

Registration number: 00390328

G4S Care and Justice Services (UK) Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021

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G4S Care and Justice Services (UK) Limited

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G4S Care and Justice Services (UK) Limited

Company Information

Directors	O Keck
	G Brockington
	F Walters
Company secretary	R Y Bartlett
Registered office	46 Gillingham Street
	London
	SW1V 1HU
Independent auditors	PricewaterhouseCoopers LLP
	1 Embankment Place
	London WC2N 6RH

G4S Care and Justice Services (UK) Limited

Strategic Report for the Year Ended 31 December 2021

The directors present their report for the year ended 31 December 2021.

Fair review of the business

Principal activity

The principal activity of G4S Care and Justice Services (UK) Limited ("the Company") is the provision of highly specialised services to central and local governments and government agencies and authorities including adult custody and rehabilitation and offender tracking services.

Financial performance

The Company has net assets of £141,285,000 (2020: £119,794,000). This represents a year-on-year increase of £21,491,000 (17.9%).

The Company recorded sales of £228,750,000 (2020: £228,152,000). This represents a year-on-year increase of £598,000 (0.3%). The Company recorded cost of sales of £173,976,000 (2020: £170,639,000). This represents a year-on-year increase of £3,337,000 (2%). Overall, the Company recorded gross profit of £54,774,000 (2020: £57,513,000). This represents a year-on-year decrease of £2,739,000 (4.8%).

The current year includes a specific charge of £2,875,000 (2020: £1,658,000) primarily due to activities associated with the SFO investigation that was not covered by previous provisions. The prior year included a specific credit of £798,000 as a result of favourable commercial negotiation results on certain matters and prior year improvements in the performance of onerous contracts. There were no equivalent specific credits in the current year.

The Company made a profit for the financial year of £21,326,000 (2020: £44,236,000). This represents a year-on-year decrease of £22,910,000 (51.8%).

There has been a prior year restatement, for further details please see note 28.

The directors consider the result for the year to be satisfactory.

During the year, the G4S plc Group was acquired by Atlas UK Bidco Limited. Subsequently G4S plc re-registered as a private company limited by shares, changing its name to G4S Limited. G4S Limited is the parent of the G4S Limited Group ("the Group"). As a result of the acquisition, the Company is now a subsidiary of Atlas Ontario LP. Atlas Ontario LP is the ultimate parent of the Atlas Ontario LP Group ("the Enlarged Group"). Atlas Ontario LP is a limited partnership, formed on 24 November 2020 under the laws of the province of Ontario, Canada.

For the year ended 31 December 2021, an impairment charge of £5,500,000 (2020: £3,700,000) has been recorded in respect of the Company's investments. Further details of the impairment charge are disclosed in note 15.

Future developments

The directors expect the general level of activity of the Company to remain consistent with the prior years and the Company's principal activity is not expected to change substantially.

The Company is planning on participating in upcoming UK Government outsourcing contract bids in the custodial and rehabilitation sector where they fit the Company's strategic growth plan.

G4S Care and Justice Services (UK) Limited

Strategic Report for the Year Ended 31 December 2021 (continued)

Key performance indicators

The directors utilise a wide range of operational performance measures to monitor the Company's business activities. However, the operational performance measures are all specific to a particular activity or contract. The Company's directors do not believe that using further key performance indicators would be necessary or appropriate for an understanding of the development, performance or position of the business as a whole.

Principal risks and uncertainties

All businesses are subject to risk. Many individual risks are macro-economic or social in nature and thus they are common to many businesses. Below, the risks considered key to the Company have been listed. The key risks are those which would materially damage the Company's strategy, reputation, business, profitability or assets. This list is in no particular order and it is not an exhaustive list of all potential risks. Some risks may be unknown at present and it may transpire that risks currently considered immaterial become material in the future.

(1) Major changes in market dynamics

Such changes in dynamics could include changes in dynamics with suppliers, new technologies, government legislation or customer consolidation and could have a negative impact in the Company's revenues and profitability.

Risk mitigation approach

So as to better understand and influence the market, the Company 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.

(2) Onerous contract obligations

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

Risk mitigation approach

We have strict thresholds for the approval of major bids including completion and review of a comprehensive approval template, a detailed legal review and senior management oversight. These are embedded into our Sales-Force opportunity management tool. When appropriate we conduct external reviews of bid models. Where a contract has been identified as onerous, senior management perform regular reviews of performance against the latest projected losses. Where necessary, adjustments are made for future loss provision.

G4S Care and Justice Services (UK) Limited

Strategic Report for the Year Ended 31 December 2021 (continued)

Principal risks and uncertainties (continued)

(3) *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 the G4S Limited Group ("the Group"), 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 largest contracts across the division in which the Company is included.

(4) *COVID - 19*

We have a large workforce, including many key workers delivering essential services, and therefore the risks of adverse health and safety, operational and financial impacts arising from the pandemic and the associated governmental responses in the markets where we operate could be significant.

The safety of our employees and those in our care is our first priority and is at the forefront of our response to the pandemic.

Given the essential nature of our services, our current ability to continue to deliver these and the latest discussions with our customers, we do not believe at this time that there is a significant financial risk to the company as a result of the pandemic.

Risk mitigation approach

The Company has taken action across a wide range of fronts in mitigation of the risks presented by the pandemic. We have instituted protective measures for staff in the "frontline", which in some cases included wearing protective equipment and guidelines to follow in certain security situations.

The Company has rolled out Business Continuity Plans to ensure we are actively managing the disruption presented by this pandemic. We provide essential services for our customers and the continuation of these services is a key priority. Contingency plans have been implemented in consultation with our customers on whose sites we operate and we are implementing a range of measures to mitigate operational and commercial risks as they emerge.

We are working closely with customers to understand their actions in response to the pandemic and are ensuring we understand, and engage, the help and support available from the government.

G4S Care and Justice Services (UK) Limited

Strategic Report for the Year Ended 31 December 2021 (continued)

Statement by the directors in performance of their statutory duties in accordance with Section 172(1) Companies Act 2006

The Board's engagement with the Company's stakeholders helps frame the Company's strategic direction, informs the Board's decision making process and overall supports the Board's duty to promote the success of the Company as set out in Section 172 of the Companies Act 2006. The directors of the Company consider that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole.

The following paragraphs summarise how directors fulfil their duties:

Long-term view

Assessment of long-term consequences of our decisions is at the heart of our strategy. On an annual basis the Board of directors assesses the major risks affecting the Company and develops mitigating strategies to reduce the likelihood of those risks crystallising. In turn, these strategies form the basis for the Company's financial budgets, resource planning and capital spend, setting the general direction for the Company. The financial budgets and other plans undertake scrutiny both from the managers directly involved in each functional area, as well as the Board of directors.

For more details on the principal risks and uncertainties affecting the Company, refer to the description of "Principal risks and uncertainties" above.

Our employees

Our employees are our most important asset and our success is underpinned by the way we lead and engage with our people. Attraction, retention and development of talent form the cornerstone of the Company's success. The directors strive to create a culture of engagement and inclusion, where every employee's contribution is valued and diversity of the team is celebrated. In particular, the directors have taken steps to promote the training materials for new and existing employees, strengthening the processes of onboarding as well as continuous education. Furthermore, the directors promoted our whistleblowing hotline, "Speak Out", emphasising the importance of ethical behaviour to the Company's core values. What is more, the directors maintain an active dialogue with the employees and employee representatives, fostering open communication channels and enabling exchange of ideas and expectations.

Business relationships

We view our customers and suppliers not merely as business parties, but as partners in delivering value and innovation. Our long-term customer relationships are based upon trust and understanding of our customers' business needs and objectives. Through those customer relationships and connections we look to deliver sustainable long-term growth in revenues, profitability and cash flow. We seek to retain current customers and proactively engage in dialogue.

