

Harmondsworth Detention Services Limited

**Directors' report and financial
statements**

Registered number 04054452

31 August 2006

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Directors' report

The directors present their directors' report and financial statements for the year ended 31 August 2006

Principal activities and business review

Harmondsworth Detention Services Ltd is a Special Purpose Vehicle whose purpose is to design, construct and manage the Immigration Removal Centre Harmondsworth, which holds 501 male detainees. It has an 8 year contract with the UK Immigration Service that will expire in 2009.

There are two principal subcontractors, Kalyx Limited (formerly UK Detention Services Limited) who manage the operations and Interserve Projects who constructed the building.

There will be some organic growth of the business through the provision of additional services which our client is currently seeking.

Loss and proposed dividend

The loss for the financial year amounted to £1,045 (2005: loss £179).

The directors do not recommend the payment of a dividend (2005: £nil).

Directors and directors' interests

The directors who held office during the year were as follows:

H Nahapiet

M Priday

J Vyse

B Melizan	Appointed 15 September 2005	Resigned 5 January 2006	(Alternate to M Priday)
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S Carter	Appointed 5 October 2005		
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A Leech	Appointed 17 January 2006		(Alternate to H Nahapiet)
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D Paterson	Appointed 6 March 2007		
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None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the Company. In accordance with Statutory Instrument 802, 1985, no disclosure of interests in the share capital of the ultimate holding company, Sodexo Alliance SA is required, because that company is not incorporated in Great Britain.

Directors' report *(continued)*

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

In accordance with s385 of the Companies Act 1985, a resolution to re-appoint KPMG LLP will be proposed at the forthcoming annual general meeting

By order of the board



T Bradbury
Secretary

Interserve House,
Ruscombe Park,
Twyford,
Reading
Berkshire
RG10 9JU

15 August 2007

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities



KPMG LLP

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Independent auditors' report to the members of Harmondsworth Detention Services Limited

We have audited the financial statements of Harmondsworth Detention Services Limited for the year ended 31 August 2006 which comprise the Profit and Loss Account, the Balance Sheet, Reconciliation of movements in shareholders' funds and the related notes. 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 auditor's 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the 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.

Independent auditors' report to the members of Harmondsworth Detention Services Limited *(continued)*

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 August 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG LLP

KPMG LLP

Chartered Accountants

Registered Auditor

20 August 2007

Profit and loss account
for the year ended 31 August 2006

	<i>Note</i>	2006 £	2005 £
Turnover	2	20,292,017	13,221,033
Cost of sales	3	(20,292,017)	(13,221,033)
Gross profit		-	-
Administrative expenses		(7,800)	(4,238)
Operating loss		(7,800)	(4,238)
Other interest receivable and similar income	6	6,874	4,419
Interest payable and similar charges	7	(119)	(360)
Loss on ordinary activities before taxation	8	(1,045)	(179)
Tax on loss on ordinary activities	9	-	-
Loss for the financial year		(1,045)	(179)

All results arise from continuing activities

The company has no recognised gains or losses other than the loss above and therefore no separate statement of total recognised gains and losses has been prepared

There is no difference between the loss on ordinary activities before taxation and the loss for the year stated above and their historical equivalents

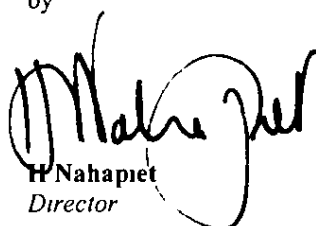
The notes on pages 9 to 13 form part of these financial statements

Balance sheet
at 31 August 2006

	<i>Note</i>	2006 £	2005 £
Current assets			
Debtors	<i>10</i>	1,763,703	1,994,870
Cash at bank and in hand		3,793,978	136,988
		<hr/>	<hr/>
Creditors amounts falling due within one year	<i>11</i>	5,557,681 (5,518,731)	2,131,858 (2,091,863)
		<hr/>	<hr/>
Net current assets		38,950	39,995
		<hr/>	<hr/>
Net assets		38,950	39,995
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	<i>12</i>	100	100
Profit and loss account	<i>13</i>	38,850	39,895
		<hr/>	<hr/>
Shareholders' funds		38,950	39,995
		<hr/>	<hr/>

The notes on pages 9 to 13 form part of these financial statements

These financial statements were approved by the board of directors on ¹⁵ August 2007 and were signed on its behalf by


H Nahapiet
 Director

Reconciliation of movements in shareholders' funds
for the year ended 31 August 2006

	2006 £	2005 £
Loss for the financial year	(1,045)	(179)
Net reduction in shareholders' funds	(1,045)	(179)
Opening shareholders' funds	39,895	40,074
Closing shareholders' funds	38,850	39,895

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below

In these financial statements the following new standards have been adopted for the first time

- FRS 21 'Events after the balance sheet date',
- the presentation requirements of FRS 25 'Financial instruments presentation and disclosure', and
- FRS 28 'Corresponding amounts'

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption. FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985. The adoption of FRS 21 'Events after the balance sheet date' and FRS 25 'Financial instruments presentation and disclosure' have had no material effects on the financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards.

