

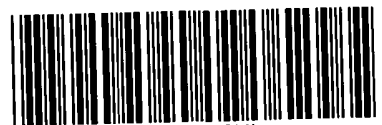
Registration number: 03970268

# Serco Holdings Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2016

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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>	KPMG LLP 15 Canada Square London United Kingdom E14 5GL

## **Serco Holdings Limited**

### **Strategic Report for the Year Ended 31 December 2016**

The directors present their strategic report for the year ended 31 December 2016.

#### **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 £131m (2015: £161m) with regards to its investments. The majority of the impairment arose as a result of the distribution of the remaining reserves of a single subsidiary, with offsetting amounts in dividend income.

The profit on ordinary activities after taxation has decreased from the previous year profit of £50m to a profit of £3m.

Net assets have increased by £3m, this is primarily as a result profit for the year of £3m. The Company paid a dividend of £nil to its parent company, Serco Group plc, in respect of the year ended 31 December 2016 (2015: £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 19 September 2017 and signed on its behalf by:



N Crossley  
Director

## **Serco Holdings Limited**

### **Directors' Report for the Year Ended 31 December 2016**

The directors present their report and the financial statements for the year ended 31 December 2016.

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

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

G Leach

N Crossley

J Hickey (resigned 16 June 2016)

#### **Acquisition of subsidiaries**

In February 2016 the Company invested £10.5m in Eagle BPO Mauritius Limited.

In April 2016 the Company invested in 100% of the issued share capital of Serco PIK Limited for £20.4m, obtaining full control.

In December 2016 the Company acquired 100% of the issued share capital of COMPASS SNI Limited (previously known as Orchard & Shipman (Glasgow) Limited) for £1, obtaining full control.

The Company invested £14.9m in Serco New Zealand Limited, in relation to its recapitalization. A further £108k was invested in Serco Nederland B.V.

#### **Disposal of subsidiaries**

In March 2016, the Company disposed of its stake in Serco Business Services LLC for consideration of £10.5m resulting in a profit on disposal of £10.5m.

In March 2016 the Company disposed of its stake in Eagle BPO Mauritius Limited for consideration of £10.5m resulting in a loss on disposal of £0.7m.

In August 2016 there was a change in the AWE Management Limited (AWEML) shareholding structure, with the Company's shareholding reducing from 33.3% to 24.5% by way of a return of shares. The Company was compensated for the reduction in share ownership of 8.8% through receipt of a dividend of the same amount of distributable reserves which existed at the date of reduction. The part disposal led to a reduction to the investment held of £21.1m for consideration of £1.5m, resulting in a loss on disposal of £19.6m

In December 2016, the Company disposed of its stake in Mena Business Services LLC for consideration of £4.7m resulting in a profit of £1.1m.

## **Serco Holdings Limited**

### **Directors' Report for the Year Ended 31 December 2016**

#### **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.

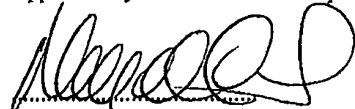
#### **Disclosure of information to the auditors**

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 19 September 2017 and signed on its behalf by:



N Crossley  
Director

## **Serco Holdings Limited**

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

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards (UK 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**

We have audited the financial statements of Serco Holdings Limited for the year ended 31 December 2016, 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 18. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 Ethical Standards for Auditors.

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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### **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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and Directors' Report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

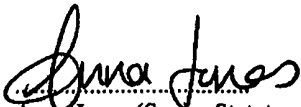
## Serco Holdings Limited

### Independent Auditor's Report

#### 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



Anna Jones (Senior Statutory Auditor)

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

15 Canada Square  
London  
United Kingdom  
E14 5GL

Date: 19 September 2017

# Serco Holdings Limited

## Profit and Loss Account for the Year Ended 31 December 2016

	Note	2016 £ 000	2015 £ 000
Turnover		-	-
Administrative income		<u>4,202</u>	<u>981</u>
<b>Operating profit</b>		<b>4,202</b>	<b>981</b>
Investment impairment	12	(130,509)	(160,609)
(Loss)/Profit on disposal of subsidiary	5	(8,676)	4,331
Investment income	6	146,749	224,179
Interest payable and similar charges	7	<u>(9,424)</u>	<u>(16,687)</u>
<b>Profit before tax</b>		<b>2,342</b>	<b>52,195</b>
Tax charge	11	<u>825</u>	<u>(1,796)</u>
<b>Profit for the financial year</b>		<b><u>3,167</u></b>	<b><u>50,399</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 2016**

	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	-	-	-	50,399	50,399
Capital reduction *	-	(1,074,723)	1,074,723	-	-
Premium on issue of shares	-	150,000	-	-	150,000
At 31 December 2015	-	981,883	1,074,723	(859,931)	1,196,675
	Share capital £ 000	Share premium £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2016	-	981,883	1,074,723	(859,930)	1,196,676
Profit for the year	-	-	-	3,167	3,167
At 31 December 2016	-	981,883	1,074,723	(856,763)	1,199,843

\* Other reserve was created on the reduction of capital on 8th October 2015 and is fully distributable.

