

G4S Care and Justice Services (UK) Limited

Financial Statements

for the year ended 31 December 2010

Registration number 390328

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G4S Care and Justice Services (UK) Limited

Financial statements for the year ended 31 December 2010

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G4S Care and Justice Services (UK) Limited

Directors' report for the year ended 31 December 2010

The directors submit their report and the audited financial statements G4S Care and Justice Services (UK) Limited for the year ended 31 December 2010

Principal activities and business review

The principal activities of G4S Care and Justice Services (UK) Limited are those of justice and judicial activities including custody, rehabilitation and electronic monitoring of offenders and detention and escorting of immigrants. In particular,

Electronic Monitoring

We provide a comprehensive range of services that support the work of Criminal Justice and Immigration agencies and monitor over 11,500 subjects in the UK. We are responsible for providing electronic monitoring services within three contract areas as follows

- North East and North West
- East Midlands, Yorkshire and Humberside
- South East and South West

We also monitor subjects on behalf of the UK Border Agency (UKBA) either through electronically monitored curfews or voice verification

Court Services

The court services team has unrivalled expertise in caring for prisoners while they are on court premises. We employ a strong team of Prisoner Custody Officers (PCO's) who are responsible for ensuring the secure custody, care and welfare of prisoners whilst in our care within the court system, in a safe manner and in line with regulations. They are trained to ensure that prisoners and detainees, regardless of their alleged or proven crimes, are dealt with consistently, fairly and with compassion.

Detention and Escorting

We employ a large workforce and operate the largest purpose-built cellular vehicle fleet in the United Kingdom. All vehicles are built by a specialist provider and to the exacting standards required by the customer, before being enhanced with bespoke additions designed by us that aid control and enhance security.

Our prisoner custody officers collect prisoners from local prisons and police stations each morning, and deliver them to magistrates, county and crown courts. Demand is dynamic depending on the number of arrests by the police and the commitments of prisoners to prison by the courts. Movements can be, and are, extremely varied and can be from police stations to any court location in the country. All these are on a virtual demand service with less than 24 hours' notice.

We have two dedicated operational control centres. Information from 305 prisons and police stations is received daily, and translated into an operational solution using state of the art scheduling software and relayed to our 16 vehicle bases as well as 150 permanently staffed courts.

We also hold the national contract for escorting prisoners between prisons, conducting 75,000 prisoner movements per annum.

On 14 March 2011 G4S Care and Justice Services (UK) Limited was successfully awarded the contract to escort prisoners within Scotland. The contract will go-live in January 2012 generating turnover of £22.5m per annum.

On 16 March 2011 the Ministry of Justice announced that G4S Care and Justice Services (UK) Limited was unsuccessful in renewing the contract for court escorting within England and Wales. This will result in a reduction of turnover of £24.3m in 2011.

G4S Care and Justice Services (UK) Limited

Directors' report for the year ended 31 December 2010

Prisons

We design, build, manage and finance prisons on behalf of governments in the United Kingdom. We pioneered the concept of contracting out the management of prisons to the private sector to bring additional value, expertise and ideas to HM Prison Service in the United Kingdom.

Training of prisoners plays a vital role and the prime objective is to stop re-offending by teaching them skills that will help their reintegration into society. We provide an environment that emulates in all aspects the conditions, practices and standards offered as well as those expected by industrial employers.

We give prisoners real work experience and instil the ethics required in business. We provide opportunities for prisoners to gain national vocational qualifications and these demonstrate to potential employers the commitment needed by offenders to find work.

Immigration Services

On behalf of the government in the United Kingdom, we provide a range of immigration services. Our policies are guided by respect for the human rights and personal dignity of the people entrusted in our care.

We are the main provider of in-country escorting within the UK, and escorted and non-escorted repatriation services overseas to the UK Border Agency. We manage safe and secure short-term holding facilities at ports around the country and our staff also work at Immigration Reporting Centres. We also manage immigration detention and removal centres.

On 29 October 2010 the UKBA announced that G4S Care and Justice Services (UK) Limited had been unsuccessful in renewing the contract for escorting people who had been detained. This will result in a reduction of turnover of £28.7m in 2011.

