

# Securicor Justice Services Limited

## REPORT AND FINANCIAL STATEMENTS

for the 15 month period ended  
31 December 2004



Company Registration No. 390328

# Securicor Justice Services Limited

## DIRECTORS AND OFFICERS

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### DIRECTORS

J Darnton  
DJB Taylor-Smith  
I Ward

### SECRETARY

N Richards

### REGISTERED OFFICE

Sutton Park House  
15 Carshalton Road  
Sutton  
Surrey SM1 4LD

### AUDITORS

Baker Tilly  
Chartered Accountants  
2 Bloomsbury Street  
London WC1B 3ST

# Securicor Justice Services Limited

## DIRECTORS' REPORT

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The directors submit their report and the financial statements of Securicor Justice Services Limited for the 15 month period ended 31 December 2004.

### PRINCIPAL ACTIVITIES

The principal activities of the company are those of prisoner escort and court custody services and prison management operations.

### REVIEW OF THE BUSINESS

The directors consider that the state of the company's affairs at 31 December 2004 was satisfactory. The company has successfully retained its Electronic Monitoring business and won an important contract with the Immigration Nationality Directorate. These new contracts start in April and May 2005 respectively.

### RESULTS AND DIVIDENDS

The results for the period are set out in the profit and loss account on page 6.

The directors recommend the payment of a dividend of £11,073,249 (2003: £3.5 million).

### DIRECTORS

The following directors have held office since 1 October 2003:

J Darnton	
TL Dighton	(resigned 23 November 2004)
P Francis	(resigned 23 November 2004)
DJB Taylor-Smith	
FM Walters	(resigned 23 November 2004)
I Ward	
RA Woolford	(resigned 23 November 2004)

### DIRECTORS' SHARE OPTIONS

The following shares were granted during the period to the directors, who are not also holding company directors, under the Securicor Executive Share Options Scheme (for further details see the Annual Report and Accounts of Group 4 Securicor plc).

	Number of options granted
DJB Taylor-Smith	60,000
J Darnton	25,000

# Securicor Justice Services Limited

## DIRECTORS' REPORT

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### DIRECTORS' INTERESTS IN SHARES

None of the directors, who are not holding company directors, have interests, including family interests, in the share capital of the parent company, Group 4 Securicor plc.

### PAYMENT OF SUPPLIERS

It is the company's policy to pay suppliers in accordance with the payment terms negotiated with them. Thus, prompt payment is normally made to those suppliers meeting their obligations. The number of creditor days at 31 December 2004 was 35.

### EMPLOYEE INVOLVEMENT

The company keeps employees informed on a regular basis of current activities, progress and general matters of interest by various methods including:

- a) the holding of regular regional and branch meetings with the Staff Association;
- b) the circulation on an individual basis of an annual report to employees and the company's in-house newsletter.

### DISABLED PERSONS

The company's policy and practice is to encourage the recruitment and subsequent training, career development and promotion of disabled persons according to their aptitudes and abilities, and the retention and retraining of employees who become disabled.

### AUDITORS

In accordance with section 386, Companies Act 1985, the company has elected to dispense with the obligation to appoint auditors annually. Accordingly Baker Tilly, Chartered Accountants, are deemed to be reappointed for the succeeding financial year.

By order of the board



N Richards  
Secretary

3 May 2005

# Securicor Justice Services Limited

## DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They 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.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SECURICOR JUSTICE SERVICES LIMITED

We have audited the financial statements on pages 6 to 16.

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

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of opinion**

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

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

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2004 and of its result for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

BAKER TILLY  
Registered Auditor  
Chartered Accountants  
2 Bloomsbury Street  
London WC1B 3ST

3 May 2005

# Securicor Justice Services Limited

## PROFIT AND LOSS ACCOUNT

for the period ended 31 December 2004

	Notes	15 month period ended 31 December 2004 £	Year ended 30 September 2003 £
TURNOVER	1	104,734,097	70,627,238
Cost of sales		(79,571,560)	(53,441,388)
Gross profit		<u>25,162,537</u>	<u>17,185,850</u>
Administration expenses		(11,154,762)	(9,376,172)
OPERATING PROFIT		<u>14,007,775</u>	<u>7,809,678</u>
Investment income	2	1,017,940	461,359
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	<u>15,025,715</u>	<u>8,271,037</u>
Taxation	5	(4,047,781)	(2,423,430)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>10,977,934</u>	<u>5,847,607</u>
Dividends	6	(11,073,249)	(3,500,000)
RETAINED (LOSS)/PROFIT	15	<u>(95,315)</u>	<u>2,347,607</u>