Our suppliers help us to deliver our values. We have a responsible purchasing policy consistent with our business ethics and all our suppliers sign up to our Supplier Code of Conduct.

These actions aim to enhance our relationship not only with our customers and suppliers, but stakeholders at large. Our operations promote security and stability of communities through local engagement programs, economic contributions as well as activity in the industry forums.

G4S Care and Justice Services (UK) Limited

Strategic Report for the Year Ended 31 December 2021 (continued)

Statement by the directors in performance of their statutory duties in accordance with Section 172(1) Companies Act 2006 (continued)

Community and environment

The Company plays an important role in society, providing decent employment opportunities and delivering essential services to help keep society safe and secure. The Group engages with various stakeholder groups and experts on Environmental, Social and Governance ('ESG') matters, including government, employee representatives, industry bodies, NGO's and ESG analysts. The Group undertakes a regular materiality assessment to determine its ESG priorities - (1) Employee health, safety and wellbeing, (2) Human rights, (3) Anti-bribery and corruption, (4) Culture, values and behaviour. The Group also recognises the growing importance of diversity and inclusion through our organisation and the impact of climate change.

The Group recognises that our business activities have a direct and indirect impact on the natural environment and are committed to proactively managing these in a responsible manner. The development of a sustainable business practice helps to increase the efficiency of operations and reduce the resource footprint. In 2021, G4S Group in the UK committed to achieving Net-Zero carbon emissions (as defined by the Net-Zero Standard) by 2050, at the latest. The plan sets the near-term targets of a 42% reduction in absolute Scope 1 and 2 emissions and a 25% absolute reduction in Scope 3 emissions, from a 2020 baseline. The targets have been submitted to the Science Based Targets Initiative (SBTi) for verification.

Our reputation

Strong brand and reputation differentiate us in the competitive market place. We hold ourselves, our employees and our business partners to high standards, embodied in the set of our corporate values. These values promote a culture and business interactions based on being Agile, Reliable, Innovative, with a Caring culture that puts Safety first, delivering through Teamwork and acting with Integrity.

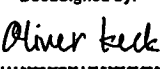
We build and maintain our reputation in our day-to-day activities, engaging proactively with our customers, suppliers, employees and other stakeholders, anticipating potential issues and proceeding to a timely resolution. We deliver on our promises and we lead by example.

Acting fairly

The Company is a subsidiary of Atlas Ontario LP and has no external shareholders. We maintain a continuous and open dialogue with our ultimate parent, Atlas Ontario LP, and ensure we stay aligned with the Enlarged Group's values and strategies.

13-Jan-23 | 03:40 PST

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

DocuSigned by:

.....2F7CFDAB56FE473.....
O Keck
Director

G4S Care and Justice Services (UK) Limited

Directors' Report for the Year Ended 31 December 2021

The directors present their annual report and the audited financial statements for the year ended 31 December 2021.

Directors of the Company

The directors of the Company, who were in office during the year and up to the date of signing, were as follows:

G M Nienaber (resigned 21 January 2022)

G A Levinsohn (resigned 7 January 2022)

O Keck

G Brockington (appointed 27 April 2021)

The following director was appointed after the year end:

F Walters (appointed 22 June 2022)

Results and dividends

The results for the year are set out on page 18. The directors do not recommend the payment of a dividend (2020: £Nil).

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

Employment of disabled persons

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

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

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

Employee engagement

The Board's engagement with the Company's employees is facilitated through a variety of initiatives and channels.

The Company is committed to inform and involve its employees in the business of the Company. The directors have applied the policies and decisions taken at the Group level during the year in the following ways:

- Formal consultative committees and focus groups have been used to ensure that issues of mutual interest can be discussed and resolved.
- Onboarding, induction and refresher training have continued to be a priority. The Company offers all employees the opportunity to increase their skills and knowledge at work. Employees are encouraged to take responsibility for their own learning on an on-going basis using the extensive range of materials available, and using technology platforms to share training and learning paths more effectively.

G4S Care and Justice Services (UK) Limited

Directors' Report for the Year Ended 31 December 2021 (continued)

Employee engagement (continued)

- Company newsletters, employee magazines and other communications have been used on a regular basis to keep staff informed of events and performance within the Company.
- Specific campaigns on health and safety, our values and Speak Out whistleblowing arrangements have been conducted, linking to the Company's and wider Group's Corporate Social Responsibility focus.

Other stakeholder engagement

The Board's engagement with other stakeholders is largely driven by processes and initiatives which are decided at a wider Group level.

The Company considers its key other stakeholders to be its customers, its suppliers and the wider society in which it operates.

Through understanding our customers' needs we offer value-added, innovative, cost effective integrated security solutions and we build enduring relationships. This understanding comes from strong engagement with customers. Key areas of interest for customers include quality and price of service delivery, expertise in innovation, health and safety and business ethics.

The Company believes in proactive relationship management. During the year directors attended a number of meetings with customers and shared customer feedback and information with the rest of the Board. If, during contract discussions, we consider that a customer's interests are not well served in the long term by our proposals, we will make this clear even if it impacts negatively on our business. Being open and honest with our customers also means that we will raise concerns with them if we become aware of any business practices or processes in their business which we believe are contrary to their values or may compromise our own values. The Board also reviews customers' changing expectations or needs as part of its strategy session every year.

One of the main ways in which the Board considers key suppliers is as part of large contract bid or renewal approvals. We set high standards for our suppliers in the context of our own ethical policy. These standards are explained in our Supplier Code of Conduct. All suppliers are expected to comply with the Code or ensure that there is a clear time frame for full implementation of the Code within their own organisation and their associated suppliers and subcontractors.

The Company recognises that receiving timely reimbursements is of high interest to suppliers. It is our policy to pay suppliers in accordance with agreed terms of trade.

Our employees touch the lives of others every day, providing crucial services to help keep society safe and secure. The specialist security services delivered by the Company mitigate the risk or impact of criminal behaviour and help to create safer communities.

G4S Care and Justice Services (UK) Limited

Directors' Report for the Year Ended 31 December 2021 (continued)

Environmental matters

The Company recognises that the threat from climate change to the natural environment and social infrastructure is an important and ongoing concern for the Company's organisation, customers, employees and communities.

The Company's key activities are carrying out contracts for custodial and detention services, electronic monitoring, rehabilitation, resettlement and other community services. Working across multiple government jurisdictions, the Company provides state-of-the-art security and safety solutions through prison management, youth justice and electronic monitoring operations. There are material environmental impacts arising from running operational buildings, business fleet emissions and business air travel.

As part of our European 'Drive to Zero' fleet strategy, the Company implemented a new UK company car policy in March 2021. The new policy focuses on the future use of petrol hybrid or full electric company cars. As existing vehicles approach the end of their lease period, company car drivers and/or businesses may only select from these two fuel types. As of the end of 2021, almost 20% of the Company's fleet is comprised of hybrid or full electric vehicles. The leases of a further 43% of the Company's vehicle fleet will expire in 2022, so the Company anticipates this figure to rise significantly. The aim is to achieve 100% of the Company's fleet being replaced and aligned to a sustainable recharging strategy by 2035. Advice is being given to staff on improving vehicle fuel efficiency, through improving driving style, removing excess weight from vehicles and by ensuring that tyre pressures are correct. In addition, staff are being reminded to avoid waste by turning lights off (where motion sensors are not already fitted) and by closing down other electrical equipment when not in use.

Since October 2020, electricity procured by the Company for buildings where the Company controls the electricity contracts has been 76% renewable. This has saved approximately 31 t/CO₂e from the emissions that would otherwise have occurred from electricity used by the Company.