On 15 March 2011 the UKBA announced that G4S Care and Justice Services (UK) Limited had been unsuccessful in renewing the contract for the management and operation of the Dungavel Immigration Removal Centre. This will result in a reduction of turnover of £1.4m in 2011.

Children's Services

On behalf of the Youth Justice Board, the company operates three Secure Training Centres (STCs). STCs are purpose-built centres for young offenders up to the age of 17. STCs house vulnerable young people who are sentenced to custody or remanded to secure accommodation. They provide a secure environment where they can be educated and rehabilitated. They differ from young offender institutions (YOIs) in that they have a higher staff to young offender ratio and are smaller in size, which means that individuals' needs can be met more easily. At the same time they remain large enough to be able to provide a range of facilities.

The regimes in STCs are constructive and education-focused. They provide tailored programmes for young offenders that give them the opportunity to develop as individuals which, in turn, will help stop them reoffending.

Review of business and future developments

With effect from 31 March 2009 G4S Care and Justice Services (UK) Limited acquired the trade and assets of the care and justice services business undertaken by G4S Integrated Services (UK) Limited, a fellow subsidiary undertaking. The consideration of £4,021,010 equals the aggregate of the values attributed to the assets less the value of the assumed liabilities and was satisfied by the allotment and issue by G4S Care and Justice Services (UK) Limited to G4S Integrated Services (UK) Limited of 38,395 ordinary shares of £1 each. The share premium arising on the allotment and issue of these shares was £3,982,615.

In the opinion of the directors, the company is well-placed not only to maintain the current services, but also to expand its depth and range of services within markets where the trend to outsource 'non-core' services is expected to continue. The number and diversity of services contained within the service support industry is increasing so there is every likelihood that the company will be able to capitalise on this healthy growth sector.

G4S Care and Justice Services (UK) Limited

Directors' report for the year ended 31 December 2010

Key performance indicators

Key performance indicators regarding the development, performance and position of the business are included within the Financial Review of the immediate parent undertakings' consolidated financial statements (see note 26)

Financial risk management

The financial risk management objectives and policies of the company are disclosed in the immediate parent company's financial statements which are publicly available (see note 26)

Results and dividends

The results for the year are set out in the profit and loss account on page 6. A dividend of £ 18,800,000 has been paid during the year (2009 £ 8,000,000)

Directors

The directors of the company during the year ended 31 December 2010, and subsequently, were,

R Morris	(appointed 9 May 2011)
A D Banks	(resigned 12 May 2011)
J Darnton	(resigned 7 March 2011)
S Curl	(appointed 7 March 2011)
J Makin	(resigned 24 June 2011)

Payment to suppliers

The policy of payment of suppliers of the company is disclosed in the Financial Review of the immediate parent company's financial statements which are publicly available (see note 26)

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.

Charitable and political contributions

Payments made for charitable purposes by the company during the year ended 31 December 2010 amounted to £ 18,191 (31 December 2009 £nil). There were no political donations made by the company in either the current or prior year.

G4S Care and Justice Services (UK) Limited

Directors' report for the year ended 31 December 2010

Environment

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.

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 the law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonable open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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 individually aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of such information.

Auditors

A resolution to reappoint KPMG Audit Plc as auditors to the company will be proposed at the forthcoming annual general meeting in accordance with section 485 of the Companies Act 2006.

By order of the board



R Morris
Director
13 September 2011

Independent auditor's report to the members of G4S Care and Justice Services (UK) Limited

We have audited the financial statements of G4S Care and Justice Services (UK) Limited for the year ended 31 December 2010 set out on pages 6 to 24. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body in accordance with Chapter 3 Part 16 of the Companies Act 2006. 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 company's members, as a body, for our audit work, for this report, or the opinions we have formed.

