

Registration number: 03970268

# Serco Holdings Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2015

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# **Serco Holdings Limited**

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## **Serco Holdings Limited**

### **Company Information**

<b>Directors</b>	G Leach N Crossley
<b>Registered office</b>	Serco House, 16 Bartley Wood Business Park Bartley Way Hook, Hampshire, RG27 9UY
<b>Auditor</b>	Deloitte LLP London United Kingdom

## Serco Holdings Limited

### Strategic Report for the Year Ended 31 December 2015

The directors present their strategic report for the year ended 31 December 2015.

#### Principal activity

The principal activity of the company is of a holding company, which operates via its subsidiaries and its joint ventures to provide facilities management, systems management and equity investment management.

#### Business review

A review of the Serco Holdings Limited's investments was conducted which involved a re-assessment of its subsidiaries' assets and liabilities in light of current and latest forecast trading expectations, as well as an assessment of future cashflows. The impact on the Company was an impairment of £161m (2014: £1,138m) with regards to its investments.

The profit on ordinary activities after taxation has increased from the previous year loss of £1,115m to a profit of £50m. The prior year loss was primarily due to the impairment of investments during the year of £1,138m compared to £161m in 2015 as explained above. Additionally, there has been a £171m increase in investment income in 2015.

Net assets have increased by £200m, this is primarily as a result of shares issued of £150m and profit for the year of £50m. The Company paid a dividend of £nil to its parent company, Serco Group plc, in respect of the year ended 31 December 2015 (2014: £nil).

The directors consider the results for the year to be satisfactory and the Company will continue to hold investments on behalf of Serco Group plc.

#### Principal risks and uncertainties

The Company's principal financial instruments are its intercompany receivables and payables. The Directors do not consider that the Company is exposed to significant interest rate or liquidity risk because the interest payments on its intercompany payables are expected to be funded by investment returns. Further discussion of the financial risk management is included in the consolidated Annual Report and Accounts of Serco Group plc.

Other principal risks relate to the recoverability of investments. These investments have broad based contract portfolios, with the majority of their customers being government bodies which have historically been relatively resilient to changes in the general economy. These investments are therefore well placed to manage their business risks successfully despite the current uncertain economic climate. The directors expect this to continue in the future.

Approved by the Board on 13 September 2016 and signed on its behalf by:



N Crossley  
Director

## **Serco Holdings Limited**

### **Directors' Report for the Year Ended 31 December 2015**

The directors present their report and the financial statements for the year ended 31 December 2015.

#### **Directors of the company**

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

J Hickey (resigned 16 June 2016)

G Leach

A Crawshaw (resigned 5 January 2015)

N Crossley (appointed 18 September 2015)

#### **New shares allotted**

In June 2015, new ordinary shares were allocated by the Company for an aggregate consideration of £150m and the Company subscribed for new shares in Serco Limited for an aggregate consideration of £150m.

#### **Disposal of subsidiaries**

##### **Direct subsidiaries**

On 1 January 2015, a direct subsidiary undertaking of the Company, NPL Management Limited was disposed for £12.1m resulting in a profit on disposal of £12.1m.

Agplus Diagnostics Limited, a direct subsidiary was disposed of at a loss of £0.1m.

On 10 June 2015, another direct subsidiary undertaking of the Company, Serco India Private Limited was also disposed for £1.0m resulting in a loss of £0.1m.

On 26 November 2015, an in specie distribution of £19.5m representing a distribution of approximately £0.45 per share based on a shareholding of 43,500,000 ordinary shares of £1 in Serco Public Services Limited, a direct subsidiary, was made on liquidation of the company. This was offset by an assignment of the book debt due from Serco Group plc of £19.5m which resulted in a nil balance payable. Carrying value of the investment at the disposal date was £19.5m.

##### **Indirect subsidiaries**

On 30 March 2015, the Group had agreed the sale of its Australian Rail business, an indirect subsidiary undertaking of the Company. The sale was completed on 29 May 2015.

On 16 September 2015, the sale of offshore private sector Business Process Outsourcing operations which was held by an indirect group of companies, to private equity funds managed by Blackstone, was agreed for approximately £250m, comprising of £220m cash and a £30m loan note. The transaction was completed on 31 December 2015.

#### **Capital reduction**

In the year, the amount held in the share premium account decreased by £1,075m due to a capital reduction.