The Company is continuing its programme to replace existing lighting infrastructure with LED lighting.

The Company has a focus on local internal sustainability projects such as reducing reliance on paper documentation and improving waste management, reducing overall total waste and increasing the percentage of recycling.

Greenhouse gas emissions

The Company uses the financial control approach to identify the Greenhouse Gas (GHG) emissions for which it has responsibility. The operational boundaries are the geographical delivery within the United Kingdom.

The Company follows the World Business Council for Sustainable Development (WBCSD) and World Resources Institute (WRI) GHG Protocols to measure our scope 1 and 2 emissions for business over which the Company has financial control. In addition the Company has measured Scope 3 emissions from Air Travel. Radiative Forcing has not been included in air travel calculations.

Data on gas, electricity and building fuel is captured direct from suppliers invoicing. Vehicle fuel is captured from fuel card data. Fluorinated greenhouse gases (F-gases) are captured from data provided by those servicing building air conditioning or vehicle air conditioning. Data on flights is taken from the booking log with an external travel agency through whom all flights are booked.

Emission factors are taken from UK Government GHG Conversion Factors for the Company Reporting and for the relevant year.

From 1 April 2021, the Company has procured electricity backed by Renewable Energy Guarantees of Origin (REGOs) to ensure that 100% of the electricity it used was renewable. This has saved over 1,347 tonnes of CO₂e from the emissions that would have occurred if non-renewable electricity had been purchased.

G4S Care and Justice Services (UK) Limited**Directors' Report for the Year Ended 31 December 2021 (continued)****Greenhouse gas emissions (continued)****2021 Emissions**

Emission type	Scope	Consumption	Emission (tCO₂e)
Natural Gas for buildings	1	10,712,915.7 kWh	1,962.178
Diesel used in building based generators	1	None	None
Burning Oil for heating buildings	1	None	None
LPG for Buildings	1	None	None
Vehicle Fuel (Diesel) in Operational Vehicles	1	25,514.11 litres	64.10
Vehicle Fuel (Petrol) in Operational Vehicles	1	42,863 litres	94.02
Vehicle Fuel (Diesel) in Freight Vehicles	1	1,554.78 litres	3.91
Fugitive Emissions from Building Air-Conditioning	1	None	None
Fugitive Emissions from Vehicles	1	0.525 kg HFC-134a	0.000001
Electricity for Buildings	2	6,226,230.69 kWh	1,322.016
Electricity (Transmission and Distribution)	3	For above value	116.991
Air travel	3	796 miles	0.167
Scope 1 Total			<u>2,124.2</u>
Scope 2 Total			<u>1,322</u>
Scope 3 Total			<u>117.2</u>
Grand Total			<u><u>3,563</u></u>

The emissions from Company funded business travel in vehicles such as company cars and expensed travel has not been captured in 2021, as there was no requirement for this in reporting at the start of 2021 due to the Company being a subsidiary of a public limited company. Protocols are being put in place to capture this data for 2022.

G4S Care and Justice Services (UK) Limited

Directors' Report for the Year Ended 31 December 2021 (continued)

Greenhouse gas emissions (continued)

2020 Emissions

Emission type	Scope	Consumption	Emission (tCO ₂ e)
Natural Gas for buildings	1	6,994,928.99 kWh	1,286.16
Diesel used in building based generators	1	None	None
Burning Oil for heating buildings	1	None	None
LPG for Buildings	1	None	None
Vehicle Fuel (Diesel) in Operational Vehicles	1	38,555.87 litres	98.16
Vehicle Fuel (Petrol) in Operational Vehicles	1	30,343.23 litres	65.78
Vehicle Fuel (Diesel) in Freight Vehicles	1	9,323.17 litres	23.74
Fugitive Emissions from Building Air-Conditioning	1	0.68kg R410A	1.42
Fugitive Emissions from Vehicles	1	1.839 kg HFC-134a; 1.244kg R1234yf	0.003
Electricity for Buildings	2	6,093,290.397 kWh	1,420.59
Electricity (Transmission and Distribution)	3	For above value	122.17
Air travel	3	3,904 miles	0.738
Scope 1 Total			<u>1,475.3</u>
Scope 2 Total			<u>1,420.6</u>
Scope 3 Total			<u>122.9</u>
Grand Total			<u><u>3,019</u></u>

Emissions intensity ratio

t/CO₂e per £m turnover

2021: -13.23

2020: -15.56

G4S Care and Justice Services (UK) Limited

Directors' Report for the Year Ended 31 December 2021 (continued)

Financial risk management

The Company operates under the financial risk management objectives and policies of its intermediate parent, G4S Limited. G4S Limited's key objectives and policies include:

- Mitigating liquidity risk by ensuring there are sufficient undrawn committed facilities available to the G4S Limited 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.

Statement of private company governance arrangements

On 6 April 2021, the G4S plc Group was acquired by Allied Universal. Prior to the takeover by Allied Universal, the Company's (then ultimate) parent, G4S plc, took steps to ensure adherence to the 2018 UK Corporate Governance Code. The governance framework was applied throughout the Group, overseen by the G4S plc board.

Following the takeover by Allied Universal, G4S plc re-registered as a private company limited by shares, changing its name to G4S Limited on 21 June 2021. The Group has remained committed to achieving high standards of governance.

Since the takeover, the Company, although not applying a corporate governance code, operated under the corporate governance requirements applied across the Group's UK & Ireland Region and in a manner consistent with the COSO Framework of Internal Control, including:

- A clear set of values
- Risk management - identification, management and mitigation of risks, under the oversight of the Regional Risk Committee
- Financial reporting and controls, under the oversight of the Regional Audit Committee
- Group strategy and policy on ethical matters, including the business ethics policy and whistleblowing arrangements, under the oversight of the Regional Ethics Committee
- Tax and treasury policies
- Delegation of authority
- Contract approvals: where required under the Group's contract approval matrix, customer contracts are referred to regional or international management for approval
- Stakeholder relationships and engagement (see above).

G4S Care and Justice Services (UK) Limited

Directors' Report for the Year Ended 31 December 2021 (continued)

Statement of directors' responsibilities in respect of the financial statements

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

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 then 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.

Directors' indemnity

Allied Universal Topco LLC has granted indemnities to each of the Company's directors to the extent permitted by law. Qualifying third-party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the year ended 31 December 2021 and remain in force in relation to certain losses and liabilities which the directors may incur to third parties in the course of acting as directors. Allied Universal Topco LLC has maintained a directors' and officers' liability insurance policy throughout the year under review.

Disclosure of information to the auditors

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 auditors are aware of that information.

13-Jan-23 | 03:40 PST

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

DocuSigned by:

Oliver Keck

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O Keck

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 audit of the financial statements

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 2021 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, including 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 2021, the Income Statement, the Statement of Comprehensive Income and the 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.

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, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the Company in the period under audit.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

G4S Care and Justice Services (UK) Limited

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

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2021 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, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

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)

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to (i) compliance with competition laws; (ii) payroll and health and safety laws and regulations; and (iii) tax laws, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries to manipulate financial results and the potential for management bias in accounting estimates. Audit procedures performed by the engagement team included:

- reviewing minutes of meetings of those charged with governance; discussions with management and internal legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- evaluation of management's controls designed to prevent and detect fraudulent financial reporting;
- challenging assumptions made by management in their significant accounting estimates, including the measurement of litigation provisions and contingent liabilities and the disclosure of these items;
- testing of material journal entries and post-close adjustments, including the testing of unusual account combinations; and
- reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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. 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.

Other required reporting

Companies Act 2006 exception reporting

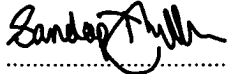
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained 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.

