762)
Current tax liabilities		(3,257)	(404)
Deferred income	21	(1,887)	(1,140)
Provisions	22	(29,694)	(47,061)
Liabilities of disposal group classified as held for sale*	13	-	(478)
		<u>(115,890)</u>	<u>(102,808)</u>
<b>Non-current liabilities</b>			
Obligations under finance leases	23	(78)	(2,232)
Provisions	22	(12,101)	(12,034)
		<u>(12,179)</u>	<u>(14,266)</u>
<b>Total liabilities</b>		<u>(128,069)</u>	<u>(117,074)</u>
<b>Net assets</b>		<u>76,437</u>	<u>45,107</u>
<b>Equity</b>			
Called up share capital	26	51,538	51,538
Share premium		3,983	3,983
Revaluation reserve		590	592
Retained earnings/(Accumulated losses)		<u>20,326</u>	<u>(11,006)</u>
<b>Total shareholders' funds</b>		<u>76,437</u>	<u>45,107</u>

The notes on pages 16 to 39 form an integral part of these financial statements.



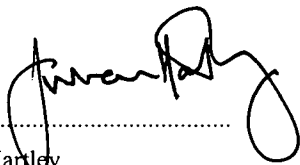
**G4S Care and Justice Services (UK) Limited**

**(Registration number: 00390328)**

**Statement of Financial Position as at 31 December 2017 (continued)**

\*As the Directors had committed to sell the Company's children's care home business at 31 December 2016, a disposal group was recognised within the net assets of the Company at the 2016 year end. The sale completed in June 2017.

The financial statements on pages 10 to 39 were approved by the Board on 9 July 2018 and signed on its behalf by:

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

J Hartley  
Director

The notes on pages 16 to 39 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 2017**

#### **1 General information**

G4S Care and Justice Services (UK) Limited 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 5th Floor, 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**

The Company's financial statements have been prepared in accordance with Financial Reporting Standards ('FRS') 101 'Reduced Disclosure Framework'.

#### **3 Significant accounting policies**

##### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **Basis of preparation**

The financial statements of G4S Care and Justice Services (UK) Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

##### **Changes in accounting policy**

There are no new standards, amendments or interpretations which have been adopted for the first time and have a significant impact on accounting policies applied in preparing the Company's financial statements.

## **G4S Care and Justice Services (UK) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

#### **3 Significant accounting policies (continued)**

##### **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 requirements of IAS 7 'Statement of cash flows';
- 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;
- 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 recognition**

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.

## **G4S Care and Justice Services (UK) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

#### **3 Significant accounting policies (continued)**

##### **Specific items**

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

All items that are reported as specific items are evaluated and approved by the Company's management prior to being separately disclosed. The Company seeks to be balanced when reporting specific items for both debits and credits, and any reversals of excess provisions previously created as specific items are classified consistently as specific items.

In general, provisions recognised for future losses on onerous contracts are charged to the income statement within cost of sales. However, where onerous contract charges are significant 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. Releases of onerous contract provisions originally charged as specific items are separately credited within specific items.

Specific items may not be comparable to similarly-titled measures used by other companies. Further details of onerous contract provisions can be found at note 22.

##### **Dividend income**

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

##### **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 financial statements 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.

## **G4S Care and Justice Services (UK) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

#### **3 Significant accounting policies (continued)**

##### **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.

##### **Current and deferred tax**

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.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the 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.

## **G4S Care and Justice Services (UK) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

#### **3 Significant accounting policies (continued)**

##### **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:

<b>Asset class</b>	<b>Depreciation method and rate</b>
Short leasehold buildings	over the period 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.

##### **Intangible assets**

###### *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 and other 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.

## **G4S Care and Justice Services (UK) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

#### **3 Significant accounting policies (continued)**

##### ***Amounts owed by/to group undertaking***

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

##### ***Cash and cash equivalents***

Cash and cash equivalents comprise cash balances and call deposits.

##### ***Trade and other payables***

Trade payables are not interest-bearing and are stated initially at fair value and subsequently measured at amortised cost using the effective interest method.