The operating profit for the period arises from the company's continuing operations.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

# Securicor Justice Services Limited

## BALANCE SHEET

31 December 2004

	Notes	31 December 2004 £	30 September 2003 £
<b>FIXED ASSETS</b>			
Intangible assets	7	13,806	91,732
Tangible assets	8	2,684,392	2,473,974
Investments	9	5,002	5,002
		<u>2,703,200</u>	<u>2,570,708</u>
<b>CURRENT ASSETS</b>			
Stocks	10	175,366	159,290
Debtors	11	17,301,011	10,331,155
Bank and cash		1,517,286	4,898,317
		<u>18,993,663</u>	<u>15,388,762</u>
CREDITORS: Amounts falling due within one year	12	(15,586,166)	(11,753,458)
NET CURRENT ASSETS		<u>3,407,497</u>	<u>3,635,304</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,110,697</u>	<u>6,206,012</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	1,500,000	1,500,000
Profit and loss account	15	4,610,697	4,706,012
EQUITY SHAREHOLDERS' FUNDS	16	<u>6,110,697</u>	<u>6,206,012</u>

Debtors and net current assets include amounts receivable in more than one year totalling £5,728,715 (2003: £2,710,814).

Approved by the board on 3 May 2005

Director





# Securicor Justice Services Limited

## ACCOUNTING POLICIES

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### BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards.

### INTANGIBLE FIXED ASSETS

*Intangible fixed assets relates to expenses incurred on a communications upgrade project undertaken in the electronic monitoring service (EMS) department.*

Amortisation is provided on all intangible fixed assets to write them off over the original remaining life of the EMS project.

### TANGIBLE FIXED ASSETS

Fixed assets are stated at historic cost.

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

Fixtures, fittings and equipment - over 3 to 5 years

### TURNOVER

Turnover represents the invoiced value, net of Value Added Tax, of goods sold and services provided to customers.

### GOVERNMENT GRANTS

Grants of a revenue nature are credited to income in the period to which they relate.

### STOCKS

Stocks are valued at the lower of cost and net realisable value. Provision is made for obsolete and slow-moving items.

### DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

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

### LEASING

All company leases are "operating leases" and the annual rentals are charged to the profit and loss on a straight line basis over the lease term.

### PENSION CONTRIBUTIONS

The company is included in the Group defined benefit pension scheme and defined contribution scheme. The contributions to the schemes are charged to the profit and loss account on a basis that spreads the expected cost of providing pensions over the employees' working lives with the Group.

### RESEARCH AND DEVELOPMENT EXPENDITURE

Development expenditure with regard to the EMS contract is capitalised and amortised over the remaining period of the contract. Research expenditure is written off in the period in which it is incurred.

### INVESTMENTS

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

# Securicor Justice Services Limited

## NOTES TO THE FINANCIAL STATEMENTS for the period ended 31 December 2004

### 1 TURNOVER

The group's turnover was all derived from its principal activity wholly undertaken in the United Kingdom.

### 2 INVESTMENT INCOME

	15 month period ended 31 December 2004 £	Year ended 30 September 2003 £
Interest received	1,017,940	461,359

### 3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	15 month period ended 31 December 2004 £	Year ended 30 September 2003 £
Profit on ordinary activities before taxation is stated after charging:		
Depreciation and amounts written off tangible fixed assets:		
Charge for the period:		
Owned assets	1,828,506	1,058,865
Profit on disposal of fixed assets	106,463	-
Operating lease rentals:		
Land and buildings	1,211,517	692,152
Other	4,813,542	5,883,341
Auditors' remuneration		
Statutory audit	21,750	21,570

Turnover is derived from the company's principal activity and all sales were made in the United Kingdom.

### 4 EMPLOYEES

	15 month period ended 31 December 2004 No.	Year ended 30 September 2003 No.
The average monthly number of persons (including directors) employed by the company during the period was:		
Office and management	38	48
Operational	1,615	1,583
	1,653	1,631
	£	£

Staff costs for above persons:

Wages and salaries	41,457,587	30,632,528
Social security costs	3,912,312	2,851,515
Other pension costs	504,461	557,061
	45,874,360	34,041,104

# Securicor Justice Services Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2004

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### 4 EMPLOYEES *(continued)*

#### PENSIONS

The company's share of the costs of the Group's defined benefit pension scheme amounted to £469,333 (2003: £326,032).

The pension cost is assessed on the advice of independent qualified actuaries using the projected unit credit method. The most recent actuarial valuation was dated 5 April 2003. The assets of the scheme are held in separate trustee administered funds.