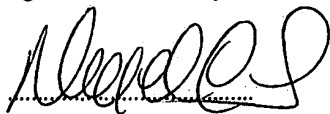
The notes on pages 11 to 26 form an integral part of these financial statements.

**Serco Holdings Limited**

**(Registration number: 03970268)  
Balance Sheet as at 31 December 2016**

	Note	2016 £ 000	2015 £ 000
<b>Fixed assets</b>			
Investments	12	856,344	975,123
<b>Current assets</b>			
Debtors	13	538,087	857,764
Consortium relief	11	2,121	1,166
Derivatives		<u>215</u>	<u>132</u>
		540,423	859,062
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	14	(26,305)	(476,517)
Corporation tax liability	11	(188)	(141)
Provisions		<u>(50)</u>	<u>(50)</u>
<b>Net current assets</b>		<u>513,880</u>	<u>382,354</u>
<b>Total assets less current liabilities</b>		<b>1,370,224</b>	<b>1,357,477</b>
<b>Creditors: amounts falling due after more than one year</b>			
Creditors: amounts due after more than one year	15	<u>(170,381)</u>	<u>(160,802)</u>
<b>Net assets</b>		<u>1,199,843</u>	<u>1,196,675</u>
<b>Capital and reserves</b>			
Called up share capital	16	-	-
Share premium reserve		981,883	981,883
Other reserves		1,074,723	1,074,723
Profit and loss account		<u>(856,763)</u>	<u>(859,931)</u>
<b>Shareholder's funds</b>		<u>1,199,843</u>	<u>1,196,675</u>

The financial statements (registered number: 03970268) were approved by the Board on 19 September 2017 and signed on its behalf by:



N Crossley  
Director

## **Serco Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2016**

#### **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 18.

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.

None of the changes to FRS 101 that became effective in the current reporting period have had a significant impact on the Company's financial statements.

##### **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 £3m 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.

## **Serco Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2016**

#### **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.

#### **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.

## **Serco Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2016**

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.

#### **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.

#### **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.

## Serco Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2016

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

##### Key sources of estimation uncertainty

The key assumption 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, is 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 £856.3m (2015: £975.1m) at the balance sheet date.

#### 4 Operating profit

Arrived at after (crediting)/charging

	2016 £ 000	2015 £ 000
Write-off of intercompany loan	(3,533)	-
Gain on hedge items	1,005	1,832
Loss on hedging instruments	<u>(1,005)</u>	<u>(1,832)</u>

#### 5 (Loss)/profit on disposal of subsidiaries

Included within the loss on disposal of subsidiaries of £8.7m were costs of £0.7m related to the sale of Eagle BPO Mauritius Limited.

#### 6 Investment income

	2016 £ 000	2015 £ 000
Interest receivable and similar income	1,498	1,907
Dividends received from subsidiaries	108,372	191,292
Dividends received from joint ventures	<u>36,879</u>	<u>30,980</u>
	<u>146,749</u>	<u>224,179</u>

#### 7 Interest payable and similar charges

	2016 £ 000	2015 £ 000
Intercompany interest payable	<u>9,424</u>	<u>16,687</u>

## **Serco Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2016**

#### **8 Staff costs**

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

#### **9 Directors' remuneration**

The Company considers that there is no practicable method to accurately allocate a portion of the emoluments the Directors receive from their respective Group company employer to the qualifying services they provide to the Company. The Company is also of the opinion any allocation would be immaterial. Additionally, there were no pension benefits accruing during the year (2015: £nil).

#### **10 Auditor's remuneration**

Auditor's remuneration of £7,500 (2015: £5,000) 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 £nil of non-audit fees incurred by the Company and payable to KPMG LLP during the year (2015: £9,000 was paid to the company's previous auditor Deloitte LLP).

