

Premier Custodial Investments Limited

Annual Report and Financial Statements 31 December 2003

A company registered in England and Wales, number 3849142



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Directors' Report

The Directors present their annual report and the audited financial statements of the company for the year ended 31 December 2003.

Activities

The principal activities of the Company are those of a holding company with subsidiaries engaged in the design, construction, management and finance of custodial facilities.

Results

The results of the Company are set out on page 4. The Directors are confident that 2004 will be a successful year.

Dividends

The Directors propose the payment of a dividend of £187,000 (2002 – £nil).

Directors and their interests

The following Directors served throughout the year, and to the date of this report, except as stated below:

	Appointed	Resigned
J D M Jeffery	20 March 2003	
N Hayward	2 July 2003	
N L Beswick	2 July 2003	
S I Taiyeb		
J D Carter	1 October 2003	
P J Edwards	1 October 2003	
R Tasker	1 October 2003	
C E Bailey	1 October 2003	
J Smith	26 January 2004	
K S Beeston		20 March 2003
D H Keens		2 July 2003
K T Lewis		2 July 2003
W H Calabrese		2 July 2003

None of the Directors have any interests in the shares of the Company. The Directors' interests in the shares of Serco Group plc are disclosed in the accounts of Premier Custodial Group Limited.

Auditors

On 15 December 2003, Horwath Clark Whitehill resigned as auditors to the Company. Deloitte & Touche LLP were appointed in their place. The Company has elected to dispense with the obligation to appoint auditors annually and accordingly, Deloitte & Touche LLP shall be deemed to be re-appointed as auditors for a further term under the provisions of Section 386(2) of the Companies Act 1985.

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



N L Beswick ACA
Secretary

27 February 2004

Statement of Directors' Responsibilities

United Kingdom company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; 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 proper accounting records which 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 1985. They are also responsible for the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report to the Members of Premier Custodial Investments Limited

We have audited the financial statements of Premier Custodial Investments Limited for the year ended 31 December 2003 which comprise the profit and loss account, the balance sheet and the related notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As described in the statement of Directors' responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

We read the Directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

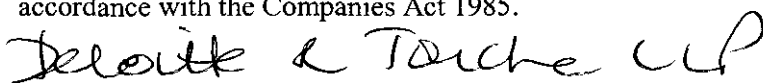
Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London

 2 March 2004

Profit and Loss Account

For the year ended 31 December 2003

	Note	2003 £'000	2002 £'000
Turnover		-	-
Administration expenses		(8)	(10)
Operating loss		(8)	(10)
Net interest receivable	3	-	-
Income from shares in Group undertakings	4	190	-
Profit/(loss) on ordinary activities before taxation	5	182	(10)
Tax credit on profit/(loss) on ordinary activities	6	3	3
Profit/(loss) on ordinary activities after taxation		185	(7)
Dividends	4	(187)	-
Retained loss for the financial year	11	(2)	(7)

All results arise from continuing operations.

There are no recognised gains or losses for the current or preceding years other than those dealt with in the profit and loss account. Therefore no separate statement of total recognised gains and losses has been prepared.

Premier Custodial Investments Limited

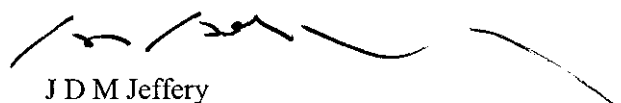
Balance Sheet

31 December 2003

	Note	2003 £'000	2002 £'000
Fixed assets			
Investments	7	1,800	1,800
Current Assets			
Debtors:			
Amounts falling due within one year	8	1,210	1,060
Amounts falling due over one year	8	17,553	18,229
Cash at bank and in hand		7	4
		18,770	19,293
Creditors: amounts falling due within one year			
Amounts owed to fellow subsidiaries		(827)	(824)
Corporation tax		(3)	-
Loans from fellow subsidiaries	9	(1,196)	(1,051)
Accruals and deferred income		(8)	(4)
Net current assets		16,736	17,414
Total assets less current liabilities		18,536	19,214
Creditors: amounts falling due after more than one year			
Loans from fellow subsidiaries	9	(17,553)	(18,229)
Net Assets		983	985
Capital and Reserves			
Called up share capital	10	400	400
Share premium	12	600	600
Profit and loss account	11	(17)	(15)
Equity Shareholders' Funds	12	983	985

These financial statements were approved by the Board of Directors on *27 February* 2004.