The financial statements have been prepared on the going concern basis.

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

Turnover

Turnover is recognised based on the amount receivable in respect of construction and operation of the immigration centre, net of discounts and allowances payable under contractual arrangements, and excluding VAT.

Taxation

The charge for taxation is based on the profit/loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Notes (continued)

2 Turnover

Turnover represents amounts invoiced for services in the United Kingdom for the construction and operation of the immigration removal centre as follows

	2006 £	2005 £
<i>By activity</i>		
Construction	60,501	493,797
Operations	20,231,516	12,727,236
	<u>20,292,017</u>	<u>13,221,033</u>

3 Cost of sales

	2006 £	2005 £
Other operating charges	<u>20,292,017</u>	<u>13,221,033</u>

4 Directors' emoluments

No directors received emoluments for their services to the company (2005 £nil)

5 Employee information

No staff were employed by the company during the current or previous financial year

6 Other interest receivable and similar income

	2006 £	2005 £
Interest on bank deposits	<u>6,874</u>	<u>4,419</u>

7 Interest payable and similar charges

	2006 £	2005 £
Bank charges	<u>119</u>	<u>360</u>

Notes (continued)

8 Loss on ordinary activities before taxation

	2006 £	2005 £
<i>Loss on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration		
Audit	5,700	2,399

9 Taxation

Analysis of charge in period

	2006 £	2005 £
<i>UK corporation tax</i>		
Current tax on income for the period	-	-
Total current tax	-	-
<i>Deferred tax</i>		
Total deferred tax	-	-
Tax on profit on ordinary activities	-	-

Factors affecting the tax charge for the current period

The current tax credit for the period is lower (2005 lower) than the standard rate of corporation tax in the UK at 30% (2005 30%). The differences are explained below

	2006 £	2005 £
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(1,045)	(179)
Current tax at 30% (2005 30%)	(314)	(54)
<i>Effects of</i>		
Losses carried forward not recognised as deferred tax assets	314	54
Total current tax charge	-	-

10 Debtors

	2006 £	2005 £
Trade debtors	1,763,703	1,994,870

Notes (continued)

11 Creditors, amounts falling due within one year

	2006 £	2005 £
Trade creditors	203,769	203,769
Amounts owed to parent and fellow subsidiary undertakings	5,303,362	1,879,494
Accruals and deferred income	11,600	8,600
	<u>5,518,731</u>	<u>2,091,863</u>

12 Called up share capital

	2006 £	2005 £
<i>Authorised</i>		
Equity 1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<i>Allotted, called up and fully paid</i>		
Equity 100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

13 Reserves

	Profit and loss account £
At beginning of year	39,895
Profit for the year	(1,045)
At end of year	<u>38,850</u>

Notes (continued)

14 Related party disclosures

	Note	Cost of sales £	Balance at 31 August 2006 £
Kalyx Limited (formerly UK Detention Services Limited) (whose parent company is a 51% shareholder in the company)	A	20,231,516	5,303,362
Interserve Project Services Limited (formerly Tilbury Douglas Construction Limited, whose parent company Interserve Plc has a 49% shareholding in the company through its subsidiary, Interserve Investments Plc)	B	60,501	203,769

- A The cost of sales represents amounts invoiced by Kalyx Limited (formerly UK Detention Services Limited) for the operation of the immigration removal centre (2005 £12,727,236). At the year end a balance of £5,303,362 (2005 £1,879,494) was owed by the company to Kalyx Limited (formerly UK Detention Services Limited).
- B The cost of sales represent the amounts invoiced by Interserve Project Services Limited (formerly Tilbury Douglas Construction Limited) for the construction of the immigration removal centre (2005 £493,797). At the year end a balance of £203,769 (2005 £203,769) was owed by the company to Interserve Project Services Limited (formerly Tilbury Douglas Construction Limited).

15 Ultimate parent company and ultimate controlling party

The company's ultimate parent company and controlling party is Sodexho Alliance S A, a company incorporated in France. This is the smallest group of undertakings for which consolidated financial statements are prepared. Copies of the consolidated financial statements can be obtained from The Secretary, Sodexho Alliance S A, BP 100, 78883, Saint-Quentin-en-Yvelines Cedex.