Respective responsibilities of director and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



J M Papasolomontos (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
London
13 September 2011

G4S Care and Justice Services (UK) Limited

Profit and loss account for the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Turnover			
- Continuing operations		342,541	157,731
- Acquisitions		-	131,395
	2	342,541	289,126
Cost of sales		(279,242)	(243,747)
Gross profit		63,299	45,379
Administrative expenses		(25,863)	(18,075)
Operating profit	2, 3	37,436	27,304
- Continuing operations		37,436	18,376
- Acquisitions		-	8,928
		37,436	27,304
Income from shares in group undertakings		295	-
Interest payable and similar charges	5	(1,793)	(1,745)
Interest receivable and similar income	5	648	440
Profit on ordinary activities before taxation		36,586	25,999
Tax on profit on ordinary activities	6	(13,356)	(7,004)
Profit for the financial year	19	23,230	18,995

All of the above activities relate to continuing operations

There is no difference between the profit for the financial year as shown in the profit and loss account and their historical cost equivalents

G4S Care and Justice Services (UK) Limited

Balance Sheet as at 31 December 2010

	Note	2010 £'000	2009 £'000
Fixed assets			
Intangible assets	7	4,537	5,000
Tangible assets	8	16,652	17,207
Investments	9	15,885	15,885
		37,074	38,092
Current assets			
Stock	10	727	802
Debtors amounts falling due within one year	11	83,367	72,810
Debtors amounts falling due after more than one year	12	2,608	2,046
Cash at bank and in hand		678	189
		87,380	75,847
Current liabilities			
Creditors amounts falling due within one year	14	(78,264)	(68,319)
Net current assets		9,116	7,528
Total assets less current liabilities		46,190	45,620
Creditors amounts falling due after more than one year	15	(4,077)	(7,775)
Provision for liabilities and charges	17	(1,439)	(1,715)
Net assets		40,674	36,130
Capital and reserves			
Called up share capital	18	1,538	1,538
Share premium account	19	3,983	3,983
Capital contribution reserve	19	561	447
Profit and loss reserve	19	34,592	30,162
Net shareholders' funds	20	40,674	36,130
Capital employed	20	40,674	36,130

The notes on pages 9 to 24 form part of these financial statements

The financial statements were approved by the Board of Directors on 13 September 2011 and were signed on its behalf by



R Morris
Director
Registration number 390328

G4S Care and Justice Services (UK) Limited

Statement of total recognised gains and losses for the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Profit for the financial year	19	23,230	18,995
Exchange gain/(loss) in year		-	(43)
Total recognised gains for the financial year		23,230	18,952

G4S Care and Justice Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2010

1 Accounting Policies

A summary of the company's principal accounting policies, which have been consistently applied for both financial years, is set out below

Basis of preparation of financial statements

The financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with applicable UK Accounting Standards and the Companies Act 2006

Related party disclosures and cash flow statements

G4S Care and Justice Services (UK) Limited is a wholly owned subsidiary of G4S Regional Management (UK) Limited, which is the parent undertaking of the smallest group to consolidate these financial statements

The ultimate parent undertaking is G4S Plc, a company incorporated in the United Kingdom, which is the parent undertaking of the largest group for which consolidated financial statements are available, copies of which can be obtained from the Company Secretary, The Manor, Manor Royal, Crawley, West Sussex, RH10 9UN. Consequently, G4S Care and Justice Services (UK) Limited has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1. The company is also exempt under the revised terms of FRS8 from disclosing related party transactions with wholly owned subsidiaries that are part of the G4S Plc group (see note 26)

Exemption from preparation of consolidated financial statements

As the company is a wholly owned subsidiary and is included in the consolidated financial statements of a parent undertaking established under a member state of the European Union, consolidated financial statements have not been prepared by virtue of section 400 of the Companies Act 2006 (see note 26)

Turnover

Turnover represents the amount receivable, excluding value added tax, for goods, services supplied and fee income from contract management. Turnover includes relevant fees recognised under PFI projects, which include management of secure establishments. This includes reimbursement of fees relating to the development and delivery of operating contracts during the year in which the services were provided. The company recognises income when it has fully fulfilled its contractual obligations.

