IN THE ROYAL COURTS OF JUSTICE

BETWEEN

SERIOUS FRAUD OFFICE

-v-

G4S CARE & JUSTICE SERVICES (UK) LIMITED

STATEMENT OF FACTS PREPARED PURSUANT TO
PARAGRAPH 5(1) OF SCHEDULE 17 OF THE CRIME AND COURTS ACT 2013

INTRODUCTION

1. This is an agreed Statement of Facts in relation to a Deferred Prosecution Agreement ("DPA") between the Serious Fraud Office ("SFO") and G4S Care & Justice Services (UK) Ltd ("G4S C&J"), to resolve the SFO's investigation of allegations that G4S C&J committed three offences of fraud contrary to section 2 of the Fraud Act 2006.

2. G4S C&J agrees that the facts set out in this Statement of Facts are true and accurate, and admits that it is responsible for the acts attributable to it set forth in this Statement of Facts.

3. G4S C&J further acknowledges and agrees that:

    a. while this Statement of Facts substantially sets out the SFO's case, it is not and does not purport to be a full and exhaustive pleading of the SFO's case, and G4S C&J acknowledges and agrees that it does not limit or restrict the nature and extent of the evidence the SFO might present in the event of subsequent proceedings; and

    b. should the SFO pursue the prosecution that is deferred by the DPA or otherwise take action against G4S C&J, G4S C&J agrees that it will neither contest the admissibility of, nor contradict, this Statement of Facts in any proceeding that is part of or relates to such a prosecution. In any such proceedings this Statement of Facts would be admissible against G4S C&J in accordance with section 10 of the Criminal Justice Act 1967.

The Company

4. **G4S Care & Justice Services (UK) Limited** is a private limited company incorporated in the United Kingdom (company number 00390328) whose registered address is located in London. It reported 2018 net assets of over £85.5 million, revenue of over £341 million, and profit of over £17.7 million. It is a wholly owned subsidiary of G4S plc, a public limited company incorporated in the United Kingdom (company number 04992207) which trades on the London Stock Exchange, employs over 550,000 people, operates in over 85 countries, and reported 2019 revenue of over £7.7 billion, over £1.2 billion of which resulted from its operations in the United Kingdom. In its 2018 Annual Report G4S C&J described its "principal activity" as "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."

Relevant Individuals

5. **G4S C&J Director 1**.

6. **G4S C&J Director 2.**

7. **G4S C&J Manager 1**.

The SFO's Investigation

8. In 2013 the Ministry of Justice ("MoJ") contacted the SFO regarding the electronic monitoring services G4S C&J was providing for the MoJ[1] between 2005 and 2013. This referral, and the SFO's

[1] The entity that initially contracted with G4S C&J for electronic monitoring services was the Home Office, but following the creation of the MoJ in 2007, the Home Office transferred responsibility for such contracts to the

initial investigation, focused on the question of whether G4S C&J had improperly invoiced and been paid by the MoJ for monitoring subjects where no actual monitoring had taken place. Following a full investigation, the SFO has determined that there is insufficient evidence to provide a realistic prospect of conviction regarding the conduct originally referred to the SFO by the MoJ.

9. In December 2013 the MoJ wrote to G4S plc expressing concern about "the extent to which G4S has complied with its obligations in relation to financial reporting and the notification and sharing of unanticipated costs efficiencies and reduction of profit margins," and requested that G4S plc provide the MoJ with certain information and otherwise "co-operate in relation to this, to enable MoJ to establish whether or not its concerns are justified," G4S plc in January 2014 reported to the SFO its discovery of certain documents indicating G4S C&J's failure to provide truthful financial information regarding the electronic monitoring services it was providing to the MoJ. This issue of intentionally providing false or misleading financial information forms the subject of the Indictment.

10. In addition to promptly providing the materials described in paragraph 9 to the SFO, and subsequently engaging with the SFO regarding the SFO's investigation, G4S C&J has provided what amounts overall to substantial co-operation with the SFO's investigation, including by:

    a. Responding on a voluntary basis to multiple investigation-related requests made by the SFO;

    b. Proactively and voluntarily assisting with the SFO's queries concerning the continuity of evidence, including working with external third parties to provide the SFO with relevant witness evidence and assisting with a significant number of related queries;

    c. Providing digital and hardcopy material to the SFO in a useful, structured way;

    d. Informing the SFO of reasons for data loss, deletion, or destruction;

    e. Identifying and facilitating the production of relevant material that was in the possession of third parties; and

    f. Providing a limited waiver of privilege in order to provide the SFO the memoranda of interviews conducted by itself, its solicitors, and/or its external accountants in connection with its internal investigation of the matters upon which the SFO's investigation has focused.