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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Sandeep Dhillon (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Date: 13/01/2023

G4S Care and Justice Services (UK) Limited**Income Statement for the Year Ended 31 December 2021**

	Note	2021 £ 000	2020 £ 000
Revenue	4	228,750	228,152
Cost of sales		<u>(173,976)</u>	<u>(170,639)</u>
Cost of sales excluding specific items		(171,101)	(169,779)
Specific items - charges	5	(2,875)	(1,658)
Specific items - credits	5	-	798
Gross profit		54,774	57,513
Administrative expenses		(30,523)	(9,061)
Impairment of investments	5, 15	<u>(5,500)</u>	<u>(3,700)</u>
Operating profit	5	18,751	44,752
Dividend income	9	2,937	3,712
Finance income	10	2,603	2,881
Finance costs	11	<u>(10)</u>	<u>(40)</u>
Profit before income tax		24,281	51,305
Income tax expense	12	<u>(2,955)</u>	<u>(7,069)</u>
Profit for the financial year		<u>21,326</u>	<u>44,236</u>

The above results were derived from continuing operations.

G4S Care and Justice Services (UK) Limited

Statement of Comprehensive Income for the Year Ended 31 December 2021

	2021	2020
	£ 000	£ 000
Profit for the financial year	<u>21,326</u>	<u>44,236</u>
Total comprehensive income for the financial year	<u><u>21,326</u></u>	<u><u>44,236</u></u>

G4S Care and Justice Services (UK) Limited**Statement of Changes in Equity for the Year Ended 31 December 2021**

			Restated *	Restated *
	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2020	51,538	3,983	14,129	69,650
Prior period adjustment	-	-	5,800	5,800
At 1 January 2020 (restated *)	51,538	3,983	19,929	75,450
Comprehensive income:				
Profit for the financial year	-	-	44,236	44,236
Total comprehensive income for the financial year	-	-	44,236	44,236
Transactions with owners:				
Share based payment transactions	-	-	106	106
Tax on items taken to equity	-	-	2	2
Total transactions with owners	-	-	108	108
At 31 December 2020 (restated *)	51,538	3,983	64,273	119,794
At 1 January 2021	51,538	3,983	64,273	119,794
Comprehensive income:				
Profit for the financial year	-	-	21,326	21,326
Total comprehensive income for the financial year	-	-	21,326	21,326
Transactions with owners:				
Share based payment transactions	-	-	168	168
Tax on items taken to equity	-	-	(3)	(3)
Total transactions with owners	-	-	165	165
At 31 December 2021	51,538	3,983	85,764	141,285

* See note 28 for details of prior period restatement.

G4S Care and Justice Services (UK) Limited
(Registration number: 00390328)
Statement of Financial Position as at 31 December 2021

		2021	Restated *
	Note	£ 000	2020 £ 000
Non-current assets			
Property, plant and equipment	13	1,041	1,590
Intangible assets	14	76	111
Investments in subsidiaries	15	5,433	5,433
Investments in joint ventures	15	700	6,200
Deferred tax assets	12	11,304	7,306
		<u>18,554</u>	<u>20,640</u>
Current assets			
Inventories	16	1,044	968
Trade and other receivables	17	226,145	189,712
Cash and cash equivalents	18	1,626	1,753
		<u>228,815</u>	<u>192,433</u>
Total assets		<u>247,369</u>	<u>213,073</u>
Current liabilities			
Trade and other payables	19	(80,717)	(74,146)
Bank overdrafts		(1,082)	(73)
Lease liabilities	20	(239)	(400)
Current tax liabilities		(6,244)	(9,369)
Provisions	21	(15,249)	(4,922)
		<u>(103,531)</u>	<u>(88,910)</u>
Non-current liabilities			
Lease liabilities	20	(279)	(396)
Provisions	21	(2,274)	(3,973)
		<u>(2,553)</u>	<u>(4,369)</u>
Total liabilities		<u>(106,084)</u>	<u>(93,279)</u>
Net assets		<u>141,285</u>	<u>119,794</u>
Equity			
Share capital	22	51,538	51,538
Share premium		3,983	3,983
Retained earnings		85,764	64,273
Total shareholders' funds		<u>141,285</u>	<u>119,794</u>

* See note 28 for details of prior period restatement.

G4S Care and Justice Services (UK) Limited

(Registration number: 00390328)

Statement of Financial Position as at 31 December 2021 (continued)

13-Jan-23 | 03:40 PST

The financial statements on pages 18 to 49 were approved by the Board on and signed on its behalf by:

DocuSigned by:

Oliver Keck

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O Keck

Director

The notes on pages 23 to 49 form an integral part of these financial statements.

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

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: 46 Gillingham Street, London, SW1V 1HU.

The Company is exempt by virtue of Section 401 of the Companies Act 2006 from the requirement to prepare and deliver consolidated financial statements as it is a wholly-owned subsidiary and it is included in the audited consolidated financial statements of its ultimate parent, Atlas Ontario LP. Copies of the consolidated financial statements of Atlas Ontario LP may be obtained from the G4S website (www.g4s.com). 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 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 the Company have been prepared in accordance with Financial Reporting Standard 101, "Reduced Disclosure Framework" (FRS 101). The financial statements have been prepared on a going concern basis, under the historical cost convention 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 3.

Summary of disclosure 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 Atlas Ontario LP. Copies of the consolidated financial statements of Atlas Ontario LP may be obtained from the G4S website (www.g4s.com).

These disclosure exemptions relate to:

- IAS 7 "Statement of cash flows";
- Paragraph 38 of IAS 1 "Presentation of Financial Statements" to present comparative information in respect of: paragraph 79 (a) (iv) of IAS 1, paragraph 73 (e) of IAS 16 "Property, Plant and Equipment" and paragraph 118 (e) of IAS 38 "Intangible Assets" (reconciliations between the carrying amount at the beginning and end of the period);

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Summary of disclosure exemptions (continued)

- The following paragraphs of IAS 1, “Presentation of financial statements”: 10(d) (statement of cash flows); 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements); 16 (statement of compliance with all IFRS); 38A (requirement for minimum of two primary statements, including cash flow statements); 38B-D (additional comparative information); 40A-D (requirements for a third statement of financial position); 111 (statement of cash flows information); and 134-136 (capital management disclosures);
- IFRS 7, “Financial Instruments: Disclosures”;
- Paragraphs 91 to 99 of IFRS 13 “Fair Value Measurement” (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- The requirements of the second sentence of paragraph 110 and paragraphs 113 (a), 114, 115, 118, 119 (a)-(c), 120-127 and 129 of IFRS 15 “Revenue from contracts with customers”;
- The requirements of paragraphs 52, 58, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 “Leases”;
- Paragraphs 45 (b) and 46 to 52 of IFRS 2 “Share-based Payment” (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined);
- Paragraph 17 of IAS 24 “Related Party Disclosures” (key management compensation); and
- The requirements in IAS 24 “Related Party Disclosures” to disclose related party transactions entered into between two or more members of a group.

New standards, amendments, IFRIC interpretations and new relevant disclosure requirements

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2021 have had a material effect on the financial statements.

Revenue recognition

The Company’s revenue arises from the provision of highly specialised services to central and local governments and government agencies and authorities including adult custody and rehabilitation, prisoner escorting and immigration services.

Revenue represents amounts arising from contracts with customers and is measured at the fair value of the consideration received or receivable, net of discounts, VAT and other sales-related taxes.

Contracts for care and justice services typically require the provision of a group of interrelated goods and services to the customer over a period of time. Such goods and services are typically considered to represent a single performance obligation as each promise is satisfied over the same period. Consideration received in respect of such services typically equates to the value of services supplied to the customer to date and the practical expedient has been applied under IFRS 15 to recognise revenue when services are provided for the amount that the Company has a right to invoice for those services.