# Serco Holdings Limited

## Notes to the Financial Statements for the Year Ended 31 December 2016

### 11 Tax

Tax (credited)/charged in the income statement

	2016 £ 000	2015 £ 000
<b>Current taxation</b>		
Consortium relief	(1,373)	(1,166)
UK corporation tax adjustment to prior periods	360	2,821
UK Corporation tax	188	141
	<u>(825)</u>	<u>1,796</u>

The current tax charge is lower (2015: lower) than the UK corporation tax rate of 20% (2015: 20.25%). The reasons for this are set out below.

	2016 £ 000	2015 £ 000
Profit before tax	<u>2,342</u>	<u>52,195</u>
UK Corporation tax at 20% (2015: 20.25%)	468	10,570
Other non-taxable income	(29,050)	(45,010)
Expenses not deductible for tax purposes	27,302	31,938
Group relief for nil consideration	95	1,482
Unprovided deferred tax	-	(6)
Adjustments in respect of prior years	360	2,820
Impact of changes in statutory tax rates	-	2
Total tax (credit)/charge	<u>(825)</u>	<u>1,796</u>

#### Unrecognised deferred tax asset

The Company has an unrecognised deferred tax asset of £nil (2015: £12k) in relation to short term timing differences, £7,915k of unused tax losses (2015: £nil).

## Serco Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2016

#### 12 Investments

<b>Subsidiaries</b>	<b>£ 000</b>
<b>Cost</b>	
At 1 January 2015	895,113
Additions	45,968
Disposals	(14,102)
Retranslation of hedged item	1,005
Charge for impairment	<u>(130,509)</u>
Cost and Net book value as at 31 December 2016	<u><u>797,475</u></u>
<b>Joint Ventures</b>	<b>£ 000</b>
<b>Cost</b>	
At 1 January 2016	80,010
Disposals	<u>(21,141)</u>
Cost and Net book value as at 31 December 2016	<u><u>58,869</u></u>

#### Acquisitions

In February 2016 the Company invested £10.5m in Eagle BPO Mauritius Limited.

In April 2016 the Company invested in 100% of the issued share capital of Serco PIK Limited for £20.4m, obtaining full control.

In December 2016 the Company acquired 100% of the issued share capital of COMPASS SNI Limited (previously known as Orchard & Shipman (Glasgow) Limited) for £1, obtaining full control.

The Company invested £14.9m in Serco New Zealand Limited, in relation to its recapitalization. A further £108k was invested in Serco Nederland B.V.

#### Disposals

In March 2016, the Company disposed of its stake in Serco Business Services LLC for consideration of £10.5m resulting in a profit on disposal of £10.5m.

In March 2016 the Company disposed of its stake in Eagle BPO Mauritius Limited for consideration of £10.5m resulting in a loss on disposal of £0.7m.

In August 2016 there was a change in the AWE Management Limited (AWEML) shareholding structure, with the Company's shareholding reducing from 33.3% to 24.5% by way of a return of shares. The Company was compensated for the reduction in share ownership of 8.8% through receipt of a dividend of the same amount of distributable reserves which existed at the date of reduction. The part disposal led to a reduction to the investment held of £21.1m for consideration of £1.5m, resulting in a loss on disposal of £19.6m

In December 2016, the Company disposed of its stake in Mena Business Services LLC for consideration of £4.7m resulting in a profit of £1.1m.

## **Serco Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2016**

#### **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 £131m (2015: £161m) 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 S.à.r.l. and Serco New Zealand Limited were impaired by £120m and £11m respectively.

#### **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.

## Serco Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2016

#### List of Subsidiaries and Joint Ventures

Details of the subsidiaries as at 31 December 2016 are as follows:

Name of subsidiary	Nature	Country of incorporation	Proportion of ownership interest and voting rights held	
			2016	2015
AWEManagement Limited	Direct	Atomic Weapons Establishment, Aldermaston, Reading, Berkshire, RG7 4PR United Kingdom	24%	33%
BAS-Serco Limited	Indirect	Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda	10%	10%
BraintreeClinical Services Limited	Direct	Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, United Kingdom	100%	100%
Compass SNI Limited	Direct	Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, United Kingdom	100%	0%
Djurgardens Farjetrafik AB	Direct	Svensksundsvagen 17, 111 49 Stockholm	50%	50%
AntabOperations Contracting LLC	& Direct	Headquarters Building, Building # 1605, Road # 5141, Askar # 951, PO Box 26803 Manama, Kingdom of Bahrain	60%	60%
DMS Maritime Pty Limited	Indirect	Level 23, 60 Margaret Street, Sydney NSW 2000, Australia	100%	100%
Equity Investment (Pty) Ltd	Aviation Holdings Indirect	Block F, 1st Floor, Gilloolys View, Osborn Lane, Bedfordview, Johannesburg 2000, South Africa	50%	50%
Hong Kong Parking Limited	Indirect	Room 2601, World Trade Centre, 280 Gloucester Road, Causeway Bay, 255257, Hong Kong	40%	40%
Innu Serco Inc		330 Bay Street, Suite 400, Toronto, Ontario M5H 2S8, Canada	49%	0%