A share premium account is an undistributable reserve and, accordingly, the purposes for which the Company can use it are extremely restricted. In particular, it cannot be used for paying dividends. Therefore, in June 2015, the directors proposed a plan for a capital reduction, in which a proportion of the amount held in the share premium account be reduced and transferred to the Company's profit and loss account to create a positive distributable reserve of over £200m and thereby provide the directors with the flexibility to distribute future profits to the shareholder as dividends.

## **Serco Holdings Limited**

### **Directors' Report for the Year Ended 31 December 2015**

#### **Going concern**

The company is financed and supported by its Parent and from dividend income from its subsidiaries. The level of dividend income is in turn reliant upon the future successful trading of its subsidiaries who, for certain subsidiaries, may rely on the support of Serco Group plc to operate as going concerns.

Given the availability of support from Serco Group plc if required, the directors have deemed it appropriate to continue to adopt the going concern basis of accounting in preparing the financial statements.

#### **Disclosure of information to the auditors**

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

#### **Auditor**

In accordance with Section 487 of the Companies Act 2006, Deloitte LLP has not been re-appointed as the Company's auditor. Following a competitive tender process, KPMG LLP have confirmed their willingness to be appointed as the Company's auditor for the year ending 31 December 2016.

Approved by the Board on 13 September 2016 and signed on its behalf by:



N Crossley  
Director

## **Serco Holdings Limited**

### **Statement of Directors' Responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

## **Serco Holdings Limited**

### **Independent Auditor's Report to the Members of Serco Holdings Limited**

We have audited the financial statements of Serco Holdings Limited for the year ended 31 December 2015, which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet the Statement of Changes in Equity, and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities (set out on page 5), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors to the financial statements.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

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




**Serco Holdings Limited**

**Independent Auditor's Report to the Members of Serco Holdings Limited**

**Matters on which we are required to report by exception**

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

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



Andrew Kelly (Senior Statutory Auditor)

For and on behalf of Deloitte LLP, Chartered Accountants and Statutory Auditor

London  
United Kingdom

13 September 2016

## Serco Holdings Limited

### Profit and Loss Account for the Year Ended 31 December 2015

	Note	2015 £ 000	2014 £ 000
Turnover		-	-
Administrative income/(expense)		<u>982</u>	<u>(1,108)</u>
<b>Operating profit/(loss)</b>		<b>982</b>	<b>(1,108)</b>
Amounts written off fixed assets investments	12	(160,609)	(1,137,476)
Profit/(loss) on disposal of subsidiary	5	4,331	(782)
Investment income	6	224,179	50,835
Interest payable and similar charges	7	<u>(16,687)</u>	<u>(30,794)</u>
<b>Profit/(loss) before tax</b>		<b>52,196</b>	<b>(1,119,325)</b>
Tax (charge)/credit	11	<u>(1,796)</u>	<u>4,130</u>
<b>Profit/(loss) for the financial year</b>		<b><u>50,400</u></b>	<b><u>(1,115,195)</u></b>

The above results were derived from continuing operations.

There were no items of other comprehensive income, and accordingly no statement of comprehensive income is shown.

**Serco Holdings Limited**

**Statement of Changes in Equity for the Year Ended 31 December 2015**

	Share capital £ 000	Share premium £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2014	-	762,900	-	204,865	967,765
Loss for the year	-	-	-	(1,115,195)	(1,115,195)
Premium on issue of shares	-	1,143,706	-	-	1,143,706
At 31 December 2014	-	1,906,606	-	(910,330)	996,276
	Share capital £ 000	Share premium £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2015	-	1,906,606	-	(910,330)	996,276
Profit for the year	-	-	-	50,400	50,400
Premium on issue of shares	-	150,000	-	-	150,000
Capital reduction	-	(1,074,723)	1,074,723	-	-
At 31 December 2015	-	981,883	1,074,723	(859,930)	1,196,676

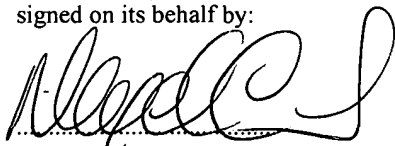
The notes on pages 11 to 26 form an integral part of these financial statements.