    The extent of G4S C&J's co-operation with the SFO's investigation intensified materially and significantly, and included the privilege waiver described in subparagraph (f) above, following a significant change in G4S C&J's stance towards the SFO in October 2019 that included replacement of its external legal advisors and a change in the G4S plc personnel responsible for interaction with the SFO, as well as an explicit, repeated, and demonstrated commitment by G4S C&J to do anything it possibly could to assist the SFO's investigation. Although this revised approach can fairly be said to have provided overall substantial assistance to the SFO's investigation, the

MoJ. Accordingly (and for simplicity), G4S C&J's counterparty to the electronic monitoring contracts described herein will be referred to as the MoJ.

considerable delay in making these changes has resulted in G4S C&J receiving substantially less credit for its co-operation in the calculation of its financial penalty than it would have received had such an approach been taken from the outset of the SFO's investigation.

11. The SFO's investigation into the involvement of individuals in the conduct described below continues.

SUMMARY

12. This case concerns a fraud committed by G4S C&J personnel against the MoJ, by means of fraudulent financial reporting to the MoJ for which G4S C&J is responsible – through the actions of G4S C&J Director 1 – from August 2011 to May 2012.

13. The purpose of the fraud was dishonestly[2] to mislead the MoJ as to the extent of G4S C&J's profits on contracts for the provision of electronic monitoring services entered into by the Secretary of State for the Home Department and G4S C&J, intending thereby to ensure a financial gain from those contracts and, correspondingly, to expose the MoJ to a risk of loss.

14. Through the conduct of G4S C&J Director 1, G4S C&J from August 2011 caused the reporting of false or misleading costs to the MoJ, intending to ensure that the MoJ did not, on seeing high profit margins, attempt to limit any of G4S C&J's future profits, recover any of G4S C&J's previous profits, seek more favourable terms during renegotiations of contracts, or otherwise threaten the revenue stream G4S C&J obtained as a result of the continuing operation of the contracts, which over the period April 2005 – November 2013 totalled approximately £383 million.

[2] The test of dishonesty as a matter of criminal law is whether a defendant's conduct is dishonest by the objective standards of ordinary decent people, having regard to the defendant's actual state of knowledge or belief as to the facts (see *Ivey v Genting Casinos (UK) Ltd* [2017] UKSC 67; [2018] AC 391 as confirmed in *R v Barton and Booth* [2020] EWCA Crim 575 at [§§105-108]). G4S C&J considers that test to be met in this case.

FACTS

<u>Background: The EM Contract</u>

G4S C&J's Bid for the EM Contract: The Need to Show an "Acceptable" Margin

15. Ahead of entering into a new "generation" of contracts for electronic monitoring of offenders throughout the UK, in September 2003 the Home Office issued an "Invitation to Propose" to several large government contractors, including G4S C&J, which was already providing such services pursuant to an earlier "generation" of such contracts.

16. As G4S C&J prepared to submit its bid for one or more of the electronic monitoring contracts, individuals within G4S C&J knew that the Home Office's "pricing aims" for the new contracts included "significant cost savings." Such aims were echoed in the Home Office's interaction with G4S C&J regarding its existing electronic monitoring contracts during this time as well, which emphasized the extent to which issues like "duplicated or otherwise unjustified costs" and "current profit margins" were of significant interest to the Home Office, and the fact that the Home Office "would expect [G4S C&J] to be running a lean operation with reasonable rather than excessive profits."

17. These Home Office priorities presented a challenge for G4S C&J, as its charging structures for providing electronic monitoring services to the Home Office were acknowledged by members of its management to be "the highest in the market place" and as a result, G4S C&J's existing electronic monitoring contracts had resulted in "very high levels of profitability" for G4S C&J. Maintaining such "high levels of profitability" would be all the more difficult for G4S C&J, in part due to what a Board Paper of 25 June 2004 circulated by a G4S C&J executive described as a "very high level of costing transparency throughout the life of the contract." In addition, as the then-Managing Director of G4S C&J's EM business unit cautioned in an 8 June 2004 email to that same G4S C&J executive and others, none of G4S C&J's competitors were likely to be "under pressure to deliver 25% group profits from this one contract," or to "view this market as a cash cow that can continually be raped."