##### ***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 mobilisation costs are expensed as incurred.

##### ***Impairment***

The carrying value of the Company's non financial assets, with the exception of inventories and deferred tax assets, are 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 exceeds its recoverable amount.

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.

## **G4S Care and Justice Services (UK) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

#### **3 Significant accounting policies (continued)**

##### **Provisions**

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 exercises judgement in measuring the exposures to contingent liabilities (see note 22) 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.

##### **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.

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.



## **G4S Care and Justice Services (UK) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

#### **3 Significant accounting policies (continued)**

##### **Non-current assets held for sale**

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

##### **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**

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

##### **Revaluation reserve**

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

#### **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 financial statements 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.

## **G4S Care and Justice Services (UK) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

#### **4 Accounting estimates, judgements and assumptions (continued)**

##### **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.

The Company delivers certain long-term services that are complex in nature. Some of these contracts may evolve to become loss-making, such that net unavoidable losses are expected to be incurred over their life.

Where a contract is expected to be loss-making over its remaining term, the net present value of estimated future losses is determined in order to calculate an onerous contract provision. The identification and measurement of such provisions is subject to inherent risk, given the extended time periods often involved and the number of variables which are not all within the Group's control.

In particular, estimation is required in assessing future expected revenue and costs on such contracts, including:

- determining the expected impact of any profit improvement plans where sufficient evidence exists of benefits being delivered by those plans; and
- determining an appropriate discount rate to apply to material future cash flows.

The level of uncertainty in the estimates and assumptions supporting expected future revenues and costs can vary with the complexity of each contract and with the form of service delivery.

Further details of onerous contract provisions can be found at note 22 on page 35 of the Financial Statements.

##### **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 turnover for the year from continuing operations is as follows:

	<b>2017</b>	<b>2016</b>
	<b>£ 000</b>	<b>£ 000</b>
Rendering of services	<u>333,948</u>	<u>335,405</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 2017 (continued)

#### 6 Operating profit

Arrived at after charging

	2017 £ 000	2016 £ 000
Depreciation expense	674	1,031
Amortisation expense	79	143
Impairment loss	970	830
Operating lease expense - plant and machinery	404	422
Operating lease expense - other	1,117	1,120
	<u>1,117</u>	<u>1,120</u>

Impairment losses include a £970,000 (2016: £830,000) charge in respect of investments.

#### 7 Staff costs

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

	2017 £ 000	2016 £ 000
Wages and salaries	125,062	127,885
Social security costs	11,848	11,888
Other pension costs	6,160	6,889
Redundancy costs	124	468
	<u>143,194</u>	<u>147,130</u>

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

	2017 No.	2016 No.
Direct	4,322	4,634
Administration and support	31	44
	<u>4,353</u>	<u>4,678</u>

#### 8 Directors' remuneration

The remuneration of all three directors is paid by G4S Regional Management (UK&I) Limited which makes no recharge to the Company. All three directors are directors of a number of fellow subsidiaries, and it is therefore 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.

## **G4S Care and Justice Services (UK) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

#### **9 Auditors' remuneration**

Fees payable to the Company's auditors for the audit of the Company's financial statements was £198,000 (2016: £198,000). The Company did not incur any non-audit fee in the current and prior year.

#### **10 Finance income**

	<b>2017</b> <b>£ 000</b>	<b>2016</b> <b>£ 000</b>
Interest receivable from group undertakings	2,290	2,136
Foreign exchange gains	-	1
	<u>2,290</u>	<u>2,137</u>

#### **11 Finance costs**

	<b>2017</b> <b>£ 000</b>	<b>2016</b> <b>£ 000</b>
Interest on bank overdrafts and borrowings	28	22
Interest on obligations under finance leases and hire purchase contracts	352	750
Other finance costs	-	38
	<u>380</u>	<u>810</u>

## G4S Care and Justice Services (UK) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

#### 12 Income tax on profit

Tax charged/(credited) in the income statement

	2017 £ 000	2016 £ 000
<b>Current taxation</b>		
UK corporation tax	3,257	404
UK corporation tax adjustment to prior periods	-	(154)
	<u>3,257</u>	<u>250</u>
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	2,611	1,229
Arising from changes in tax rates and laws	(298)	479
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	133	365
	<u>2,446</u>	<u>2,073</u>
Total deferred taxation	<u>2,446</u>	<u>2,073</u>
Tax charge in the income statement	<u>5,703</u>	<u>2,323</u>

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2016: the same as the standard rate of corporation tax in the UK) of 19.25% (2016: 20%).