# Serco Holdings Limited

(Registration number: 03970268)  
Balance Sheet as at 31 December 2015

	Note	2015 £ 000	2014 £ 000
<b>Fixed assets</b>			
Investments	12	975,123	1,000,015
<b>Current assets</b>			
Debtors: amounts due within one year	13	8,423	9,001
Debtors: amounts falling due after more than one year	14	849,342	500,597
Consortium relief	11	1,166	3,467
Derivative financial instruments		132	-
		<u>859,063</u>	<u>513,065</u>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	15	(476,517)	(394)
Corporation tax liability	11	(141)	-
Derivative financial instruments		-	(97)
Provisions		<u>(50)</u>	<u>(50)</u>
<b>Net current assets</b>		<u>382,355</u>	<u>512,524</u>
<b>Total assets less current liabilities</b>		<b>1,357,478</b>	<b>1,512,539</b>
<b>Creditors: amounts falling due after more than one year</b>			
Creditors: amounts due after more than one year	16	<u>(160,802)</u>	<u>(516,263)</u>
<b>Net assets</b>		<u>1,196,676</u>	<u>996,276</u>
<b>Capital and reserves</b>			
Called up share capital	17	-	-
Share premium reserve		981,883	1,906,606
Other reserve		1,074,723	-
Profit and loss account		<u>(859,930)</u>	<u>(910,330)</u>
<b>Shareholder's funds</b>		<u>1,196,676</u>	<u>996,276</u>

The financial statements (registered number: 03970268) were approved by the Board on 13 September 2016 and signed on its behalf by:



N Crossley  
Director

## **Serco Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2015**

#### **1 General information**

The company is a private company limited by share capital incorporated and domiciled in United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report on page 2.

These financial statements are presented in pounds Sterling because that is the currency of the primary economic environment in which the Company operates.

#### **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 Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. This is because the Company is included within the consolidated financial statements of Serco Group plc which are available from the address provided in note 19.

The financial statements have been prepared on the historical cost basis and on the going concern basis, except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

## **Serco Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2015**

#### **Adoption of new and revised standards**

##### **Annual Improvements to IFRSs: 2011-2013 Cycle**

**Type:** Amendments

**Background:**

Covers various matters:

- IFRS 1 First-time Adoption of International Financial Reporting Standards
- IFRS 3 Business Combinations
- IFRS 13 Fair Value Measurement
- IAS 40 Investment Property

Effective for annual periods beginning on or after 1 January 2015, following EU Adoption.

**Impact on the Company:**

- IFRS 1 is not relevant as IFRSs have already been adopted
- IFRS 3 changes relate to accounting within joint arrangements themselves and are therefore not relevant.
- IFRS 13 was amended to clarify the scope of the portfolio exception, which is not applied in the Company financial statements.
- IAS 40 is not relevant to the Company as no investment properties are held.

##### **IFRIC 21 Levies**

**Type:** New interpretation

**Background:**

The interpretation was issued to clarify the timing of recognition of a levy payment, being a payment to a government for which no specific goods or services are received.

**Impact on the Company:**

No material levy payments are made by the Company.

##### **Going concern**

The company is financed and supported by its Parent and from dividend income from its subsidiaries. The level of dividend income is in turn reliant upon the future successful trading of its subsidiaries who, for certain subsidiaries, may rely on the support of Serco Group plc to operate as going concerns.

Given the current year profit of £50m and the availability of support from Serco Group plc if required, the directors have deemed it appropriate to continue to adopt the going concern basis of accounting in preparing the financial statements.

##### **Exemption from preparing group accounts**

These financial statements present information about the Company as an individual undertaking and not about its group. Consolidated financial statements have not been prepared as the Company is a wholly owned subsidiary of a company incorporated in the United Kingdom and registered in England and Wales and is therefore exempt, by virtue of section 400 of the Companies Act 2006, from the requirement to prepare and deliver group accounts. The only group company for which consolidated financial statements are prepared is Serco Group plc.

##### **Dividend income**

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

##### **Interest income**

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

## **Serco Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2015**

#### **Tax**

The tax expense represents the sum of current tax expense and deferred tax expense.

Current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account 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 provided, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for accounting purposes.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which these items can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of an asset and liability in a transaction other than a business combination and, at the time of the transaction, affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based upon tax rates and legislation that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also recognised in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority where the Company intends to settle its current tax assets and liabilities on a net basis.