18. Individuals within G4S C&J strategized about ways to "ensure that the visible [bid] price margin is at an acceptable level" for the Home Office, focusing on ways to increase the costs G4S C&J would report in bidding for the contracts, thereby suppressing the amount of contract profitability G4S C&J would disclose to the MoJ. For example, among the "Pricing Documents" circulated by G4S C&J Director 1 to members of G4S C&J management on 18 February 2004, was a "Pricing Strategy" for G4S C&J's bid, which among other things:

    a. Noted the importance of ensuring that the profit margin of G4S C&J's bid that was "visible" to the Home Office was "acceptable";

    b. Suggested incorporating things like "Group overhead costs" into G4S C&J's predicted costs in order to achieve such an "acceptable" margin;

    c. Noted that any cost "savings" G4S C&J identified "may need to be shared 50:50" with the Home Office; and

d. Noted the "need to identify areas of cost reduction that can be implemented after" G4S C&J's bid was submitted, in order "to further increase margin."

Thereafter, G4S C&J Director 1 circulated a spreadsheet identifying millions of pounds of "profit not disclosed to client" and itemising a variety of "cost savings not disclosed to client."

19. In "bid sign-off meetings" attended by G4S C&J Director 1 and others that occurred in June 2004, G4S C&J's management were presented with various bid-related calculations, and considered the maximum profit margin that would be "visible to" the Home Office in G4S C&J's bid for the electronic monitoring contracts. Among other things, these calculations showed that the "G[ross] P[rofit] visible to client" for the "Full life [of the] contract" would be 7.6%, but that G4S C&J's "Total Contract Profit" actually would be 17.9%

20. On 2 July 2004, G4S C&J submitted its "Best and Final Offer" ("BAFO") for the electronic monitoring contracts, in which G4S C&J forecast an 8.3% profit margin for the life of the EM Contract.

21. Despite reporting its anticipated EM Contract profit margin in a way that did not reflect what G4S C&J anticipated its EM Contract profit margin actually would be, G4S C&J in its BAFO claimed that its "charging structures are transparent and are related to the actual work involved with monitoring," and that it was "confident that we will deliver shared cost benefits" to the Home Office.

G4S C&J Wins the EM Contract and Promises to Provide "True and Accurate" Information

22. G4S C&J's BAFO was successful, and on 26 November 2004, G4S C&J[3] and the Secretary of State for the Home Department entered into three contracts for the provision of electronic monitoring services, in the "North East and North West area," the "South East and South West area," and the "East Midlands, Yorkshire, and Humberside area" (collectively, "the EM Contract"), with a live operational date of 1 April 2005.

23. The EM Contract included terms designed to ensure the MoJ would receive "Value for Money" in connection with it. These terms included a requirement that G4S C&J would "seek, identify and promptly implement opportunities which are reasonably achievable to reduce the costs of providing [electronic monitoring services]." The EM Contract also entitled the MoJ to 50% of "any unanticipated cost efficiencies" experienced by G4S C&J in the course of servicing the EM Contract, and in order to enable the parties to agree on any reduction in charges attributable to such unanticipated cost efficiencies, G4S C&J agreed in the EM Contract to "furnish all information reasonably necessary" to do so.

24. G4S C&J was required by the EM Contract to submit to the MoJ a "Financial Model," that is, "an Excel workbook containing various interlinking spreadsheets," which was to be provided to the MoJ every six months and was to be "derived from [G4S C&J's] internal documentation."

[3] Securicor Justice Services Limited—the previous name of G4S C&J—is the party to the EM Contract. For clarity, Securicor Justice Services Limited is referred to as "G4S C&J" throughout.

25. G4S C&J agreed that the Financial Model it submitted to the MoJ would "take account of actual revenues and costs incurred" by G4S C&J in servicing the EM Contract, and defined "costs" as "all types of cost . . . as actually incurred at that time by [G4S C&J] in delivering [electronic monitoring services] to [the MoJ]." The EM Contract therefore required G4S C&J to provide information from which the profit margin gained by G4S C&J in servicing the EM Contract could be calculated.

26. The EM Contract contemplated that the Financial Model should be used as necessary by the parties to support discussions relating to changes to the EM Contract and G4S C&J's charges to the MoJ for performing the contract. G4S C&J was required to submit the Financial Model, among other things, "to give [the MoJ] sight of the underlying costs of [G4S C&J] in delivering its Obligations under the Agreement in order for [the MoJ] to have confidence that [G4S C&J] has realistically priced its solution," and to "assess whether or not proposed changes to the Agreement represent value for money."

27. In promising to report its "actual" costs of servicing the EM Contract to the MoJ, G4S C&J also agreed that in servicing the EM Contract, it would:

    a. provide "commercial transparency" regarding "costs [and] margins;"

    b. "discharge its obligations with all due skill, care and diligence;"

    c. ensure that "any and all information supplied" to the MoJ—in particular "all statements and representations" G4S C&J made to the MoJ—would be "to the best of [G4S C&J's] knowledge, information, and belief, true and accurate at the time of supply;" and

    d. "advise [the MoJ] of any fact, matter or circumstance of which it may become aware which would render any such statement or representation to be false or misleading."