For the majority of the Company’s contracts, invoices are raised in the month or months after the delivery of services. Accrued income arises in relation to services provided that have not been invoiced at the year end. For some contracts payments are received in advance of the performance of the related services and are recognised within deferred income until the related services are delivered.

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Contract acquisition and fulfilment costs

The Company recognises the incremental costs of obtaining a contract with a customer as an asset, to the extent that those costs are expected to be recovered during the contract. Such capitalised costs are amortised over the contract term. Bid team and other costs incurred prior to winning a contract are not capitalised but are charged to the income statement as incurred.

Contract fulfilment costs are capitalised if they relate directly to a contract; result in the creation or enhancement of an asset to be used in the performance of that contract; and are expected to be recovered under that contract. Capitalised contract fulfilment costs are amortised over the contract term in line with the delivery of goods or services.

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.

Specific items may not be comparable to similarly-titled measures used by other companies.

Employee benefits - retirement benefit cost

The G4S Limited group, which the Company is a member of, 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.

The Company makes no ongoing contribution to any of the defined benefit pension schemes, and there is no contractual agreement to charge any such contributions or deficit repayments to the Company. When contribution to defined benefit scheme is made, it is accounted for in line with defined contribution schemes as the defined benefit schemes are multi-employer schemes and it is not possible to accurately identify the Company's share of scheme's assets or liabilities.

Dividend income

Dividend income is recognised in the Company's financial statements in the period in which the dividends are approved by the shareholders of the subsidiary company.

Finance income and finance costs

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.

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Foreign currencies

These 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 date 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.

Income 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 in 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 Company'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 future taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of potential deferred tax assets is re-assessed at each balance sheet date and recognised to the extent that it is probable that sufficient taxable profits will be available to allow those assets to be recovered.

Deferred tax is measured based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Tax liabilities or refunds may differ from those anticipated due to changes in tax legislation, differing interpretations of tax legislation and uncertainties surrounding the application of tax legislation. In situations where uncertainties exist, provision is made for contingent tax liabilities and assets on the basis of management judgement following consideration of the available relevant information.

Property, plant and equipment

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

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Depreciation

Depreciation is charged so as to write off the cost of assets, other than assets under construction, less any estimated residual value, over their estimated useful economic lives on a straight-line basis, as detailed below.

Where significant, the residual values and the useful economic lives of property, plant and equipment are re-assessed annually.

Assets held under leases are depreciated over the shorter of their expected useful economic lives and the terms of the relevant lease.

Asset class	Depreciation rate
Freehold property	up to a maximum of 50 years
Leasehold improvements	over the shorter of useful economic life and period of the lease
Equipment	3 - 10 years
Right of use assets	over the period of the lease

Intangible assets

Software

Capitalised computer software is stated at cost, net of amortisation and any provision for impairment.

Amortisation

Amortisation is charged on intangible assets so as to write off the cost of assets, other than goodwill, less any estimated residual value, over their estimated useful economic lives on a straight-line basis, as detailed below.

Where significant, the residual values and the useful economic lives of intangible assets are re-assessed annually.

Asset class	Amortisation rate
Software	2 - 8 years

Investments

Investments in subsidiaries and joint ventures are stated at cost less provision of impairment.

Impairment of non-financial assets

The carrying values of the Company's assets, with the exception of inventories, financial receivables 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 consolidated income statement whenever the carrying value of an asset or its cash-generating unit 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.

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.

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

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 and other receivables do not carry interest. They are initially recognised at fair value which represents the amount of consideration that is unconditional. They are subsequently carried at amortised cost using the effective interest method less loss allowances.

Amounts owed by/to Group undertakings

Amounts owed by/to Group undertakings (members of the Enlarged Group) are recognised initially at fair value and are subsequently stated at amortised cost. Finance income and expense are recognised in the income statement on an accruals basis using the effective interest method.

Accrued income

Accrued income arises in relation to services provided that have not been invoiced at the year end.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

Trade and other payables

Trade and other payables do not carry interest. They are initially recognised at fair value and they are subsequently carried at amortised cost using the effective interest method.

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.

Bank overdrafts

Bank overdrafts comprise cash balances in an overdrawn position. Interest expense on these balances is recognised in finance costs using effective-interest method. Bank overdrafts are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Impairment of financial assets

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, amounts owed by Group undertakings and other contract assets (being the unbilled work in progress). The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors that the Company considers would affect the ability of its customers to settle the receivables.

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 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 likely outflows at the end of the reporting period.

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. The ultimate liability may vary from the amounts provided and will be dependent upon the eventual outcome of any settlement. Management exercise judgement in measuring the Company's exposure 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.

Leases

The Company leases a number of its office properties, vehicles and operating equipment. Rental contracts are typically made for fixed periods of around four to eight years but may have extension options.

Contracts may contain both lease and non-lease components. The Company has elected to apply the practical expedients of IFRS 16 not to separate non-lease components from lease components (as permitted by paragraph 15 of IFRS 16) and instead accounts for these as a single lease component.

The Company recognises a right-of-use asset and a corresponding liability from the date when the leased asset is available for use. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Company's leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Leases (continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third-party financing; and
- makes adjustments specific to the lease, e.g. term, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Company uses that rate as a starting point to determine the incremental borrowing rate.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value leases have been defined by the Company as leases for an asset for which the present value of future lease payments is less than £2,500.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Share premium

Share premium represents the excess of the issue price over the par value on share issues less transaction costs arising on issue.

Share-based payments

The Company benefits from equity-settled share-based payments issued by its intermediate 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 intermediate parent. Therefore, the Company accounts for the share-based payments as equity settled, and recognises the corresponding increase in equity as a contribution from its intermediate 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 2021 (continued)

3 Critical accounting judgements and key sources of estimation uncertainty

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, current and expected economic conditions, and in some cases, actuarial techniques as well as the various other factors that are believed to be reasonable under the circumstances.

The judgements, 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.

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

The judgements, estimates and assumptions which are of most significance in the preparation of the Company's financial statements are detailed below:

Deferred tax assets

Management judgement is required to determine the amount of deferred tax assets that can be recognised. Estimation is required to assess the likely timing and level of future taxable profits and assumptions are applied to determine the effect of future tax planning strategies. These judgements, estimates and assumptions may be affected by changes in legislation and in tax rates.

Determination of lease term

When the Company has the option to extend a lease or cancel it early, management uses judgement to determine whether or not an option would be reasonably certain to be exercised. In determining the lease term, management considers all facts and circumstances that create an economic incentive for the lessee to exercise or not exercise the option, including expected changes in facts and circumstances from the commencement date until the exercise date of that option.

Determination of discount factor

When the interest rate is not implicit in the lease, the Company uses the incremental borrowing rate to discount the lease liability to the present value. Management uses judgement to determine a rate which would be most similar to the rate of the lease. This involves assessing the appropriate type of security, borrowing term, amount of borrowing, payment profile as well as taking into account all relevant economic factors.

Impairment of investments

Investments are tested for impairment where there are financial or non-financial indicators that the carrying value of investments may be greater than the expected present value of future cash flows. Judgement is required to determine whether such indicators exist. Where it is determined that a test for impairment is required, the inputs into the impairment model such as growth, future cash flows and discount rates are estimated. These estimates and assumptions can have a significant impact on the result of the calculation and determine whether an impairment is recognised.

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Loss allowances against amounts owed by Group undertakings

The Company holds amounts owed by other members of the Enlarged Group. The decision whether to recognise a loss allowance against such receivables requires judgement in respect of the underlying operational performance and economic risks faced by other members of the Enlarged Group.