#### **Foreign currency transactions and balances**

Transactions in currencies other than Sterling are recorded at the rates of exchange on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rate prevailing on the date when the fair value was determined. Gains and losses arising on retranslation are included in the net profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in reserves.

## **Serco Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2015**

#### **Investments**

Investments in subsidiaries and joint ventures are stated at cost, and adjusted for the gain or loss attributable to the hedged foreign exchange risk, in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

Investments are reviewed annually for impairment and written down when the directors consider the carrying amount of the investment to be greater than the recoverable amount of the investment.

#### **Provisions**

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

#### **Financial instruments**

##### **Hedge accounting**

The Company designates certain hedging instruments, which include non-derivatives in respect of foreign currency risk, as fair value hedges or hedges of net investments in foreign operations.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values of the hedged item.

##### **Fair value hedges**

Changes in the fair value are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributed to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the profit or loss account relating to the hedged item.

Hedge accounting is discontinued when the Company revokes the hedging relationship. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

### **3 Critical accounting judgements and key sources of estimation uncertainty**

#### **Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### **Impairment of investments**

Determining whether an investment is impaired requires the Company to make an estimation of the future cash flows expected to be generated by the investment and the selection of appropriate discount rates, which involves judgement, to calculate present values. The carrying value of investments is £975.1m (2014: £1,000.0m) at the balance sheet date.



## Serco Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015

#### 4 Operating profit

Arrived at after charging/(crediting)

	2015 £ 000	2014 £ 000
Gain/(loss) on hedged items	1,832	(1,895)
Gain/(loss) on hedging instruments	<u>(1,832)</u>	<u>1,895</u>

#### 5 Profit/(loss) on disposal of subsidiaries

Included within the profit from disposal of subsidiaries of £4.3m were costs of £7.6m related to the sale of the offshore private sector Business Process Outsourcing operations to private equity funds which was completed on 31 December 2015.

#### 6 Investment income

	2015 £ 000	2014 £ 000
Interest receivable and similar income	1,907	-
Dividends from subsidiaries	191,292	18,251
Dividends from joint ventures	<u>30,980</u>	<u>32,584</u>
	<u>224,179</u>	<u>50,835</u>

#### 7 Interest payable and similar charges

	2015 £ 000	2014 £ 000
Interest payable to group undertakings	<u>16,687</u>	<u>30,794</u>

#### 8 Staff costs

The Company had no employees during either the current or preceding financial year.

#### 9 Directors' remuneration

No director received remuneration for their services to the Company in either the current or preceding year.

#### 10 Auditor's remuneration

Auditor's remuneration of £7,500 (2014: £10,000) for the audit of the Company's annual accounts was borne by another group company in both the current and preceding financial years. There have been no non-audit fees incurred by the Company and payable to Deloitte during the year (2014: £nil).

## Serco Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015

#### 11 Tax

Tax charged/(credited) in the income statement

	2015 £ 000	2014 £ 000
<b>Current taxation</b>		
Consortium relief	(1,166)	(2,821)
UK corporation tax adjustment to prior periods	2,821	(1,309)
UK Corporation tax	141	-
	<u>1,796</u>	<u>(4,130)</u>

The tax on profit/(loss) before tax for the year is the same as the standard rate of corporation tax in the UK (2014 - the same as the standard rate of corporation tax in the UK) of 20.25% (2014 - 21.5%).

The differences are reconciled below:

	2015 £ 000	2014 £ 000
Profit/(loss) before tax	<u>52,196</u>	<u>(1,119,325)</u>
UK Corporation tax at 20.25% (2014: 21.5%)	10,570	(240,655)
Other non-taxable income	(45,010)	(10,930)
Expenses not deductible for tax purposes	31,938	246,713
Unrelieved tax losses	-	180
Group relief for nil consideration	1,482	1,871
Unprovided deferred tax	(6)	-
Adjustments in respect of prior years	2,820	(1,309)
Impact of changes in statutory tax rates	<u>2</u>	<u>-</u>
Total tax charge/(credit)	<u>1,796</u>	<u>(4,130)</u>

Consortium relief is receivable from Northern Rail Limited.

#### Unrecognised deferred tax asset

The Company has an unrecognised deferred tax asset of £12k (2014: £41k) in relation to short term timing differences, £nil of unused tax losses (2014: £167k) and £nil (2014: £1k) of capital allowance in excess of depreciation.