28. G4S C&J sought and received two extensions of the EM Contract, in March 2009 and December 2010, which resulted in G4S C&J servicing the EM Contract until March 2013. A Transition Agreement resulted in further service delivery until March 2014. Neither those extensions nor the Transition Agreement – which were negotiated against a backdrop of persistent efforts by HM Government to achieve savings on the EM and other government contracts – resulted in any alteration of the terms referred to above, which remained in force throughout the life of the EM Contract.

<u>G4S C&J Personnel Knowingly and Intentionally Report False or Misleading Costs</u>

The False or Misleading Representations to the MoJ: Purportedly "Actual" Costs

29. As described in paragraphs 24–27 above, G4S C&J was required by the terms of the EM Contract to submit periodic Financial Models reporting its "actual" costs of servicing the EM Contract. In September 2005, G4S C&J Director 1 was tasked by G4S C&J management with "on-going" responsibility for "produc[ing] . . . the financial model on a regular basis."

30. Ahead of G4S C&J's first Financial Model submission, G4S C&J Director 1 described the "Objective" for G4S C&J "given clause 7.8.4 (Incentives) (50% share)" as being that "the F[inancial] M[odel]

must not show anything that could be considered by the Home Office as an overall 'unanticipated cost efficiency.'" Considering the best way to achieve that objective, G4S C&J Director 1 sketched a draft of how G4S C&J might approach its Financial Models, distinguishing between G4S C&J's "actual" costs and those costs that would be "disclosed to client."

31. On 17 November 2005, G4S C&J Director 1 sent G4S C&J's then-Finance Director a draft of G4S C&J's first Financial Model, and asked him to consider "what the obvious questions [from the MoJ] might be" in response to it, noting in particular the "Incentives" clauses of the EM Contract described in paragraph 23 above. G4S C&J Director 1 subsequently followed up with a paper that again highlighted the fact that the EM Contract "allows [the Home Office] to claim a price reduction in respect of 50% of any 'unanticipated cost efficiencies,'" and itemized certain "obvious 'unanticipated' cost efficiencies" G4S C&J was experiencing. As G4S C&J Director 1's own notes on the paper indicated, "we DO have net unanticipated cost efficiencies," and G4S C&J Director 1 also knew well that G4S C&J had obtained various cost reductions, "unanticipated" or otherwise, for example with respect to certain replacement costs of electronic monitoring hardware. Yet G4S C&J Director 1 thought G4S C&J might simply "remain silent" about the question of unanticipated cost efficiencies.

32. In addition, G4S C&J Director 1 acknowledged that it might be "unrealistic to say that there have been no" unanticipated cost efficiencies," and thus elected to insert directly into the Financial Model a variety of cost figures that were higher – in many cases far higher – than what appeared in G4S C&J's internal EM management accounts[4] in order to mask the extent of G4S C&J's greater-than-predicted EM Contract profitability (and irrespective of whether or not that greater profitability was due to unanticipated cost efficiencies). This approach, and G4S C&J Director 1's leading role in its design and adoption, were reflected in further correspondence between G4S C&J Director 1 and G4S C&J's then-Finance Director, wherein G4S C&J Director 1 further highlighted the difference between G4S C&J's "Actual + Budget" costs of servicing the EM Contract in "2005/6" and the costs G4S C&J intended to report in its Financial Model. The "FM" costs shown in the comparison document were, overall, millions of pounds higher than the "Actual + Budget" costs, with the difference attributable in part to the addition of hundreds of thousands of pounds in round-number increments to various line items. In handwritten notes on a copy of this comparison document, G4S C&J Director 1 did not explain or justify those additions, asking instead "what would the unit charge need to be" for various items in order to justify the sizeable "Variance" between costs reported to the MoJ and G4S C&J's "Actual + Budget" costs.

33. On 23 November 2005, G4S C&J Director 1 submitted G4S C&J's first Financial Model to the Home Office, claiming that it included "actual revenues and costs for the six month period of April to September 2005," despite the fact that the costs G4S C&J reported were not those G4S C&J Director 1 listed as G4S C&J's "Actual + Budget" costs, but rather were approximately £1.78 million pounds higher, due in part to the addition of hundreds of thousands of pounds in round-number

[4] Internal G4S C&J documents indicate that G4S C&J's actual costs of servicing the EM Contract (described herein as the costs in G4S C&J's "internal EM management accounts" and in the chart in paragraph 34 as "Costs in EM Management Accounts") at times were adjusted for the purpose of G4S C&J's assessment of the difference between those actual costs in the EM management accounts and the costs G4S C&J reported to the MoJ using additional G4S C&J accounting records. Such adjustments were for technical or other reasons unrelated to the conduct described in this Statement of Facts. Accordingly, the phrase "internal EM management accounts" and the "Costs in EM Management Accounts" figures in the chart in paragraph 34 below refer to G4S C&J's internal cost figures including certain of the aforementioned adjustments.

increments to various line items. Among those higher reported costs were ones for replacement of monitoring hardware which, as discussed in paragraph 31, far exceeded what G4S C&J Director 1 knew to be the actual costs of such hardware replacement.