Pre contract mobilisation and bid costs

The accounting policies in respect of the three main categories of pre contract mobilisation and bid costs are set out below

- a) incremental bid costs associated with tendering for and winning bids for PPP/PFI operating contracts
These costs are incurred directly by the company in the bidding process for the operating contract. Full provision is made in the profit and loss account unless
 - i) the company is virtually certain of recovery as evidenced by the appointment as preferred bidder, and
 - ii) the future cash flows arising from the operating contract are sufficient to remunerate the company for the costs incurred during the bidding process

The costs are amortised over the shorter of the period over which such costs are remunerated or the contract term

- b) external consortium bid costs associated with tendering for and winning bids for PPP/PFI prime concession contracts. These costs are incurred by the consortium in order to deliver a contractual solution to the client and will be shared by the members if the Special Purpose Company (SPC) owned by the sponsors fails to be awarded preferred bidder status for the concession contract. The consortium will ensure through the pricing of the bid by the SPC that all such external bid costs (incurred during all stages of the bid) are
 - i) included within the final value paid for by the contracting entity through the life of the contract, and

G4S Care and Justice Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2010

- ii) that there is sufficient cash available through the funding of the project to reimburse the sponsors on financial close for the bid costs incurred. Full provision is made in the profit and loss account unless the company is virtually certain of recovery as evidenced by the appointment of the consortium as preferred bidder.

Amounts received from the SPC to repay bid costs incurred after achieving virtual certainty of being awarded the contract are set against the bid costs deferred in the sponsor's balance sheet.

- c) mobilisation costs associated with the operating contract commencement phase. They are incurred in bringing the related assets into use after financial close, but prior to commencement of the commercial operation, of a contract. The costs are incremental to the company's ongoing activities, are directly recoverable from the contracts, and are necessary in order to both secure the right to deliver the contracted services and the future revenue stream. It is the company's policy to defer such similar costs on an ongoing basis in respect of each new contract as it is signed. Recovery of the costs from the contract cash flows is made in one of the following ways -

- i) where the contract identifies a mobilisation activity stream, which is separately invoiced, all the costs are expensed by the end of the start up period, and
- ii) if the income for mobilisation is recovered over an extended period, a contract debtor is created in order that the asset is funded in line with the cash flows from the contract.

All bid and mobilisation costs are deferred within assets with those recoverable within 12 months classified as current assets (note 11) and those recoverable in more than 12 months (note 12) classified as long term debtors.

Share based payments

G4S Care and Justice Services (UK) Limited has applied the optional transitional exemptions in FRS 20 Share-based Payment and implemented its requirements for grants of equity instruments made after 7 November 2002 which had not vested by 1 January 2006.

G4S Plc issues equity-settled share based payments to certain employees of G4S Care and Justice Services (UK) Limited. The fair value of share-based payments is determined at the date of the grant and expensed with a corresponding increase in equity on a straight-line basis over the vesting period, based on the estimate of the shares that will eventually vest, in accordance with the UITF 44 'Group and Treasury Share Transactions'. The amount expensed is adjusted over the vesting period for changes in the estimate of the number of shares that will eventually vest, save for changes resulting from any market-related performance conditions.

The fair value of share-based payments granted in the form of options is measured by the use of the Black-Scholes valuation technique, adjusted for future dividend receipts and for any market-related performance conditions.

Stock

Stock is stated at the lower of cost and net realisable value. Cost includes all expenditure incurred in the normal course of business in bringing the stock to its present location and condition.

Taxation

The charge for taxation is based on the profit or loss for the year and takes into account deferred tax.

Deferred tax is recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

G4S Care and Justice Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2010

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

Provisions

Provisions in respect of liabilities are made in accordance with FRS12 'Provisions, contingent liabilities and contingent assets' and are discounted where the effect is material. Specifically provision for onerous contracts include unavoidable foreseeable losses.

The asset replacement fund provision is based on management's best estimate of the expenditure arising at the balance sheet date in accordance with the terms of customer contracts in respect of plant and equipment currently in use, but not owned by the company.

Dividends

Dividends are recognised as distributions to equity holders in the period in which they are paid. Dividends proposed or declared but not paid are not recognised but are disclosed in the notes to the financial statements.