## Serco Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015

#### 12 Investments

<b>Subsidiaries</b>	<b>£ 000</b>
<b>Cost or net book value</b>	
At 1 January 2015	920,005
Additions	154,516
Disposals	(20,631)
Retranslation of hedged item	1,832
Charge for impairment	<u>(160,609)</u>
At 31 December 2015	<u>895,113</u>
<b>Joint Ventures</b>	<b>£ 000</b>
<b>Cost or net book value</b>	
At 1 January 2015	<u>80,010</u>
At 31 December 2015	<u>80,010</u>

## **Serco Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2015**

#### **Additions**

During the year the Company invested a further £154.5m (2014: £514.5m) in its wholly owned subsidiaries.

The Company invested £150m in its main operating subsidiary, Serco Limited, in relation to its recapitalization on 11 June 2015. A further £4.5m was invested in Serco IAL Limited.

#### **Disposals**

As part of the Company's ongoing exercise to rationalise its legal entity structure and liquidate entities which are no longer required, the Company liquidates and dissolves its investment as necessary.

On 1 January 2015, a direct subsidiary undertaking of the Company, NPL Management Limited was disposed for £12.1m resulting in a profit on disposal of £12.1m.

Agplus Diagnostics Limited, a direct subsidiary was disposed of at a loss of £0.1m.

On 10 June 2015, another direct subsidiary undertaking of the Company, Serco India Private Limited was also disposed for £1.0m resulting in a loss of £0.1m.

On 26 November 2015, an in specie distribution of £19.5m representing a distribution of approximately £0.45 per share based on a shareholding of 43,500,000 ordinary shares of £1 in Serco Public Services Limited, a direct subsidiary, was made on liquidation of the company. This was offset by an assignment of the book debt due from Serco Group plc of £19.5m which resulted in a nil balance payable. Carrying value of the investment at the disposal date was £19.5m.

#### **Impairments**

The Directors perform an impairment review of the Company's investments on an annual basis or when any impairment indicators presented.

A review of the Serco Holdings Limited's investments was conducted which involved a re-assessment of its subsidiaries' assets and liabilities in light of current and latest forecast trading expectations, as well as an assessment of future cashflows. The impact on the Company was an impairment of £161m (2014: £1,138m) with regards to its investments where carrying value exceeds the recoverable amount of that investment.

The recoverable amount of the subsidiaries is based on value in use calculations derived from forecast cashflows based on past experience, adjusted to reflect market trends, economic conditions, the Company's strategy and key risks. These forecasts include an estimated level of new business wins and contract attrition and an assumption that the final year forecast continues into perpetuity at a CGU - specific terminal growth rate. The terminal growth rates are provided by external sources and are based on the long-term inflation rates of the geographic market in which the subsidiary operates. Discount rates derived from Serco Group plc's post-tax weighted average cost of capital have been used in discounting the projected cashflows. These rates are reviewed annually with external advisors and are adjusted for risks annually with external advisors and are adjusted for risks specific to the market in which the CGU operates.

In particular, investments in Serco International Sarl, Serco Nederland BV, Serco Public Services Limited and Serco Limited were impaired by £36m, £30m, £23m and £69m respectively. The remaining impairment relates to investments in Serco Belgium SA and Serco Saudi Arabia LLC.

## **Serco Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2015**

#### **Details of subsidiary undertakings**

Full listings of undertakings are provided within the list of subsidiaries below. The percentage of equity capital directly or indirectly held by the Company is shown below.

In June 2015, the Serco India Private Limited business representing front line public service operations was disposed of for £1.0m resulting in a loss of £0.1m.