Signed on behalf of the Board of Directors


J D M Jeffery
Director

Notes to the Financial Statements

For the year ended 31 December 2003

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted are described below. These have all been applied consistently throughout the current and preceding financial year.

Accounting convention

These financial statements have been prepared under the historical cost convention.

Basis of preparation

These financial statements are drawn up for the year ended 31 December 2003.

Taxation

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

The charge for taxation takes account of taxation deferred because of differences between the timing of recognition of certain items for taxation purposes and accounting purposes. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date, with the following exception:

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

Investments

Investments are stated at cost less provision for any impairment. Shares in subsidiary companies are shown in fixed assets and loans to subsidiary companies are shown in current assets analysed between debtors falling due within one year and debtors falling due after more than one year.

Consolidated financial statements have not been prepared as the Company is a wholly owned subsidiary of a company incorporated in Great Britain and registered in England and Wales and so is therefore exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare and deliver group accounts. The smallest group company for which consolidated financial statements are prepared is Serco Group plc.

Cash flow statement

The Company is a wholly owned subsidiary of Premier Custodial Group Limited and is included in the consolidated financial statements of Serco Group plc, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 ("FRS 1") (revised 1996) – Cash flow statements (revised).

2. Information regarding Directors and employees

None of the Directors received any remuneration for services to the Company during the year to 31 December 2003 (2002 – £nil).

The Company had no employees other than the Directors during the year (2002 – none).

Premier Custodial Investments Limited**Notes to the Financial Statements**

For the year ended 31 December 2003

3. Net interest

	2003 £'000	2002 £'000
Interest receivable on short term deposits	2,427	2,557
Interest payable on bank overdraft	(2,427)	(2,557)
	-	-

4. Dividend**Received**

	2003 £'000	2002 £'000
Received from Medomsley Training Services Limited	190	-

Paid

	2003 £'000	2002 £'000
Paid dividend of £0.47 per ordinary share (2002: £nil)	(187)	-

5. Profit/(loss) on ordinary activities before taxation

The profit/(loss) on ordinary activities before taxation is stated after charging:

	2003 £'000	2002 £'000
Auditors' remuneration – audit services	8	4
Auditors' remuneration – taxation advice	-	4

6. Tax credit on profit/(loss) on ordinary activities

Analysis of credit in the year:

	2003 £'000	2002 £'000
Current tax:		
United Kingdom Corporation tax at 30% (2002 – 30%)	-	-
Group relief	(3)	(3)
Total current tax	(3)	(3)
Total taxation	(3)	(3)
	2003 £'000	2002 £'000
Profit/(loss) on ordinary activities before tax	182	(10)
Multiplied by the standard rate of Corporation tax in the UK (30%)	(55)	(3)
Income from other group undertakings	52	-
Current tax credit for the year	(3)	(3)

Premier Custodial Investments Limited

Notes to the Financial Statements

For the year ended 31 December 2003

7. Investments

	Shares in subsidiary undertakings £'000
At 1 January 2003 and 31 December 2003	1,800

The following companies are wholly owned by Premier Custodial Investments Limited. All companies are registered in England and Wales.