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

Tangible fixed assets and depreciation

Tangible fixed assets are shown at depreciated historical cost except for freehold land and buildings which are included at depreciated revalued amount adjusted for subsequent additions. Freehold land and buildings are revalued every 5 years by independent professional valuers on the basis of open market value for existing use. An interim valuation is carried out in the third year after a full valuation by qualified valuers who may be either internal or external. Depreciation is calculated to recognise the consumption of the economic benefits of tangible fixed assets over their economic lives. Depreciation is calculated on a straight-line basis to write off cost less any residual value and the principal rates are as follows:

Short leasehold property	over the period of lease
Land and buildings	3% and 12.5%
Plant and equipment	10% to 33%
Assets under finance lease	shorter of lease term or useful economic life

Impairment of fixed assets and goodwill

If a triggering event occurs, the directors carry out an impairment review by comparing the carrying value of the asset to the present value of the estimated future cash flows generated by that asset. Impairment losses are recognised in the year in which these are identified in accordance with FRS 11.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership, the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term or fair value, whichever is lower. The corresponding lease commitments are shown as obligations to the lessor. Lease payments are split between capital and interest elements using the annuity method. Depreciation on the relevant assets and interest are charged to the profit and loss account. All other leases are operating leases and the annual rentals are charged to operating profit on a straight line basis over the lease term.

Goodwill

In accordance with the provisions of FRS 10, 'Goodwill and Intangible Assets', any goodwill arising from acquisitions, being the excess of the fair value of the purchase consideration over the fair value of the identifiable net assets of the acquired company or business, is capitalised. The company amortises such goodwill through the profit and loss account on a straight-line basis over its estimated useful economic life, up to a period of 20 years.

G4S Care and Justice Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2010

Investments

Investments in subsidiary undertakings are shown, at cost, as fixed asset investments. Provision is made for any permanent diminution in the value of fixed asset investments.

Pensions and other post retirement benefits

The company participates in principally four pension schemes for employees in the United Kingdom. There are two defined benefits pension schemes, namely the Securicor scheme and the GSL scheme, and two defined contribution schemes. Both of the defined benefit schemes are closed to new members and the main scheme for new employees is a contracted-in defined contribution scheme. G4S Care and Justice Services (UK) Limited is unable to identify its share of the underlying assets and liabilities of the defined benefit schemes and has therefore taken advantage of the exemption available in FRS17 to account for contributions to the scheme as if it were a defined contributions scheme.

Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are translated to sterling at the exchange rates ruling at the balance sheet date. Transactions denominated in foreign currency are translated at the exchange rate ruling at the date of the transaction. All foreign exchange differences are taken to the profit and loss account in the year in which they arise.

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Notes to the financial statements for the year ended 31 December 2010

2 Segmental Reporting

	Turnover		Profit before tax After goodwill amortisation		Profit after tax Before goodwill amortisation	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Business						
United Kingdom PFI	105,685	84,896	13,530	8,280	9,409	8,280
United Kingdom PPP	236,856	204,230	23,056	17,719	14,284	18,066
	342,541	289,126	36,586	25,999	23,693	26,346

Net assets are disclosed in the immediate parent undertakings' consolidated financial statements which are publicly available (see note 26)

The directors consider a PFI/PPP split as a more appropriate split of the Care and Justice business

G4S Care and Justice Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2010

3 Operating profit

This operating profit is stated after charging/(crediting)

	2010 £'000	2009 £'000
Amortisation of goodwill (note 7)	463	347
Depreciation of tangible fixed assets (note 8)		
- Owned assets	2,993	3,332
- Leased assets	2,965	2,052
(Loss)/gain on disposal of fixed assets	(219)	-
Operating lease rentals	3,108	2,724
Provision releases (note 17)	-	(2,130)
Services provided by the company's auditor		
Auditor's remuneration for audit services	165	165
Auditor's remuneration for non-audit services	30	-