## Serco Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015

#### List of Subsidiaries and Joint Ventures

Details of the subsidiaries as at 31 December 2015 are as follows:

Name of subsidiary	Nature	Country of incorporation	Proportion of ownership interest and voting rights held	
			2015	2014
AeradioTechnical Services WLL	Direct	Bahrain	49%	49%
AgbarSerco Technology Solutions Limited	Indirect	United Kingdom	50%	50%
AntabOperations & Contracting LLC	Direct	Saudi Arabia	60%	60%
AWEManagement Limited	Direct	United Kingdom	33%	33%
BAS-Serco Limited	Indirect	Bermuda	0%	0%
BraintreeClinical Services Limited	Direct	United Kingdom	100%	100%
CCMSoftware Services Ltd	Direct	Ireland	100%	100%
Djurgardens Farjetrafik AB	Direct	Sweden	50%	50%
DMSMaritime Limited	Pty Indirect	Australia	100%	100%
Eagle BPO Mauritius	Direct	Mauritius	100%	100%
Equity Aviation Holdings (Pty) Ltd	Direct	South Africa	50%	50%
Equity Aviation Investment Holdings (Pty) Ltd	Indirect	South Africa	50%	50%
Equity-Serco Limited	(Pty) Direct	South Africa	50%	50%
Hong Kong Parking Limited	Indirect	Hong Kong	40%	40%
Integrated Clinical Services Limited	Direct	United Kingdom	100%	100%
International Aeradio (Emirates) LLC - Abu Dhabi	Direct	United Arab Emirates	49%	49%
International Aeradio (Emirates) LLC - Dubai	Direct	United Arab Emirates	49%	49%
JBI Properties Services Company LLC	Direct	United Arab Emirates	49%	49%

## Serco Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015

Khadamat Management LLC	Facilities	Direct	United Arab Emirates	49%	49%
LOGTEC Inc		Indirect	United States	100%	100%
Mena Services LLC	Business	Direct	Saudi Arabia	70%	70%
Merseyrail Holding Limited	Services Company	Direct	United Kingdom	50%	50%
Northern Rail Holdings Limited		Direct	United Kingdom	50%	50%
Priority North West Limited	Properties	Direct	United Kingdom	100%	100%
Serco (Jersey) Limited		Direct	Jersey	100%	100%
Serco Australia Limited	Pty	Indirect	Australia	100%	100%
Serco Belgium S.A		Direct	Belgium	100%	100%
Serco Services LLC	Business	Direct	Abu Dhabi	49%	49%
Serco Ferries Limited	Caledonian	Direct	United Kingdom	100%	100%
Serco Sleepers Limited	Caledonian	Direct	United Kingdom	100%	100%
Serco Canada Inc.		Indirect	Canada	100%	100%
Serco Citizen Pty Ltd	Services	Direct	Australia	100%	100%
Serco Bahrain WLL	Consulting	Direct	Bahrain	100%	100%
Serco Services Limited	Corporate	Direct	United Kingdom	100%	100%
Serco Services Limited	Environmental	Indirect	United Kingdom	100%	100%
Serco (Guernsey) Limited	Ferries Crewing	Direct	Guernsey	100%	100%
Serco Limited	Ferries (HR)	Direct	United Kingdom	100%	100%
Serco Limited	Geografix	Indirect	United Kingdom	100%	100%
Serco Negocios SL	Gestion de	Direct	Spain	100%	100%
Serco Limited	Group (HK)	Indirect	Hong Kong	100%	100%

## Serco Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015

Serco Consultants Company Limited	Group (Shanghai)	Direct	China	100%	100%
Serco Limited	Group	Pty Direct	Australia	100%	100%
Serco Inc.		Indirect	United States	100%	100%
Serco Company Limited	Insurance	Direct	Guernsey	100%	100%
Serco Transport Limited	Integrated Private	Indirect	India	100%	100%
Serco Limited	International	Direct	United Kingdom	100%	100%
Serco International r.l	S.à	Direct	Luxembourg	100%	100%
Serco Leasing Limited		Direct	United Kingdom	100%	100%
Serco Operating Limited	Leisure	Direct	United Kingdom	100%	100%
Serco Limited		Direct	United Kingdom	100%	100%
Serco Company Limited	Listening	Direct	United Kingdom	100%	100%
Serco S.A.	Luxembourg	Direct	Luxembourg	100%	100%
Serco Leisure Limited	Manchester	Direct	United Kingdom	81%	81%
Serco Nederland B.V.		Direct	Netherlands	100%	100%
Serco (Asset Management Services) Limited	New Zealand	Direct	New Zealand	100%	100%
Serco Limited	New Zealand	Direct	New Zealand	100%	100%
Serco Training Limited	New Zealand	Direct	New Zealand	100%	100%
Serco (Holdings), Inc.	North America	Direct	United States	100%	100%
Serco Limited	North America	Indirect	United Kingdom	100%	100%
Serco Paisa Limited		Direct	United Kingdom	50%	50%
Serco Pension Limited	Trustee	Direct	United Kingdom	100%	100%
Serco Projects LLC		Direct	Qatar	49%	49%
Serco Limited	Public Services	Direct	United Kingdom	100%	100%