The differences are reconciled below:

	2017 £ 000	2016 £ 000
Profit before tax	<u>36,863</u>	<u>10,248</u>
Corporation tax at standard rate	7,096	2,050
Decrease in current tax from adjustment for prior periods	-	(154)
(Decrease)/Increase from effect of different UK tax rates on some earnings	(298)	479
Decrease from income and gains not taxable	(1,589)	(763)
Increase from effect of expenses not deductible in determining taxable profit (tax loss)	367	300
Increase/(Decrease) due to issue of share options	48	(53)
Decrease from transfer pricing adjustments	(54)	(58)
Deferred tax expense from unrecognised temporary difference from a prior period	133	365
Decrease due to revaluation of property	-	(9)
Increase in current tax due to disallowable impairment of investments	-	166
Total tax charge	<u>5,703</u>	<u>2,323</u>

## G4S Care and Justice Services (UK) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

#### 12 Income tax on profit (continued)

The UK corporation tax rate reduced from 21% to 20% with effect from 1 April 2015. Further reductions in the UK corporation tax rate applied from 1 April 2017 when the rate reduced to 19% and from 1 April 2020 when the rate reduces to 17%. All of these rate changes were enacted at the balance sheet date.

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 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 17%.

#### Deferred tax

Deferred tax assets and liabilities

	Asset £ 000	Liability £ 000	Net deferred tax £ 000
<b>2017</b>			
Accelerated tax depreciation	2,381	-	2,381
Other items	-	(16)	(16)
Revaluation of property	-	-	-
Tax losses carry-forwards	5,581	-	5,581
Share-based payment	50	-	50
	<u>8,012</u>	<u>(16)</u>	<u>7,996</u>
<b>2016</b>			
Accelerated tax depreciation	2,989	-	2,989
Other items	84	-	84
Revaluation of property	-	(74)	(74)
Tax losses carry-forwards	7,343	-	7,343
Share-based payment	100	-	100
	<u>10,516</u>	<u>(74)</u>	<u>10,442</u>

## G4S Care and Justice Services (UK) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

#### 12 Income tax on profit (continued)

##### 2017

Deferred tax movement during the year:

	At 1 January 2017 £ 000	Recognised in income £ 000	At 31 December 2017 £ 000
Accelerated tax depreciation	2,989	(608)	2,381
Other items	84	(100)	(16)
Revaluation of property	(74)	74	-
Tax losses carry-forwards	7,343	(1,762)	5,581
Share-based payment	100	(50)	50
Net tax assets	<u>10,442</u>	<u>(2,446)</u>	<u>7,996</u>

##### 2016

Deferred tax movement during the prior year:

	At 1 January 2016 £ 000	Recognised in income £ 000	At 31 December 2016 £ 000
Accelerated tax depreciation	3,232	(243)	2,989
Other items	104	(20)	84
Revaluation of property	(86)	12	(74)
Tax losses carry-forwards	9,218	(1,875)	7,343
Share-based payment	47	53	100
Net tax assets	<u>12,515</u>	<u>(2,073)</u>	<u>10,442</u>

#### 13 Assets and liabilities classified as held for sale

During 2016, the board resolved to dispose of the Company's children's care home operations. As a sale of these operations completed within 12 months of the 2016 year end and the Directors were committed to the sale of the business at 31 December 2016, the net assets of the children's homes were classified as held for sale at this date. The value of the children's homes assets and liabilities were therefore presented separately in the balance sheet as at 31 December 2016. In June 2017, a sale of the Company's children's care home business was completed to the Prospects Group resulting in a profit of £3,183,000.