4 Employees

	2010 £'000	2009 £'000
Staff costs (including directors)		
Wages and salaries	171,351	144,464
Social security costs	16,107	13,316
Other pension costs (see note 21)	3,772	4,089
Share based payment	114	57
	191,344	161,926

	2010 Number	2009 Number
Average number of employees (including directors)		
Average number of PPP and PFI employees	7,617	7,589
	7,617	7,589

	2010 £'000	2009 £'000
Directors' emoluments		
Aggregate emoluments	577	762

The number of directors with pension benefits accruing under a defined benefit scheme was 3 (2009 3)

	2010 £'000	2009 £'000
Highest paid director		
Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	402	419

G4S Care and Justice Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2010

5 Interest

	2010	2009
	£'000	£'000
Interest payable and similar charges:		
Bank loans and overdrafts	(31)	(62)
Finance lease interest	(1,740)	(1,616)
Other interest	-	(20)
Unwinding of discounts in provisions (note 17)	-	(36)
Realised exchange rate losses	(22)	(11)
	(1,793)	(1,745)
Interest receivable and similar income:		
Bank deposits	-	2
Interest received from joint ventures	229	233
Interest receivable from group undertakings (members of G4S Plc group)	415	185
Realised exchange rate gains	4	20
	648	440

G4S Care and Justice Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2010

6 Tax on profit on ordinary activities

	2010 £'000	2009 £'000
Analysis of tax charge for the year		
Current tax		
UK corporation tax on profit for the year	13,052	9,716
Adjustments in respect of previous years	893	(1,070)
Total current tax	13,945	8,646
Deferred tax		
Origination and reversal of timing differences	32	(37)
Adjustments in respect of previous years	(786)	(1,264)
Capital allowances in excess of depreciation	165	(341)
Total deferred tax (note 13)	(589)	(1,642)
Tax on profit on ordinary activities	13,356	7,004

The tax for 2010 is higher (2009 higher) than the standard rate of corporation tax in the UK of 28% (2009 28%) and the differences are explained below

	2010 £'000	2009 £'000
Profit on ordinary activities before taxation	36,586	25,999
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009 28%)	10,244	7,279
Effects of		
Adjustments in respect of prior years	893	(1,070)
Timing differences	117	245
Permanent differences	2,874	2,032
Capital allowances for the period in excess of depreciation	(100)	160
UK non-taxable dividend	(83)	-
Current tax charge for the year	13,945	8,646

G4S Care and Justice Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2010

7 Intangible assets

	Goodwill £'000
Cost	
At 1 January 2010	9,255
At 31 December 2010	9,255
Amortisation	
At 1 January 2010	(4,255)
Charge for the year	(463)
At 31 December 2010	(4,718)
Net book amount	
At 31 December 2010	4,537
At 31 December 2009	5,000

G4S Care and Justice Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2010

8 Tangible assets

	Freehold land and buildings £'000	Short leasehold land and buildings £'000	Plant and equipment £'000	Total £'000
Cost or valuation				
At 1 January 2010	2,509	385	42,061	44,955
Additions	74	84	5,464	5,622
Disposals	-	-	(1,285)	(1,285)
At 31 December 2010	2,583	469	46,240	49,292
Accumulated depreciation				
At 1 January 2010	(165)	(133)	(27,450)	(27,748)
Charge for the year	(92)	(73)	(5,793)	(5,958)
Disposals	-	-	1,066	1,066
At 31 December 2010	(257)	(206)	(32,177)	(32,640)
Net book amount				
At 31 December 2010	2,326	263	14,063	16,652
At 31 December 2009	2,344	252	14,611	17,207

Assets held under finance leases and capitalised in plant and equipment comprise cost of £19,949,000 (2009 £19,803,000), aggregated depreciation of £13,972,000 (2009 £11,007,000), and a net book amount of £5,977,000 (2009 £8,796,000)

G4S Care and Justice Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2010

9 Investments

	Subsidiary £'000	Joint ventures shares £'000	loans £'000	Total £'000
At 1 January 2010	14,216	30	1,639	15,885
At 31 December 2010	14,216	30	1,639	15,885