If it is decided that the loss allowance should be computed, such computation involves estimation of the expected loss rate. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors that the Company considers would affect the ability of the counterparty to settle the receivables.

Revenue recognition

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.

4 Revenue

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

	2021 £ 000	2020 £ 000
Rendering of services	<u>228,750</u>	<u>228,152</u>

Revenue arose from activities originating solely in the United Kingdom.

Assets and liabilities related to contracts with customers

	2021 £ 000	2020 £ 000
Current assets		
Trade receivables	19,786	19,875
Loss allowance	(18)	(47)
Accrued income	<u>4,027</u>	<u>2,126</u>
Total contract assets	<u>23,795</u>	<u>21,954</u>
Current liabilities		
Deferred income (current)	<u>(1,601)</u>	<u>(2,030)</u>

During the year the Company recognised £1,234,000 of revenue that was held in deferred income as at 31 December 2020 (2020: £871,000 of revenue recognised was held in deferred income as at 31 December 2019), and £Nil (2020: £Nil) of revenue in relation to performance obligations satisfied in prior periods.

As at 31 December 2021, the Company recorded £Nil (2020: £Nil) of capitalised contract fulfilment costs on its statement of financial position. Amortisation and impairment loss recognised as the cost of providing services in relation to these contracts during the year was £Nil (2020: £Nil). The Company incurred £Nil (2020: £70,000) material contract acquisition costs during the current year.

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

4 Revenue (continued)

Contract assets arise where goods or services are transferred to the customer before the customer pays consideration, or before payment is due. Contract receivables (loans and advances) represent our unconditional right to consideration for the goods or services supplied and performance obligations delivered. Contract liabilities (deposits from customers) relate to consideration received when we still have an obligation to deliver goods or services for that consideration.

5 Operating profit

Arrived at after charging/(crediting):

	2021 £ 000	2020 £ 000
Specific items - credits	-	(798)
Specific items - charges	2,875	1,658
Depreciation expense on property, plant and equipment	410	688
Depreciation on right of use assets - Property	68	29
Depreciation on right of use assets - Vehicles	152	288
Depreciation on right of use assets - IT equipment	130	141
Amortisation expense	56	74
Loss on disposal of property, plant and equipment	-	166
Impairment of investments	5,500	3,700
Gain on disposal of investments	236	-
Cost of inventories recognised as an expense	<u>307</u>	<u>268</u>

Specific items

In the prior year, cost of sales includes a specific items credit of £798,000 as a result of favourable commercial negotiation outcome on certain matters and prior year improvements in the performance of onerous contracts. There was no equivalent specific items credit in the current year. This year's operating profit includes a specific charge of £2,875,000 (2020: £1,658,000) primarily due to activities associated with the SFO investigation that were not covered by previous provisions.

On 10 July 2020, the Company announced that, in relation to the SFO investigation in respect of the Company's Electronic Monitoring services between 2004 and 2013, the Company had agreed a Deferred Prosecution Agreement ("DPA") with the SFO. The DPA is a voluntary agreement under which the Company will not be prosecuted provided the business fulfils certain requirements, including paying a financial penalty of £38,500,000, plus a payment of £5,900,000 in respect of the SFO's costs. The financial penalty and the SFO's costs were paid in 2020.

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

6 Staff costs

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

	2021 £ 000	2020 £ 000
Wages and salaries	92,471	93,120
Social security costs	8,354	8,459
Pension costs, defined contribution scheme	4,883	5,809
Redundancy costs	89	83
Share-based payment expenses	168	106
	<u>105,965</u>	<u>107,577</u>

The average number of persons employed by the Company (including directors) during the year, analysed by category was as follows:

	2021 No.	2020 No.
Administration and management	2,725	2,807
Other departments	19	30
	<u>2,744</u>	<u>2,837</u>

7 Directors' remuneration

The directors' remuneration for the year was as follows:

	2021 £ 000	2020 £ 000
Remuneration*	318	-
Pension costs, defined contribution scheme	12	-
	<u>330</u>	<u>-</u>

During the year, one director (2020: no directors) accrued retirement benefits under defined contribution schemes and none (2020: none) accrued retirement benefits under defined benefit schemes. During the year, one director (2020: no directors) exercised share options.

The other three directors (2020: four directors) were remunerated by another Group company in respect of their services to the Company during the current or prior year. These costs were not recharged to the Company.

The remuneration of the highest paid director for the year was as follows:

	2021 £ 000	2020 £ 000
Remuneration *	318	-
Pension costs, defined contribution scheme	12	-
	<u>330</u>	<u>-</u>

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

7 Directors' remuneration (continued)

In the prior year, the directors were remunerated by another Group company in respect of their services to the Company. These costs were not recharged to the Company.

During the year the highest paid director exercised share options (2020: did not exercise share options).

* Included within directors' remuneration are: base pay, benefits, annual bonus and cash pension allowance paid.

8 Auditors' remuneration

Fees payable to the Company's auditors were as follows:

	2021 £ 000	2020 £ 000
Audit of the financial statements	<u>250</u>	<u>242</u>

The Company did not incur any non-audit fees in the current or prior year.

9 Dividend income

The Company received dividends from the following subsidiaries:

	2021 £ 000	2020 £ 000
Bridgend Custodial Services Limited	<u>2,937</u>	<u>3,712</u>

10 Finance income

	2021 £ 000	2020 £ 000
Interest receivable on amounts owed by Group undertakings	2,603	2,772
Foreign exchange gains	-	7
Other finance income	<u>-</u>	<u>102</u>
	<u>2,603</u>	<u>2,881</u>

11 Finance costs

	2021 £ 000	2020 £ 000
Interest expense on lease liabilities	10	18
Other finance costs	<u>-</u>	<u>22</u>
	<u>10</u>	<u>40</u>

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

12 Income tax expense

Tax expensed in the income statement is as follows:

	2021 £ 000	2020 £ 000
Current tax		
UK corporation tax	6,244	9,371
UK corporation tax adjustment to prior periods	712	(1,458)
Total current tax	<u>6,956</u>	<u>7,913</u>
Deferred tax		
Arising from origination and reversal of temporary differences	(730)	291
Arising from changes in tax rates and laws	(2,713)	(339)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	(558)	(796)
Total deferred tax	<u>(4,001)</u>	<u>(844)</u>
Total income tax expense in the income statement	<u>2,955</u>	<u>7,069</u>

The tax charge on profit for the year is lower than (2020: lower than) the standard rate of corporation tax in the UK of 19% (2020: 19%).

The differences are reconciled below:

	2021 £ 000	2020 £ 000
Profit before income tax	<u>24,281</u>	<u>51,305</u>
Corporation tax at standard rate	4,613	9,748
Increase/(decrease) in current tax from adjustment for prior periods	712	(1,458)
(Decrease)/increase from effect of non-qualifying assets	(52)	14
Decrease from effect of income exempt from taxation	(558)	(718)
Increase from effect of expenses not deductible in determining taxable profit *	1,098	758
Decrease from transfer pricing adjustments	(171)	(88)
Deferred tax credit from unrecognised temporary difference from a prior period	(558)	(796)
Deferred tax credit relating to changes in tax rates or laws	(2,713)	(339)
Increase/(decrease) from effect of exercise of employee share options	46	(28)
Decrease from effects of employee share acquisition	-	(24)
Total income tax expense	<u>2,417</u>	<u>7,069</u>

* Refer to note 5 for more detail on the non-deductible expenses.

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

12 Income tax expense (continued)

The standard rate of corporation tax for the current year is the same as the standard rate of corporation tax for the prior year.