34. This approach – reporting millions of pounds of false or misleading costs to the MoJ so as to conceal G4S C&J's EM Contract profitability – guided the preparation of G4S C&J's Financial Models throughout the life of the EM Contract. Beginning with the Financial Model submitted on 23 November 2005, G4S C&J submitted twelve Financial Models to the MoJ on or about the dates set forth in the chart below (each of which is hereinafter designated by the "FM" number listed in the chart below), each of which reported actual costs that falsely or misleadingly exceeded those reported in G4S C&J's internal EM management accounts:

Date Submitted	Reporting Period For Actual Costs	Costs Reported as Actual to MoJ (£)	Costs in EM Management Accounts (£)	Variance (£)
23 November 2005 ("**FM 1**")	Apr 05 - Sep 05	14,019,295	12,234,363	1,784,932
1 June 2006 ("**FM 2**")	Apr 05 - Mar 06	29,189,681	25,255,063	3,934,618
6 March 2007 ("**FM 3**")	Apr 05 - Sep 06	44,022,021	38,239,409	5,782,612
11 December 2007 ("**FM 4**")	Apr 05 - Sep 07	78,455,344	66,200,049	12,255,295
9 September 2008 ("**FM 5**")	Apr 05 - Mar 08	102,738,172	82,374,599	20,363,573
19 October 2009 ("**FM 6**")	Apr 05 - Sep 09	166,061,185	131,249,670	34,811,515
21 June 2010 ("**FM 7.1**")	Apr 05 - Mar 10	187,041,081	146,435,083	40,605,998
29 June 2010 ("**FM 7.2**")	Apr 05 - Mar 10	187,047,272	146,435,083	40,612,189
5 December 2010 ("**FM 8**")	Apr 05 - Sep 10	207,317,406	161,195,630	46,121,776
17 August 2011 ("**FM 9.1**")	Apr 05 - Mar 11	230,344,383	176,901,472	53,442,911
29 September 2011 ("**FM 9.2**")	Apr 05 - Mar 11	230,344,383	176,901,472	53,442,911
May 2012 ("**FM 10**")	Apr 05 - Mar 12	278,836,853	208,111,067	70,725,786

As noted in the last line of the chart above, the amount of costs G4S C&J reported to the MoJ that were not included in G4S C&J's internal EM management accounts peaked at £70,725,786. The actions of G4S C&J Director 1 described above and analyses performed by G4S C&J personnel including G4S C&J Manager 1 and G4S C&J Director 2 reflect the extent to which significant amounts of those additional costs had little or no justification, and were being reported with the dishonest intent simply to mislead the MoJ regarding the profitability G4S C&J was experiencing on the EM Contract.

Internal G4S C&J Analyses Repeatedly Show Financial Model Figures are False or Misleading

35. The earliest such analyses highlighted the significant and increasing divergence between the cost figures in G4S C&J's internal EM management accounts and the cost figures G4S C&J had been reporting to the MoJ. For example:

    a. Just a few days before G4S C&J submitted FM 5 on 9 September 2008, G4S C&J Manager 1 prepared a spreadsheet comparing the cost figures G4S C&J had reported to the MoJ for the first three years of the EM Contract with costs explicitly labelled as G4S C&J's "actuals," and showing the increasing divergence between the two. However, no evidence has been found indicating that anyone at G4S C&J ever disclosed the results of G4S C&J Manager 1's analysis to the MoJ. Nor has any evidence been found that anyone at G4S C&J revised its previous or upcoming Financial Model submissions to take account of G4S C&J Manager 1's analysis or otherwise disclosed the increasing divergence between what these internal analyses identified as G4S C&J's "actual" costs and what G4S C&J reported to the MoJ.

b. Similarly, the day before G4S C&J submitted FM 6 on 19 October 2009 G4S C&J Manager 1 sent G4S C&J Director 1 a draft of that Financial Model, along with "a file showing the financial model vs actuals for years 1 to 4 . . . so that you can see the trends in this." The file showed that for each of the first four years of the EM Contract, G4S C&J had reported costs to the MoJ that were millions of pounds higher than the "Actuals" in G4S C&J's internal EM management accounts – indeed, the variance that would be newly reported in FM 6 would exceed £14.4 million – and that reporting these higher costs enabled G4S C&J to consistently show a sub-10% EM Contract profit margin to the MoJ. Yet here again no evidence has been found that anyone at G4S C&J disclosed the results of G4S C&J Manager 1's analysis to the MoJ, nor has evidence been found that G4S C&J revised its previous or upcoming Financial Model submissions to take account of G4S C&J Manager 1's analysis or otherwise disclosed the multi-million-pound difference between what these internal analyses identified as G4S C&J's "actual" costs and what G4S C&J reported to the MoJ.