## G4S Care and Justice Services (UK) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

#### 14 Intangible assets

	Software £ 000
<b>Cost</b>	
At 1 January 2017	5,554
Additions	22
Disposals	<u>(4,681)</u>
At 31 December 2017	<u>895</u>
<b>Accumulated amortisation</b>	
At 1 January 2017	5,164
Amortisation charge	79
Eliminated on disposals	<u>(4,681)</u>
At 31 December 2017	<u>562</u>
<b>Carrying amount</b>	
At 31 December 2017	<u><u>333</u></u>
At 31 December 2016	<u><u>390</u></u>



# **G4S Care and Justice Services (UK) Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

### **15 Property, plant and equipment**

	<b>Short leasehold buildings £ 000</b>	<b>Plant &amp; equipment £ 000</b>	<b>Total £ 000</b>
<b>Cost</b>			
At 1 January 2017	181	19,666	19,847
Additions	-	2	2
Disposals	(2)	(3,148)	(3,150)
Transfers	7	(7)	-
At 31 December 2017	<u>186</u>	<u>16,513</u>	<u>16,699</u>
<b>Accumulated depreciation</b>			
At 1 January 2017	91	16,600	16,691
Charge for the year	18	656	674
Eliminated on disposal	(1)	(3,136)	(3,137)
At 31 December 2017	<u>108</u>	<u>14,120</u>	<u>14,228</u>
<b>Carrying amount</b>			
At 31 December 2017	<u>78</u>	<u>2,393</u>	<u>2,471</u>
At 31 December 2016	<u>90</u>	<u>3,066</u>	<u>3,156</u>

## G4S Care and Justice Services (UK) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

#### 16 Investments

Subsidiaries	£ 000
<b>Cost</b>	
At 1 January 2017	14,649
Additions	<u>15,000</u>
At 31 December 2017	<u>29,649</u>
<b>Accumulated impairment</b>	
At 1 January 2017	8,246
Impairment	<u>970</u>
At 31 December 2017	<u>9,216</u>
<b>Carrying amount</b>	
At 31 December 2017	<u><u>20,433</u></u>
At 31 December 2016	<u><u>6,403</u></u>

During the year the Company purchased 58.5% of the share capital of Bridgend Custodial Services Limited from another group undertaking. The investment was valued using management's latest estimate of future cash flows.

The recoverable amount of the Company's investments has been determined by their value in use, which is derived from discounted future cash flow forecasts. Post-tax cash flows for the first three years are based on the Group's Board approved three year business plans and are thereafter based on long-term growth rates. Further detail regarding the methodology used to assess cash flow forecasts, growth and discount rates is outlined in note 18 of the G4S plc consolidated financial statements for the year ended 31 December 2017.

The impairment charge in 2017 is in respect of G4S Policing Solutions Limited. G4S Policing Solutions Limited was dissolved in May 2018 following the appointment of liquidators during 2017.

## G4S Care and Justice Services (UK) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

#### 16 Investments (continued)

Details of the subsidiaries as at 31 December 2017 are as follows:

Subsidiary undertakings	Class of holding	Nature of business	Ownership	Registered address
G4S Policing Solutions Limited*#	Ordinary	Policing recruitment and support	100%	Mazars LLP, Tower Bridge House, St Katherines Way, London, E1W 1DD
G4S Monitoring Technologies Limited*	Ordinary	Manufacture and sell/lease monitoring units to Government agencies across the world	100%	Southside, 105 Victoria Street, London, SW1E 6QT
Bridgend Custodial Services Limited*	Ordinary	Prison management	58.5%	Challenge House, International Drive, Tewkesbury Business Park, Tewkesbury, Gloucestershire, GL20 8UQ