At the year end the company owned the following investments

Company	Shareholding	Country of incorporation
STC (Milton Keynes) Holdings Limited	50	England
G4S Policing Solutions Limited	100	England
G4S Policing Skills Development Limited *	100	England

* indicates that the investment is held by one of the subsidiary companies

The joint venture investment in STC (Milton Keynes) Holdings Limited represents a 50% interest in the ordinary share capital of the company totalling £5,000. The company is managed by a board of 8 directors, 4 from G4S Care and Justice Services (UK) Limited, with no party having overall control. The company's period end is 31 December 2010 at which time it had Capital and Reserves of £1,363,000, (2009 £10,000) and profit after tax of £404,000 (2009 £nil).

10 Stocks

	2010 £'000	2009 £'000
Raw materials and consumables	727	802
	727	802

There are no material differences between the replacement cost of stock and the balance sheet amount

G4S Care and Justice Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2010

11 Debtors' amounts falling due within one year

	2010 £'000	2009 £'000
Trade debtors	20,501	12,970
Amounts receivable from group undertakings (members of G4S Plc group)	53,278	50,284
Other debtors	1,045	1,964
Deferred contract costs	26	18
Prepayments and accrued income	8,517	7,574
	83,367	72,810

£52,967,000 of the amounts receivable from group undertakings relates to loans which are repayable on 15 December 2011. Interest will be earned on these loans at a rate of Libor plus a margin of 1%. The residual balance is trading in nature and attracts no interest.

12 Debtors' amounts falling due after more than one year

	2010 £'000	2009 £'000
Deferred tax asset (note 13)	2,608	2,019
Deferred contract costs	-	27
	2,608	2,046

13 Deferred tax

	2010 £'000	2009 £'000
Accelerated capital allowances	2,238	1,647
Other timing differences	370	372
Deferred tax asset	2,608	2,019
	£'000	
At 1 January 2010	2,019	
Deferred tax charge in profit and loss account (note 6)	589	
At 31 December 2010	2,608	

G4S Care and Justice Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2010

14 Creditors: amounts falling due within one year

	2010	2009
	£'000	£'000
Trade creditors	4,633	5,250
Amounts owed to group undertakings (members of G4S Plc group)	9,917	10,748
Other taxation and social security	13,030	11,647
Other creditors	4,860	4,239
Net obligations under finance leases (note 16)	3,843	3,584
Corporation tax	18,193	9,044
Accruals and deferred income	23,788	23,807
	78,264	68,319

Amounts owed to group undertakings are interest free and repayable on demand

15 Creditors: amounts falling due after more than one year

	2010	2009
	£'000	£'000
Net obligations due under finance leases (note 16)	4,077	7,775
	4,077	7,775

16 Net obligations due under finance leases

	2010	2009
	£'000	£'000
In one year or less, or on demand	3,843	3,584
In more than one year, but not more than five years	3,599	6,750
In more than five years	478	1,025
	7,920	11,359

G4S Care and Justice Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2010

17 Provisions for liabilities and charges

	Provision for future operating losses £'000	Asset replacement fund £'000	Total £'000
At 1 January 2010	318	1,397	1,715
Utilised during the year	-	(663)	(663)
Charged to profit and loss account	(318)	705	387
At 31 December 2010	-	1,439	1,439

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

18 Called up share capital

	2010 £	2009 £
Authorised		
20,000,000 Ordinary shares of £1 each	20,000,000	20,000,000
	20,000,000	20,000,000
Allotted, called up and fully paid		
1,538,395 Ordinary shares of £1 each	1,538,395	1,538,395
	1,538,395	1,538,395

19 Reserves

	Capital contribution reserve £'000	Profit and loss reserve £'000	Share premium £'000	Total £'000
At 1 January 2010	447	30,162	3,983	34,592
Profit for the financial year	-	23,230	-	23,230
Dividends paid	-	(18,800)	-	(18,800)
Addition to capital contribution reserve	114	-	-	114
At 31 December 2010	561	34,592	3,983	39,136