Full particulars of the pension scheme are disclosed in the published accounts of Group 4 Securicor plc.

#### DIRECTORS' REMUNERATION

Full details of the directors emoluments for T M Dighton are disclosed in the group financial statements of Group 4 Securicor plc.

The aggregate emoluments for the other directors are disclosed below.

	15 month period ended 31 December 2004 £	Year ended 30 September 2003 £
Directors' emoluments (including pension contributions and benefits in kind)	929,630	517,588

The directors' fees and other emoluments disclosed above (excluding pension contributions) include amounts paid to:

	15 month period ended 31 December 2004 £	Year ended 30 September 2003 £
The highest paid director	238,425	139,802
The highest paid director Accrued pension entitlement	4,675	11,772

# Securicor Justice Services Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2004

5	TAXATION	15 month period ended 31 December 2004 £	Year ended 30 September 2003 £
	Current tax:		
	UK corporation tax on profits of the period	4,778,763	2,463,524
	Adjustments in respect of previous periods	(505,949)	13,257
	Total current tax	4,272,814	2,476,781
	Deferred taxation:		
	Origination and reversal of timing differences	(225,033)	(53,351)
	Total deferred tax	(225,033)	(53,351)
	Tax on profit on ordinary activities	4,047,781	2,423,430
	Factors affecting tax charge for period:	15 month period ended 31 December 2004 £	Year ended 30 September 2003 £
	The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:		
	Profit on ordinary activities before tax	15,025,715	8,271,037
	Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 30% (2003: 30%)	4,507,715	2,481,311
	Effects of:		
	Expenses not deductible for tax purposes	49,508	6,213
	Capital allowances for period in excess of depreciation	237,145	-
	Timing differences in the recognition of profit and loss for tax purposes	(15,605)	(24,000)
	Adjustment to tax charge in respect of previous periods	(505,949)	13,257
	Tax charge for period	4,272,814	2,476,781
6	DIVIDENDS	15 month period ended 31 December 2004 £	Year ended 30 September 2003 £
	Ordinary		
	Final proposed - £7.38 (2003 : £2.33)	11,073,249	3,500,000

# Securicor Justice Services Limited

## NOTES TO THE FINANCIAL STATEMENTS for the period ended 31 December 2004

### 7 INTANGIBLE FIXED ASSETS

	<i>Development costs £</i>
Cost:	
1 October 2003 and 31 December 2004	405,052
Amortisation:	
1 October 2003	313,320
Charge for the period	77,926
31 December 2004	391,246
Net book value:	
31 December 2004	13,806
30 September 2003	91,732

### 8 TANGIBLE FIXED ASSETS

	<i>Fixtures, fittings and equipment £</i>	<i>Motor vehicles £</i>	<i>Total £</i>
Cost or valuation			
1 October 2003	4,192,973	751,212	4,944,185
Additions	2,025,414	28,346	2,053,760
Disposals	(29,107)	(368,597)	(397,704)
31 December 2004	6,189,280	410,961	6,600,241
Depreciation			
1 October 2003	2,161,194	309,017	2,470,211
Charged in the period	1,372,370	456,136	1,828,506
Disposals	(20,988)	(361,880)	(382,868)
31 December 2004	3,512,576	403,273	3,915,849
Net book value			
31 December 2004	2,676,704	7,688	2,684,392
30 September 2003	2,031,779	442,195	2,473,974

# Securicor Justice Services Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2004

9	INVESTMENTS			Joint Ventures £	Subsidiary undertakings £	Total £
	Cost:					
	1 October 2003 and 31 December 2004			4,900	102	5,002
	Subsidiary Undertakings	Nature of business	Class of Holding	Proportion directly held	Capital and reserves £	Profit after tax in year £
	Securicar Limited	Non Trading	Ordinary	100%	100	80,521
	Securicom Limited	Non Trading	Ordinary	100%	1,283,171	-

Both the above companies are registered in England and Wales.

The joint venture investment in STC (Milton Keynes) Holdings Limited represents a 49% interest in the ordinary share capital of the company totalling £4,900. The company is managed by a board of 8 directors, 4 from Securicor Justice Services Limited, with no party having overall control. The company's period end is 31 December 2004.

The accounts present information about the company as an individual undertaking, as the company has taken advantage of the exemption conferred by Section 228 of the Companies Act 1985. The ultimate holding company, Group 4 Securicor plc, which is registered in England and Wales, produces consolidated accounts in which Securicor Justice Services Limited is included.