Deferred tax

Deferred tax assets are as follows:

	Asset £ 000
2021	
Accelerated tax depreciation	6,718
Temporary differences	199
Tax losses carry-forwards	4,387
Share-based payment	-
Other items	-
	<u>11,304</u>
2020	
Accelerated tax depreciation	3,745
Temporary differences	103
Tax losses carry-forwards	3,407
Share-based payment	46
Other items	5
	<u>7,306</u>

Deferred tax movement during the year is as follows:

	At 1 January 2021 £ 000	Recognised in income £ 000	At 31 December 2021 £ 000
Accelerated tax depreciation	3,745	2,973	6,718
Temporary differences	103	96	199
Tax losses carry-forwards	3,407	980	4,387
Share-based payment	46	(46)	-
Other items	5	(5)	-
Net tax assets	<u>7,306</u>	<u>3,998</u>	<u>11,304</u>

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

12 Income tax expense (continued)

Deferred tax movement during the prior year was as follows:

	At 1 January 2020 £ 000	Recognised in income £ 000	Recognised in equity £ 000	At 31 December 2020 £ 000
Accelerated tax depreciation	2,384	1,361	-	3,745
Temporary differences	92	11	-	103
Tax losses carry-forwards	3,898	(491)	-	3,407
Share-based payment	77	(32)	1	46
Other items	10	(5)	-	5
Net tax assets	<u>6,461</u>	<u>844</u>	<u>1</u>	<u>7,306</u>

The Company has tax losses of £17,548,000 (2020: £17,930,000) which are available for offset against future taxable profits. A deferred tax asset of £4,387,000 (2020: £3,407,000) has been recognised in respect of these losses as they are expected to be recovered within five years. This loss utilisation period is based on approved budgets and business plans for that five year period and is therefore considered reasonably foreseeable.

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

In the Spring Budget 2021, the Government announced that from 1 April 2023, the corporation tax rate will increase to 25%. This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Deferred tax assets and liabilities on temporary differences have been provided at 25%.

The Company has a temporary difference on fixed assets of £26,873,000 at 31 December 2021 (£19,711,000 at 31 December 2020). The use of these in the future is very flexible in that the Company can choose whether to make a claim for them each year, and can then effectively shelter taxable profits in any other group company within the UK tax group with these tax deductions by surrendering losses as group relief, for which the Company receives payment. As a result the Company is recognising a full deferred tax asset of £6,718,000 on this at 31 December 2021 (£3,745,000 at 31 December 2020). This reflects the temporary difference being substantially recovered over the forthcoming 10 years against forecast profits of the UK tax group. While this is a longer recovery period than for tax losses, this is felt appropriate given the flexible nature of the capital allowances regime.

G4S Care and Justice Services (UK) Limited**Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)****13 Property, plant and equipment**

	Freehold property £ 000	Leasehold improvements £ 000	Equipment £ 000	Right of use assets (Property) £ 000	Right of use assets (Vehicles) £ 000	Right of use assets (IT equipment) £ 000	Assets under construction £ 000	Total £ 000
Cost								
At 1 January 2021	204	220	3,505	351	1,017	1,172	95	6,564
Additions	-	13	85	104	154	-	-	356
Disposals	-	-	-	-	(257)	(1,172)	-	(1,429)
Transfers	-	-	72	-	-	-	(93)	(21)
Remeasurements	-	-	-	-	(14)	-	-	(14)
At 31 December 2021	<u>204</u>	<u>233</u>	<u>3,662</u>	<u>455</u>	<u>900</u>	<u>-</u>	<u>2</u>	<u>5,456</u>
Accumulated depreciation								
At 1 January 2021	68	206	2,900	319	439	1,042	-	4,974
Charge for the year	68	3	339	68	152	130	-	760
Eliminated on disposal	-	-	-	-	(143)	(1,172)	-	(1,315)
Remeasurements	-	-	-	-	(4)	-	-	(4)
At 31 December 2021	<u>136</u>	<u>209</u>	<u>3,239</u>	<u>387</u>	<u>444</u>	<u>-</u>	<u>-</u>	<u>4,415</u>
Carrying amount								
At 31 December 2021	<u>68</u>	<u>24</u>	<u>423</u>	<u>68</u>	<u>456</u>	<u>-</u>	<u>2</u>	<u>1,041</u>
At 31 December 2020	<u>136</u>	<u>14</u>	<u>605</u>	<u>32</u>	<u>578</u>	<u>130</u>	<u>95</u>	<u>1,590</u>

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

14 Intangible assets

	Software £ 000
Cost	
At 1 January 2021	786
Transfers	21
	<hr/>
At 31 December 2021	807
	<hr/>
Accumulated amortisation	
At 1 January 2021	675
Amortisation charge	56
	<hr/>
At 31 December 2021	731
	<hr/>
Carrying amount	
At 31 December 2021	76
	<hr/>
At 31 December 2020	111
	<hr/>

Amortisation expenses of £56,000 (2020: £74,000) are included within administrative expenses.

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

15 Investments

Investments in subsidiaries

	£ 000
Cost	
At 1 January 2021	5,433
At 31 December 2021	5,433
Provision	
At 1 January 2021	-
At 31 December 2021	-
Carrying amount	
At 31 December 2021	5,433
At 31 December 2020	5,433

Investments in joint ventures

	£ 000
Cost	
At 1 January 2021	15,000
At 31 December 2021	15,000
Accumulated impairment	
At 1 January 2021	8,800
Provision	5,500
At 31 December 2021	14,300
Carrying amount	
At 31 December 2021	700
At 31 December 2020	6,200

In the year, impairment review has been performed for all of the Company's investments. For each of the investments, the investment's carrying amount was compared to the entity's net assets. For the year ended 31 December 2021 an impairment charge of £5,500,000 (2020: £3,700,000) has been recorded in respect of the Company's investments.

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

15 Investments (continued)

Details of the subsidiary undertakings and other significant undertakings as at 31 December 2021, where the Company's holding is 20% or greater, are as follows:

	Class of holding	Ownership	Registered address
Investment in joint venture - Bridgend Custodial Services Limited *	Ordinary	58.67%	Challenge House, International Drive, Tewkesbury Business Park, Tewkesbury, Gloucestershire, GL20 8UQ
Investment in subsidiaries - G4S Monitoring Technologies Limited *	Ordinary	100.00%	46 Gillingham Street, London, England, SW1V 1HU

* Direct investment

16 Inventories

	2021	2020
	£ 000	£ 000
Raw materials and consumables	593	502
Other inventories	451	466
	<u>1,044</u>	<u>968</u>

17 Trade and other receivables

	2021	Restated *
	£ 000	2020
		£ 000
Trade receivables	19,786	19,875
Loss allowance	(18)	(47)
Net trade receivables	19,768	19,828
Amounts owed by subsidiary undertakings	5,657	5,800
Amounts owed by Group undertakings	193,434	159,013
Accrued income	4,027	2,126
Prepayments	1,754	2,355
Other receivables	1,505	590
	<u>226,145</u>	<u>189,712</u>

* See note 28 for details of prior period restatement.

Included in amounts owed by Group undertakings are loans of £193,284,000 (2020: £158,757,000) which are unsecured and repayable on demand. Interest is charged on these loans at LIBOR + 1.5% (2020: LIBOR + 1.5%). All other amounts owed by Group undertakings and subsidiary undertakings are trading in nature, unsecured, interest-free and repayable on demand.

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

17 Trade and other receivables (continued)

The loss allowance on external trade receivables as at 31 December 2021 is £18,000 (2020: £47,000).

All amounts owed by Group undertakings are repayable on demand and the expected loss rate for the Company is 0% (2020: 0%).

18 Cash and cash equivalents

Included in cash and cash equivalents balance of £1,626,000 (2020: £1,753,000) is £57,000 (2020: £54,000) that is restricted and not available for general use by the Company as it is held on behalf of third parties.