\* Direct ownership

# In liquidation

#### 17 Trade and other receivables

	2017 £ 000	2016 £ 000
Trade receivables	23,665	18,763
Provision for impairment of trade receivables	(76)	(37)
Net trade receivables	23,589	18,726
Amounts due from group undertakings (members of the G4S plc group)	130,528	81,425
Accrued income	10,473	13,785
Prepayments	4,316	2,239
Other receivables	1,468	4,777
	<u>170,374</u>	<u>120,952</u>
<b>Non-current trade and other receivables</b>		
Accrued income	-	419
	<u>170,374</u>	<u>121,371</u>

Included in amounts due from group undertakings is a £127,665,000 (2016: £80,851,000) short term loan receivable which is repayable on demand. Interest on this loan is charged at a rate of 3 month LIBOR plus 1.5%.

All other amounts due 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 2017 (continued)

#### 18 Inventories

	2017 £ 000	2016 £ 000
Other inventories	<u>956</u>	<u>1,102</u>

The amount of inventory consumed and recognised in the income statement during the year is £1,000 (2016: £3,000). The amount of write-down of inventories recognised as an expense in the year is £Nil (2016: £65,000).

#### 19 Cash and cash equivalents

	2017 £ 000	2016 £ 000
Cash on hand	63	54
Cash at bank	<u>1,880</u>	<u>12,465</u>
	<u>1,943</u>	<u>12,519</u>

Included in cash and cash equivalents is £250,000 (2016: £313,000) that is restricted and not available for general use by the Company as it is held on behalf of third parties.

#### 20 Trade and other payables

	2017 £ 000	2016 £ 000
Trade payables	11,415	9,550
Accrued expenses	23,482	17,574
Amounts owed to group undertakings (members of the G4S plc group)	25,394	6,334
Social security and other taxes	15,241	14,347
Other payables	<u>3,422</u>	<u>4,158</u>
	<u>78,954</u>	<u>51,963</u>

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

#### 21 Deferred income

A grant for £99,000 (2016: £Nil ) has been received during the year and is presented in deferred income at the year end. The Welsh government provided the grant for the provision of leased buildings used for the completion of substance abuse work for the Company's community contracts.

## G4S Care and Justice Services (UK) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

#### 22 Provisions and contingent liabilities

	Onerous contracts £ 000	Claims provisions £ 000	Other provisions £ 000	Total £ 000
At 1 January 2017	40,450	6,500	12,145	59,095
Additional provisions	-	-	7,721	7,721
Decrease in existing provision	(4,904)	-	(1,821)	(6,725)
Utilisation of provision	(8,684)	-	(9,878)	(18,562)
Increase (decrease) due to change in discount rate	10	-	-	10
Increase from transfers	-	-	256	256
At 31 December 2017	<u>26,872</u>	<u>6,500</u>	<u>8,423</u>	<u>41,795</u>
Non-current liabilities	<u>12,101</u>	<u>-</u>	<u>-</u>	<u>12,101</u>
Current liabilities	<u>14,771</u>	<u>6,500</u>	<u>8,423</u>	<u>29,694</u>

Management judgement is required in quantifying the Company's provisions, particularly in connection with claims and onerous customer contracts, which are based on a number of assumptions and estimates where the ultimate outcome may be different to the amount provided. Each of these provisions reflects the Company's best estimate of the probable exposure at 31 December 2017 and this assessment has been made having considered the sensitivity of each provision to reasonably possible changes in key assumptions. The Company is satisfied that it is unlikely that changes in these key assumptions will have a material impact on the Company's overall provisioning position in the next 12 months.

#### *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. The forecast is based on assumptions made of the costs required to meet the performance obligations interpreted in the contracts and the timing and extent to which the defects in one of the facilities will be rectified.

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 will come to an end in August 2019. An onerous contract provision for this contract was first recognised in 2014. Given the short period remaining to the finalisation of this contract, any potential future changes to key assumptions made when estimating its future losses are not expected to have a significant impact.

The provision for onerous contracts will be fully utilised by the end of 2019.

## **G4S Care and Justice Services (UK) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

#### **22 Provisions and contingent liabilities (continued)**

##### *Claims provision*

The Company holds a claims provision of £6,500,000 related to the estimated cost of settlement of subcontractor claims from commercial disputes in relation to prior years.