10	STOCKS	31 December 2004 £	30 September 2003 £
	Raw materials and consumables	175,366	159,290
11	DEBTORS	31 December 2004 £	30 September 2003 £
	Due within one year:		
	Trade debtors	2,238,411	1,076,289
	Amounts owed by parent and fellow subsidiary undertakings	84,931	161,165
	Amounts owed by associated undertakings	4,450,488	1,723,211
	Other debtors	284,607	55,670
	Prepayments and accrued income	4,513,859	4,604,006
		11,572,296	7,620,341
	Due in more than one year:		
	Amount owed by parent and fellow subsidiary undertakings	5,728,715	2,710,814
		17,301,011	10,331,155

Included in other debtors is £265,384 (2003: £40,351) with regard to deferred tax, see note 13.

# Securicor Justice Services Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2004

12	CREDITORS: Amounts falling due within one year	31 December 2004 £	30 September 2003 £
	Trade creditors	2,743,126	1,743,431
	Amounts owed to subsidiary undertakings	2,693,314	2,341,441
	Corporation tax	2,387,720	971,000
	Other taxation and social security costs	2,118,280	2,614,061
	Other creditors	699,244	502,629
	Accruals and deferred income	4,944,482	3,580,896
		<u>15,586,166</u>	<u>11,753,458</u>
13	PROVISIONS FOR LIABILITIES AND CHARGES		Deferred taxation £
	Balance at 1 October 2003		(40,351)
	Transfer to profit and loss		(225,033)
	Balance at 31 December 2004		<u>(265,384)</u>
	Provision for deferred tax has been made as follows:		
	Accelerated capital allowances		(265,384)
	Undiscounted provision for deferred tax		<u>(265,384)</u>
	The deferred tax asset is included in other debtors within note 11.		
14	SHARE CAPITAL	31 December 2004 £	30 September 2003 £
	Authorised:		
	20,000,000 ordinary shares of £1 each	20,000,000	20,000,000
	Allotted, issued and fully paid:		
	1,500,000 ordinary shares of £1 each	1,500,000	1,500,000
15	PROFIT AND LOSS ACCOUNT	15 month period ended 31 December 2004 £	Year ended 30 September 2003 £
	1 October 2003	4,706,012	2,358,405
	(Loss)/profit for the financial period	(95,315)	2,347,607
	31 December 2004	<u>4,610,697</u>	<u>4,706,012</u>

# Securicor Justice Services Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2004

16	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	31 December 2004 £	30 September 2003 £
	Profit after taxation	10,977,934	5,847,607
	Dividends	(11,073,249)	(3,500,000)
	Net (reduction in)/addition to shareholders' funds	(95,315)	2,347,607
	Opening shareholders' funds	6,206,012	3,858,405
	Closing shareholders' funds	6,110,697	6,206,012

## 17 ULTIMATE PARENT UNDERTAKING

At 31 December 2004 the ultimate holding company of Securicor Justice Services Limited was Group 4 Securicor plc which is registered in England and Wales. Copies of the group accounts of Group 4 Securicor plc can be obtained from The Manor, Manor Royal, Crawley, West Sussex, RH10 9UN.

## 18 COMMITMENTS UNDER OPERATING LEASES

At 31 December 2004 the company had annual commitments under non-cancellable operating leases as follows:

	31 December 2004 £	30 September 2003 £
Land and buildings:		
expiring within one year	79,410	506,424
expiring in the second to fifth year	26,500	61,458
Other:		
expiring within one year	1,774,601	1,649,793
expiring in the second to fifth year	1,711,871	410,131
	3,592,382	2,627,806

## 19 CONTINGENT LIABILITIES

- The company is included in a group registration for VAT purposes and is therefore jointly and severally liable for all other group companies' unpaid debts in this connection. The liability of the UK group registration at 31 December 2004 totalled £23,103,595.
- The company, together with certain other group companies, is jointly and severally liable under the terms of a guarantee provided in respect of a revolving credit loan facility granted to Group 4 Securicor plc, details of which are disclosed in the group accounts of Group 4 Securicor plc.



# Securicor Justice Services Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2004

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### 20 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in FRS8 that transactions do not need to be disclosed with companies where 90% or more of the voting rights are controlled within the group.

The company is related by way of a 49.32% group shareholding to Bridgend Justice Services Limited and a 49% shareholding to STC (Milton Keynes) Holdings Limited.

The following transactions occurred with these companies during the year, together with the related year end positions:

	Turnover £	Cost of sales £	Debtor £
Bridgend Custodial Services Limited	18,157,747	-	2,246,632
STC (Milton Keynes) Holdings Limited	3,146,918	-	2,203,856
	<hr/>	<hr/>	<hr/>