G4S Plc has two types of equity-settled, share-based payment schemes in place (1) share options previously held by employees over Securicor Plc shares and rolled over to G4S Plc shares with the acquisition of that business on 19 July 2004, and (2) conditional allocations of G4S Plc shares. Details of these schemes are available in the G4S Regional Management (UK) Limited financial statements

G4S Care and Justice Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2010

20 Reconciliation of movement in total shareholders' funds

	2010 £'000	2009 £'000
Profit for the financial year	23,230	18,995
Addition to capital contribution reserve	114	57
Dividends paid	(18,800)	(8,000)
Issue of share capital	-	38
Share premium arising on issue of share capital	-	3,983
Exchange gain or loss in year	-	(43)
Increase in total shareholders' funds	4,544	15,030
Opening total shareholders' funds	36,130	21,100
Closing total shareholders' funds	40,674	36,130

21 Pension arrangements

The company participates in a group funded defined benefit scheme operated by G4S Regional Management (UK&I) in the United Kingdom known as The GSL Pension Scheme. The GSL pension scheme (the "scheme") is a defined benefit pension scheme, the assets of which are held in a separate fund administered by trustees. However the contributions paid by the company are accounted as if the scheme were a defined contribution scheme, as the company is unable to identify its share of the underlying assets and liabilities in the scheme.

The most recent actuarial valuation of the scheme was carried out at 5 April 2009 and has been updated by the scheme's actuary on a FRS17 basis as at 31 December 2010.

The total pension costs charged in the company's profit and loss account for the year ended 31 December 2010 were £1,906,677 (2009 £1,698,015). The assets of the schemes are held in separate trustee administered funds. As at 31 December 2010, the GSL Pension Scheme had an actuarial surplus of £26,160,000 (2009 Surplus £14,720,000).

The Company also operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £1,865,323 (2009 £2,390,985).

Full FRS17 disclosures are provided in the consolidated financial statements of G4S Regional Management (UK&I) Limited.

22 Operating lease commitments

The company has entered into non-cancelling operating leases and has annual commitments under leases expiring as follows:

	2010		2009	
	Land & Buildings £'000	Other £'000	Land & buildings £'000	Other £'000
Within one year	249	139	119	317
Between two and five years	954	1,095	913	591
After five years	160	-	56	-
	1,363	1,234	1,088	908

G4S Care and Justice Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2010

23 Related party transactions

The immediate parent company as disclosed in note 26 participates in a number of joint ventures 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 and are highlighted below with an asterisk. The company is also related by way of a 50% shareholding to STC (Milton Keynes) Holdings Limited. The following transactions occurred with these companies during the year, together with the related year end positions.

	2010 Income/ (Expenditure) £'000	2010 Amounts receivable £'000	2009 Income/ (Expenditure) £'000	2009 Amounts receivable £'000
Fazakerley Prison Services Limited *	2,687	3,155	132	45
Onley Prison Services Limited *	759	1,068	-	194
ECD Cookham Wood Limited *	11,725	1,179	5,639	1,120
ECD Onley Limited *	1,055	1,238	1	-
STC (Milton Keynes) Limited	11,556	1,185	11,250	1,111
	62,771	11,583	45,023	5,300

24 Capital commitments

The company has £931,000 capital commitments as at 31 December 2010 (31 December 2009: £nil).

25 Contingent liabilities

The company is included in a group registration for VAT purposes and is therefore jointly and severally liable for all other group companies' unpaid debts in this connection. The liability of the UK group registration at 2010 totalled £13,770,722 (2009: £12,150,541).

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.

26 Ultimate parent undertaking

The immediate parent undertaking is G4S Regional Management (UK) Limited, which is the parent undertaking of the smallest group to consolidate these financial statements, copies of which can be obtained from the Company Secretary, Sutton Park House, 15 Carshalton Road, Sutton, Surrey, SM1 4LD.

The ultimate parent company is G4S Plc, a company incorporated in the United Kingdom, which is the parent undertaking of the largest group for which consolidated financial statements are available, copies of which can be obtained from the Company Secretary, The Manor, Manor Royal, Crawley, West Sussex, RH10 9UN.