36. Subsequent internal analyses "bridging" the divergence between the cost figures in G4S C&J's internal EM management accounts and the cost figures G4S C&J had been reporting to the MoJ included commentary which raised questions with respect to many of the costs G4S C&J was layering on top of its "actual" costs to arrive at the figures reported in the Financial Models, and in some cases noted the extent to which those added costs lacked any justification. For example:

a. In a "Financial Model Analysis" created ahead of G4S C&J's submission of FM 8 on 5 December 2010, G4S C&J Manager 1 listed numerous categories of costs G4S C&J had reported in its Financial Models, noting that while certain of them appeared to be "linked to actuals," there were significant questions and concerns with respect to others, for example:

i. Communications costs and vehicles costs were "already inflated from actuals" and "any [further] increase will take model further away from reality;"

ii. Costs for "recurring licences" were "not linked into actuals at all;"

iii. G4S C&J Manager 1 could not "identify any forecast expenditure that would relate" to a reported £300,000 of "Network Infrastructure" costs; and

iv. G4S C&J Manager 1 "can't justify cost" of "Sat nav and tracking units."

No evidence has been found that any further analysis responsive to G4S C&J Manager 1's assertions was undertaken. Nevertheless, and despite the points listed above, G4S C&J on 5 December 2010 submitted FM 8 to the MoJ, reporting the very sorts of costs highlighted by G4S C&J Manager 1, such as £120,000 of "Recurring licences" costs, £233,780 of "Network Infrastructure" costs, and £459,656 of "Sat Nav and Tracking Units" costs.

b. Again in a "finance model bridge" G4S C&J Manager 1 sent G4S C&J Director 2 days after G4S C&J submitted FM 8, G4S C&J Manager 1 itemised the various ways in which the "2009/10" ("Year 5" of the EM Contract) cost figures G4S C&J reported to the MoJ in its previous Financial Models had been calculated. Of the approximately £11 million of costs added to G4S C&J's "EM P&L Actuals" for the purposes of previous Financial Models, G4S C&J Manager 1 explained to G4S C&J Director 2 that:

   i. Nearly £1.5 million of that amount was attributable to "Inflated Volume Assumptions;"

   ii. Nearly £4.5 million of that amount was attributable to "Inflated Cost Assumptions;" and

   iii. Over £3 million of that amount was attributable to costs explicitly described as "Non EM Costs."

   Through the addition of these sums, G4S C&J reported an "EM Finance Model" total cost figure of approximately £41.6 million, whereas G4S C&J's "EM P&L Actuals" were only approximately £30.6 million.

c. Again in "[an]other version of the bridge" G4S C&J Manager 1 sent G4S C&J Director 2 later the same day, G4S C&J Manager 1 explained the various costs added to the "EM Actual P&L" figures listed therein in order to arrive at the figures G4S C&J reported to the MoJ, noting among other things that:

   i. Certain cost figures reported to the MoJ were added for no other reason than because "this is the rate used previously," and it "would show cost savings if this changed;"

   ii. Certain assumptions underlying the cost figures reported to the MoJ were based on the "same assumption as in [the] past" and it "would look odd to change it now," even though for at least one of these assumptions, reported costs were known by certain G4S C&J personnel to be "higher than actuals;"

   iii. Certain cost figures reported to the MoJ were "inflated in model;"

   iv. For numerous types of costs reported to the MoJ, the "model shows much higher costs . . . than experienced;"

   v. Certain "price savings" experienced by G4S C&J "have not [been] declared" to the MoJ;

   vi. Certain costs were reported to the MoJ because they have "always been shown historically;"

   vii. Numerous "Non-EM Costs" were reported to the MoJ because they were the "same figure as last time;" and

viii. G4S C&J Manager 1 was “not sure how to justify” certain costs reported to the MoJ that had been “included last year” and noted that certain other costs had been “shown historically.”

d. G4S C&J Manager 1 reiterated these points in a revised version of that “bridge” document which G4S C&J Manager 1 sent G4S C&J Director 2 just hours before G4S C&J Director 2’s 16 December 2010 “Financial Model review” meeting with G4S C&J Director 1. In addition to reiterating many of the characterisations used in the prior version of the “bridge” document, G4S C&J Manager 1’s revised “bridge” document also identified certain costs G4S C&J had reported to the MoJ:

   i. for which “actual [cost] is lower,” and with respect to one type of cost, “much lower,”

   ii. for which the “overage” had been reported to be 27%, when “actual is closer to 10%”;

   iii. which were calculated using a unit cost of “£7.60 per month,” despite the fact that they were “£3.52 actual;”

   iv. which “ha[ve] been included in the finance model every year” but do “not appear to link to the P&L;” and/or

   v. for which “no backup calculations currently exist.”