##### *Other provisions*

A number of other provisions have been included within the financial statements. These provisions include commitments in regards to restructuring, employee benefits, asset replacement and other legal costs. All amount are payable within 12 months of the year end reporting date but individually have no material impact on the Company's financial position.

##### *Contingent liabilities*

Where there is a dispute or where there is a risk of a dispute or claims in the future and where, based on legal counsel advice, the Company estimates that it is probable that the dispute will result in an outflow of economic resources, a provision is made based on the Company's best estimate of the likely financial outcome. Where a reliable estimate cannot be made, or where the Company, based on legal counsel advice, considers that it is not probable that there will be an outflow of economic resources, no provision is recognised.

In the ordinary course of business, contingent liabilities exist where the Company is subject to commercial claims and litigation from a range of parties in respect of contracts, agreements, regulatory and compliance matters, none of which are expected to have a material impact on the Company.

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.

## G4S Care and Justice Services (UK) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

#### 23 Obligations under leases and hire purchase contracts

##### Finance leases

	Minimum lease payments £ 000	Interest £ 000	Present value £ 000
<b>2017</b>			
Within one year	2,277	(179)	2,098
In the second to fifth years inclusive	<u>79</u>	<u>(1)</u>	<u>78</u>
	<u>2,356</u>	<u>(180)</u>	<u>2,176</u>
	Minimum lease payments £ 000	Interest £ 000	Present value £ 000
<b>2016</b>			
Within one year	2,287	(525)	1,762
In the second to fifth years inclusive	<u>2,430</u>	<u>(198)</u>	<u>2,232</u>
	<u>4,717</u>	<u>(723)</u>	<u>3,994</u>

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

	2017 £ 000	2016 £ 000
Current liabilities	2,098	1,762
Non-current liabilities	<u>78</u>	<u>2,232</u>
	<u>2,176</u>	<u>3,994</u>

##### Operating leases

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

	2017 £ 000	2016 £ 000
Within one year	1,401	2,033
In the second to fifth years inclusive	2,099	4,880
After five years	<u>24</u>	<u>308</u>
	<u>3,524</u>	<u>7,221</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £1,521,000 (2016: £1,542,000).

## **G4S Care and Justice Services (UK) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

#### **24 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 £6,160,000 (2016: £6,889,000) have been charged to the income statement.

##### ***Defined benefit pension schemes***

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 contributions pension scheme***

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

#### **25 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 2017 was 14 months (2016: 15 months). The weighted average share price at the date of allocation of shares allocated conditionally during the year was 295p (2016: 188p). The contractual life of all conditional allocations was three years.



## G4S Care and Justice Services (UK) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

#### 26 Called up share capital

##### Allotted, called up and fully paid shares

	2017		2016	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	51,538	51,538	51,538	51,538

#### 27 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:

	2017	2017	2016	2016
	Services/sales	Amounts	Services/sales	Amounts
	to £ 000	receivable	to £ 000	receivable
		£ 000		£ 000
Bridgend Custodial Services Limited*	52,818	5,671	44,469	5,108
Fazakerley Prison Services Limited	39,326	3,825	29,738	3,649
Onley Prison Services Limited	17,206	1,720	13,928	1,627
STC Milton Keynes Limited	17,430	1,506	-	-

\* The investment in this joint venture is now owned directly by the Company.

#### 28 Subsequent events

During 2018 a material subcontractor claim has been resolved. The settlement agreed was within the amount provided.

#### 29 Parent and ultimate parent undertaking

The Company's ultimate parent company is G4S Plc, a company incorporated in the United Kingdom. The Company's immediate parent is G4S Regional Management (UK&I) Limited.

The parent undertaking of both the smallest and largest group, which included the Company and for which group financial statements are prepared, is also G4S Plc.

Copies of the group financial statements for G4S Plc are available upon request for the Company Secretary, 5th Floor, Southside, 105 Victoria Street, London, SW1E 6QT.