## Serco Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015

Serco Services Limited	Regional Direct	United Kingdom	100%	100%
Serco Sarl	Direct	France	100%	100%
Serco SAS	Direct	France	100%	100%
Serco Saudi Arabia LLC	Direct	Saudi Arabia	100%	100%
Serco Services GmbH	Direct	Germany	100%	100%
Serco Services Inc.	Indirect	United States	100%	100%
Serco Services Ireland Limited	Direct	Ireland	100%	100%
Serco Societa Azioni	per Direct	Italy	100%	100%
Serco Sodexo Defence Services Pty Ltd	Indirect	Australia	50%	50%
Serco Switzerland SA	Direct	Switzerland	100%	100%
Serco Traffic Camera Services (VIC) Pty Limited	Direct	Australia	100%	100%
Serco-IAL Limited	Direct	United Kingdom	100%	100%
Service Glasgow LLP	Indirect	United Kingdom	50%	50%
VIAPATH Group LLP	Indirect	United Kingdom	33%	33%

## Serco Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015

#### 13 Debtors: amounts falling due within one year

	2015 £ 000	2014 £ 000
Amounts owed by group companies	8,350	8,684
Prepayments and accrued income	-	2
Interest receivable	-	146
Other receivables	73	169
	<u>8,423</u>	<u>9,001</u>

Amounts owed by group companies are due within 30 days of the balance sheet date and do not bear interest.

#### 14 Debtors: amounts falling due after more than one year

	2015 £ 000	2014 £ 000
Amounts owed by group companies	<u>849,342</u>	<u>500,597</u>

Amounts owed by group companies have no fixed repayment date and bear interest based on LIBOR minus 0.2%.

#### 15 Creditors: amounts falling due within one year

	2015 £ 000	2014 £ 000
Accruals and deferred income	548	17
Amounts owed to group companies	475,718	126
Other creditors	251	251
	<u>476,517</u>	<u>394</u>

Amounts owed to group companies are repayable on 29th April 2016 and bear interest based on LIBOR plus 2%. The loan with Serco Limited was novated to Serco Group Plc on 29th April 2016 on the same terms.

## Serco Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015

#### 16 Creditors: amounts due after more than one year

	2015 £ 000	2014 £ 000
Amounts owed to group companies	150,691	505,374
Loans and borrowings	10,110	10,638
Other creditors	<u>1</u>	<u>251</u>
	<u>160,802</u>	<u>516,263</u>

Amounts owed to group companies have no fixed repayment date and bear interest based on LIBOR plus 2%.

Loan repayments due between two to five years were £10,110k in 2015 (2014: £10,638k).

#### 17 Share capital

##### Allotted, called up and fully paid shares

	2015		2014	
	No.	£	No.	£
Ordinary of £1 each	<u>35</u>	<u>35</u>	<u>32</u>	<u>32</u>

##### New shares allotted

In June 2015, 3 Ordinary share capital of £1 each having an aggregate nominal value of £3 were allotted to its parent Serco Group plc for an aggregate consideration of £150m. This gives rise to share premium of £150m. The Company subscribed for new shares in Serco Limited for an aggregate consideration of £150m.

#### 18 Commitments

The Company, together with its ultimate parent and certain other subsidiaries, is included within interest pooling arrangements involving cross guarantee structures. The maximum overdraft permitted by these arrangements is £5.0m (2014: £5.0m). The overdraft was undrawn at 31 December 2015.

#### 19 Control

These financial statements are available upon request from the Company Secretary at Serco Group plc, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire RG27 9UY.

The immediate parent and ultimate controlling party is Serco Group plc, a company incorporated in the United Kingdom and registered in England and Wales. Serco Group plc is the parent undertaking of the smallest and largest group to consolidate these financial statements.

## **Serco Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2015**

#### **20 Non adjusting events after the financial period**

In August 2016 the Company's shareholding in AWE Management Limited shareholding structure reduced from 33.3% to 24.5%, with Lockheed Martin taking a majority holding.