   Yet here again, no evidence has been found indicating that at any point following these analyses anyone at G4S C&J revised or corrected G4S C&J’s previous Financial Model submissions or otherwise disclosed to the MoJ the extent to which G4S C&J’s reported cost figures included amounts that were “inflated,” without “backup,” or otherwise susceptible to little or no justification.

e. G4S C&J Manager 1 emailed G4S C&J Director 2 another “bridge sheet” on 16 May 2012. That “bridge sheet” identified the “Total Finance Model Variance,” that is, the difference between the EM Contract costs G4S C&J would report to the MoJ in FM 10 and the EM Contract costs G4S C&J showed in its internal EM management accounts, and noted again that among other things, a variety of “cost type[s]” reported in the Financial Model were “inflated.”

“Masking” and “Disguising” G4S C&J’s Actual EM Contract Profitability

37. Additional contemporaneous documents and discussions by and among G4S C&J Director 2, G4S C&J Director 1, G4S C&J Manager 1 and others corroborate G4S C&J Manager 1’s assessments in the “bridging” documents of the false or misleading nature of costs reported to the MoJ in G4S C&J’s Financial Models, and further demonstrate the dishonest manner in which those individuals caused false or misleading figures to be reported to the MoJ. For example:

a. In or around March 2011, G4S C&J Manager 1 prepared a PowerPoint presentation titled "Electronic Monitoring Finance Model Review," which G4S C&J Director 2 sent to G4S C&J Director 1 and another colleague who had previously voiced a "concern[] about giving" G4S C&J's internal accounting data to the MoJ "because of the high levels of profitability." This March 2011 presentation highlighted the significant difference between "Electronic Monitoring Actual P&L" costs and "Submitted Financial Model" costs, and explained among other things that:

    i. "The current finance model used by G4S . . .presents a view that the [EM] contract generates a sub 10% margin" despite "current EM P&L" having a "margin [of] 39%;"

    ii. "the finance model has masked the positive impacts generated" by undisclosed cost reductions G4S C&J had obtained;

    iii. These undisclosed cost reductions included "significant discounts . . . not shared with the customer;" and

    iv. The financial model included "inflated levels" of certain costs, and costs that have "no match to P&L."

b. Similarly, as G4S C&J in 2011 prepared its bid for a subsequent "generation" of the EM Contract, an "Electronic Monitoring Bid Approach" slide presentation was provided to G4S C&J Director 1 and others that recommended that G4S C&J "mask current margins from" the MoJ, explaining that G4S C&J had experienced margins of 20%, 28%, 30%, 30%, 34% and 39% for the first six years of the EM Contract. Nevertheless, in FMs 9.1, 9.2, and 10, G4S C&J reported EM Contract profitability ranging from 6.7% in "2005/6" to 9.9% in "2010/11."

c. Additional bid-related materials further demonstrated the commitment by G4S C&J Director 1, G4S C&J Director 2, and others to mislead the MoJ by "masking" the true profitability of the EM Contract, including:

    i. A 25 October 2011 "Electronic Monitoring Bid Board Review" slide presentation circulated to G4S C&J Director 2, G4S C&J Director 1 and others later in 2011, which identified as a "key risk" for G4S C&J the possibility that the MoJ would "discover current margins;" and

    ii. A 23 May 2012 "EM Project Board Initial Submission Review" presentation to G4S C&J Director 2 and others which listed among G4S C&J's "Bid Tactics" an effort "to disguise existing margin."

d. In January 2012, G4S C&J Manager 1 prepared a document titled "Analysis of G4S Financial Model," in which G4S C&J Manager 1 explained that certain costs reported to the MoJ could only be justified "in isolation" as they had been "duplicated" in G4S C&J's reporting, others would be "difficult to justify" given their "scale," and for some reported costs, "no justification" existed whatsoever. In an accompanying spreadsheet, G4S C&J Manager 1 explained that certain costs G4S C&J had reported to the MoJ were "nearly double the actual," others were "duplications," and others had "no backup." Based on this analysis, G4S C&J Manager 1 recommended that "if the [MoJ] were to ask for evidence to backup the costs included within the financial model, we would need to carefully manage the process and would need to attempt to limit the scope to try and reduce the risk of our areas of exposure being identified . . . . The suggested approach would be . . . to resist any efforts to analyse the financial model in great detail."