19 Trade and other payables

	2021 £ 000	2020 £ 000
Trade payables	14,335	9,317
Accrued expenses	18,492	14,700
Amounts owed to Group undertakings	27,863	24,827
Social security and other taxes	12,145	18,900
Deferred income	1,601	2,030
Other payables	6,281	4,372
Total trade and other payables included within current liabilities	<u>80,717</u>	<u>74,146</u>

Amounts owed to Group undertakings are trading in nature, unsecured, interest-free and repayable on demand.

20 Lease liabilities

Information about leases for which the Company is a lessee is presented below.

(i) Amounts recognised in the Statement of Financial Position

The Statement of Financial Position includes the following amounts relating to leases:

Carrying amount of right-of-use assets

	2021 £ 000	2020 £ 000
Property	68	32
Vehicles	456	578
IT equipment	-	130
	<u>524</u>	<u>740</u>

Carrying amount of right-of-use assets is included within property, plant and equipment (see note 13).

Additions to right-of-use assets during the year totalled £258,000 (2020: £493,000).

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

20 Lease liabilities (continued)

Lease liabilities

	2021 £ 000	2020 £ 000
Current lease liabilities	239	400
Non-current lease liabilities	279	396
	<u>518</u>	<u>796</u>

(ii) Amounts recognised in the Income Statement

The Income Statement includes the following amounts relating to leases:

Depreciation charge on right-of-use assets

	2021 £ 000	2020 £ 000
Property	68	29
Vehicles	152	288
IT equipment	130	142
	<u>350</u>	<u>459</u>

Other income and expenses related to leases

	2021 £ 000	2020 £ 000
Income from subleasing right-of-use assets	-	-
Interest expense on lease liabilities	10	18
Expenses relating to short-term leases	4	17
Expenses relating to leases of low-value assets	-	-
Variable lease payments not included in lease liabilities	-	-
Gains/(losses) arising from sale and leaseback transactions	-	-

G4S Care and Justice Services (UK) Limited**Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)****20 Lease liabilities (continued)*****(iii) The Company's leasing activities******Nature of the Company's leasing activities***

The Company leases a number of its office properties, vehicles and operating equipment. Property leases are negotiated over an average term of around eight years, at rates reflective of market rentals. Periodic rent reviews take place to bring lease rentals into line with prevailing market conditions. Some, but not all, lease agreements have an option to renew the lease at the end of the lease term. Leased vehicles and other operating equipment are negotiated over an average lease term of four years.

Exposure to future cash outflows not reflected in lease liabilities

- Extension and termination options are included in a number of property and equipment leases. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.
- The Company does not provide residual value guarantees in relation to its leases.
- There are no significant lease commitments for leases not commenced at year-end.
- None of the Company's leases contain variable lease payments.

Restrictions or covenants imposed by the leases

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. For leases of office buildings, the Company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Company must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

Sale and leaseback transactions

There have been no sale and leaseback transactions in the current year.

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

21 Provisions

	Other £ 000
At 1 January 2021	8,895
Additional provisions in the year	13,044
Utilisation of provision	(2,587)
Unused amounts reversed	<u>(1,829)</u>
At 31 December 2021	<u>17,523</u>
Non-current liabilities	<u>2,274</u>
Current liabilities	<u>15,249</u>

Provisions include £10,129,000 legal claim provision, £2,168,000 lifecycle provision, £1,804,000 food cost inflation, £1,354,000 demobilisation provision and £2,068,000 other provisions.

Management judgement is required in quantifying the Company's provisions. These provisions reflect the Company's best estimate of the probable exposure at 31 December 2021 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.

22 Share capital

Allotted, called up and fully paid shares

	2021 No. 000	2021 £ 000	2020 No. 000	2020 £ 000
Ordinary shares of £1 each	<u>51,538</u>	<u>51,538</u>	<u>51,538</u>	<u>51,538</u>

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

23 Retirement benefit obligations

The G4S Limited group operates both defined contribution and defined benefit pension schemes. Employer contributions to these schemes are fixed at a set level or set percentage of employees' pay.

Defined contribution pension scheme

The pension charge recognised in the income statement for the defined contribution scheme represents the contributions payable for the year. This has been detailed in note 6.

Defined benefit pension schemes

The defined benefit scheme is comprised of three sections: GSL, Group 4 and Securicor. 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 Limited 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.

The Company makes no ongoing contribution to any of the defined benefit pension schemes, and there is no contractual agreement to charge any such contributions or deficit repayments to the Company. When contribution to defined benefit scheme is made, it is accounted for in line with defined contribution schemes as the defined benefit schemes are multi-employer schemes and it is not possible to accurately identify the Company's share of scheme's assets or liabilities.

24 Share-based payments

All shares allocated to key management of the Company, under the G4S plc performance share plan, vested in full in April 2021 as the Company was de-listed from the London stock exchange upon the takeover by Allied Universal. Any new incentive units issued subsequently were issued by Atlas Ontario LP and included in the consolidated financial statements of that limited partnership.

The weighted average remaining contractual life of conditional share allocations outstanding at 31 December 2021 was nil months (2020: 14 months). The weighted-average share price at the date of allocation of shares allocated conditionally during the year was nil (2020 95p). The weighted-average share price at the date of exercise for the shares exercised during the year was 245p (2020: 191p).

25 Contingent liabilities

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.

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

26 Related party transactions

Summary of transactions with joint ventures

The Company owns a joint venture, Bridgend Custodial Services Limited, directly.

	Services/sales to 2021 £ 000	Amounts receivable 2021 £ 000	Services/sales to 2020 £ 000	Amounts receivable 2020 £ 000
Bridgend Custodial Services Limited *	65,525	7,636	63,110	6,433

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

27 Parent and ultimate parent undertaking

The Company's immediate parent undertaking is G4S Regional Management (UK&I) Limited.

The Company's ultimate parent undertaking and ultimate controlling party is Atlas Ontario LP, a limited partnership formed under the laws of the Province of Ontario, Canada. The registered office of Atlas Ontario LP is 1551 N Tustin Ave # 650, Santa Ana, California 92705, USA. Atlas Ontario LP is also the parent undertaking of both the smallest and largest groups which include the results of the Company and for which consolidated financial statements are prepared.

Copies of the consolidated financial statements of Atlas Ontario LP are available from the G4S website (www.g4s.com).

G4S Care and Justice Services (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

28 Prior year restatement

During the year, management identified that a dividend declared by the Company's subsidiary, G4S Monitoring Technologies Limited, on 25 July 2019 of £5,800,000 was not recorded in the financial statements for the year ended 31 December 2019 or the year ended 31 December 2020. As a result, the prior year figures have been restated to reflect the receipt of dividend income of £5,800,000 during 2019 and the recognition of a corresponding dividend receivable within Amounts owed by Group undertakings. The dividend had not been paid as at 31 December 2021.

	As reported 31 December 2020	Correction	Restated 31 December 2020
Statement of Financial Position (extract)	£ 000	£ 000	£ 000
Trade and other receivables	183,912	5,800	189,712
Retained earnings	58,473	5,800	64,273

	As reported 1 January 2020	Correction	Restated 1 January 2020
	£ 000	£ 000	£ 000
Statement of Financial Position (extract)			
Trade and other receivables	177,548	5,800	183,348
Retained earnings	14,129	5,800	19,929

	As reported 31 December 2019	Correction	Restated 31 December 2019
	£ 000	£ 000	£ 000
Income statement (extract)			
Dividend income	2,566	5,800	8,366
Statement of Financial Position (extract)			
Trade and other receivables	177,548	5,800	183,348
Retained earnings	14,129	5,800	19,929