Company	Business Activity
Lowdham Grange Prison Services Limited	Design, construction, management and finance of HMP Lowdham Grange
Pucklechurch Custodial (Holdings) Limited	Dormant
Pucklechurch Custodial Services Limited	Design, construction, management and finance of HMP & YOI Ashfield
Medomsley Holdings Limited	Dormant
Medomsley Training Services Limited	Design, construction, management and finance of a Secure Training Centre at Hossockfield
Moreton Prison (Holdings) Limited	Dormant
Moreton Prison Services Limited	Design, construction, management and finance of HMP Dovegate (formerly HMP Moreton Lane)
Kilmarnock Prison (Holdings) Limited	Dormant
Kilmarnock Prison Services Limited	Design, construction, management and finance of HMP Kilmarnock
Cambridgeshire Custodial Services Limited	Dormant

8. Debtors

	2003 £'000	2002 £'000
Amounts falling due within one year		
Loans to subsidiary undertakings	1,196	1,051
Corporation tax recoverable	-	8
Amounts due from group companies	14	-
VAT recoverable	-	1
	1,210	1,060
	2003 £'000	2002 £'000
Amounts falling due after one year		
Loans to subsidiary undertakings	17,553	18,229

The loans to subsidiary undertakings are made on the same terms and conditions as loans received from fellow subsidiaries as set out in Note 9.

Premier Custodial Investments Limited**Notes to the Financial Statements**

For the year ended 31 December 2003

9. Loans from fellow subsidiaries

	2003 £'000	2002 £'000
Repayable within one year	1,196	1,051
Repayable between one to two years	669	735
Repayable in two to five years	3,639	2,994
Repayable in over five years	13,245	14,500
Total repayable in more than one year	17,553	18,229
	18,749	19,280

The loan balance represents subordinated debt which is secured by subordinated fixed and floating charges over the property and assets of Pucklechurch Custodial Services Limited, Medomsley Training Services Limited, Moreton Prison Services Limited, Lowdham Grange Prison Services Limited and Kilmarnock Prison Services Limited. The subordinated debt is interest bearing at 13% and has ultimate repayment dates between 28 February 2012 and 31 December 2017 according to the Special Purpose Vehicle Company to which it relates.

10. Called up share capital

	2003 £'000	2002 £'000
Authorised:		
1 'A' share of £1	-	-
1,000,000 'B' shares of £1 each	1,000	1,000
	1,000	1,000
Called up, allotted:		
1 'A' share of £1	-	-
400,002 ordinary 'B' shares of £1 each	400	400
	400	400

The 'A' share is held by the Bank of Scotland. The share gives voting rights, but has no right to dividends or share of reserves on wind-up.

11. Profit and loss account

	2003 £'000	2002 £'000
Retained loss brought forward	(15)	(8)
Profit/(loss) for the financial period	185	(7)
Dividends paid	(187)	-
Retained loss for the year	(2)	(7)
Retained loss carried forward	(17)	(15)

Premier Custodial Investments Limited

Notes to the Financial Statements

For the year ended 31 December 2003

12. Combined statement of movements in shareholders' funds and statement of movements in reserves

	Share capital £'000	Share premium £'000	Profit and loss £'000	Total £'000
At 1 January 2003	400	600	(15)	985
Profit for the financial year	-	-	185	185
Dividends paid	-	-	(187)	(187)
At 31 December 2003	400	600	(17)	983

The Share Premium represents the difference between the book value of share capital of the Company issued in exchange for shares at book value in Lowdham Grange Prison Services Limited, Pucklechurch Custodial (Holdings) Limited, Medomsley Holdings Limited and Moreton Prison (Holdings) Limited.

13. Related parties and ultimate parent company

The Company has taken advantage of the exemption granted by paragraph 3(c) of Financial Reporting Standard 8 not to disclose related party transactions with Serco Group plc group companies.

The immediate parent company is Premier Custodial Group Limited.

The ultimate parent company and controlling entity of the Company is Serco Group plc, a company incorporated in Great Britain and registered in England and Wales. Serco Group plc is the parent undertaking of the smallest and largest group to consolidate these financial statements. The financial statements of Serco Group plc are available from The Company Secretary, Serco Group plc, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, RG27 9UY.