The Charged Offences: G4S C&J Director 1 and Corporate Liability

Submission of FMs 9.1, 9.2, and 10

38. It was against the background of the "bridging" and other documents described in paragraphs 35–37 that G4S C&J in FMs 9.1, 9.2, and 10 reported the same or similar "Year 5 Total" and "Year 6 Total" costs described in the "bridge" documents as being "inflated," "higher than actuals," lacking any "link to P&L" or "backup calculations," or otherwise differing from G4S C&J's "actual" EM Contract costs.

39. At the times when FMs 9.1, 9.2, and 10 were submitted to the MoJ, G4S C&J Director 1 was a statutory director of G4S C&J, and the individual through whom criminal liability is attributed to G4S C&J, but this increased seniority did not in any way diminish G4S C&J Director 1's awareness of the significant variance between the costs in G4S C&J's internal EM management accounts and the costs G4S reported to the MoJ, or of the dishonest manner – using "inflated" and other similarly false costs – in which that variance was created and reported. Nor did G4S C&J Director 1's increased seniority remove G4S C&J Director 1 from oversight of, involvement in, or responsibility for the submission of G4S C&J's Financial Models. Indeed, immediately prior to G4S C&J's submission of FM 9.1, G4S C&J Director 2 specifically requested that the MoJ's proposal to adopt a new Financial Model template be brought to G4S C&J Director 1's attention, and G4S C&J Director 1 acknowledged to a colleague that the Financial Models "cause some anxiety for both G4S C&J Director 2 and G4S C&J Manager 1," and stated his colleague should "let G4S C&J Director 1 know if you need any help with that."

40. In addition, at and around the time FMs 9.1, 9.2, and 10 were being prepared and submitted, G4S C&J Director 1's agreement was sought regarding how specific cost items should appear in the Financial Models, and G4S C&J Director 1 continued to be sighted on the figures, comments, and characterisations in the "bridging" documents described above. G4S C&J Director 2 also thought it "essential" that G4S C&J Director 2, G4S C&J Director 1, and another of their colleagues have "a shared understanding and explanation to give the MOJ" if the MoJ challenged any of the "adjustments" G4S C&J made to its internal EM management account figures to arrive at the figures reported in the Financial Models.

The Objective: Hide and Keep EM Contract Profits

41. As noted in the final line of the chart in paragraph 34 above, when G4S C&J submitted its final Financial Model to the MoJ, it reported £70,725,786 of additional costs that did not appear in G4S C&J's internal EM management accounts. G4S C&J reported those additional costs in order to suppress its reported EM Contract profitability, and thereby to make a gain for itself by ensuring that its revenues from the EM Contract were not queried and/or potentially reduced as a result of the MoJ having visibility of the high profit levels G4S C&J was experiencing from the EM Contract. The additional reported costs gave the MoJ the impression that G4S C&J's EM Contract profitability was never above 10%; indeed, FM 10 reported a "Total Contract To Date" margin of 8.3% and forecast a 6.4% margin for "2011/12." However, a document circulated later that year to G4S C&J Director 1, G4S C&J Manager 1, and others showed that G4S C&J's EM Contract year-to-date margin was really 46%.

42. While the difference between the actual costs G4S C&J reported to the MoJ and the costs that appeared in G4S C&J's internal EM management accounts was £70,725,786, the entirety of that amount was not reported dishonestly. However, G4S C&J accepts that it included approximately £42,792,531 of those costs – specifically, costs included in the Financial Models under the headings "Field Equipment," "Vehicles," and "Communications," as well as costs connected to G4S C&J's acquisition of a subsidiary company – with a dishonest intent.

43. Had the MoJ had full sight of what was repeatedly acknowledged in G4S C&J's internal documents to be G4S C&J's actual profits on the EM Contract, the MoJ not only could have challenged G4S C&J regarding the value it was providing the MoJ in exchange for the sums G4S C&J was being paid, but also could have queried and potentially could have reduced G4S C&J's EM Contract revenues, whether by invoking provisions of the EM Contract such as those relating to "unanticipated cost efficiencies" described in paragraph 23 above, by seeking alterations to the commercial, economic, or performance terms of the contract, or by refusing to extend the EM Contract. However, by repeatedly and intentionally reporting EM Contract costs to the MoJ that were millions of pounds higher than what appeared in G4S C&J's internal EM management accounts, G4S C&J deprived the MoJ of information that would have enabled such challenges, and thereby avoided diminution of G4S C&J's contract revenues.