## Serco Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2016

Innu Serco Limited Partnership *		330 Bay Street, Suite 400, Toronto, Ontario M5H 2S8, Canada	49%	0%
International Aeradio Direct (Emirates) LLC - Abu Dhabi		Office No. 503, 5th Floor, Al Muhairy Building, Zayed The First Street, PO Box 3164 Abu Dhabi, United Arab Emirates	49%	49%
International Aeradio Direct (Emirates) LLC - Dubai		19th Floor, Rolex Tower, Sheikh Zayed Road, PO Box 9197 Dubai, United Arab Emirates	49%	49%
JB1 Properties Services Direct Company LLC		Al Jazira Club, 303, Tower A, Muroor Road (4th Street), PO Box 63737 Abu Dhabi, United Arab Emirates	49%	49%
Khadamat Facilities Direct Management LLC		The United Arab Emirates University, Al Jamea Street, Al Maqam District, PO Box 15551 Al Ain, United Arab Emirates	49%	49%
LOGTEC Inc	Indirect	Suite 1000, 1818 Library Street, Reston VA 201901 United States	100%	100%
Mena Business Direct Services LLC		P.O. Box 54949, Riyadh, 11524, Saudi Arabia	0%	70%
Merseyrail Services Direct Holding Company Limited		Eversheds House, 70 Great Bridgewater Street, Manchester, Lancashire, M1 5ES United Kingdom	50%	50%
Northern Rail Holdings Direct Limited		Eversheds House, 70 Great Bridgewater Street, Manchester, Lancashire, M1 5ES United Kingdom	50%	50%
Priority Properties Direct North West Limited		Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, United Kingdom	100%	100%
Serco (Jersey) Limited	Direct	13 Castle Street St Helier Jersey JE4 5UT, Jersey	100%	100%
Serco Australia Pty Limited	Indirect	Level 23, 60 Margaret Street, Sydney NSW 2000, Australia	100%	100%
Serco Belgium S.A	Direct	Avenue de Cortenbergh 60 – 1000 Brussels, Belgium	100%	100%

## Serco Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2016

Serco Caledonian Sleepers Limited	Direct	Basement And Ground Floor Premises, 1-5 Union Street, Inverness, IV1 1PP, Scotland, United Kingdom	100%	100%
Serco Canada Inc.	Indirect	330 Bay Street, Suite 400, Toronto, Canada M5H 2S8	100%	100%
Serco Citizen Services Pty Ltd	Direct	Level 23, 60 Margaret Street, Sydney NSW 2000, Australia	100%	100%
Serco Consulting Bahrain WLL	Direct	Suite 106, 10th Floor, Al Jasrah Tower, Building No. 95, Road 1702, Diplomatic Area, Manama, PO Box 3214, Kingdom of Bahrain	100%	100%
Serco Corporate Services Limited	Direct	Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, United Kingdom	100%	100%
Serco Environmental Services Limited	Indirect	Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, United Kingdom	100%	100%
Serco (Guernsey) Limited	Ferries Crewing Direct	4th Floor, West Wing, Trafalgar Court, Admiral Park, St Peter Port, GY1 2JA, Guernsey	100%	100%
Serco Ferries Limited	(HR) Direct	Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, United Kingdom	100%	100%
Serco Limited	Geografix Indirect	Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, United Kingdom	100%	100%
Serco Gestion de Negocios SL	de Direct	c/o Torre Hernando Aseria Consultoria. Calle Ayala, 13 1ºDr, 28001 Madrid, Spain	100%	100%
Serco Group Limited	(HK) Indirect	Suite No1101 Sino Plaza, 255-257 Gloucester Road, Causeway Bay, 255257, Hong Kong	100%	100%
Serco Group Limited	Pty Direct	Level 23, 60 Margaret Street, Sydney NSW 2000, Australia	100%	100%

## Serco Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2016

Serco Inc.	Indirect	c/o Corporation Services Company, 830 Bear Tavern Rd, West Trenton, NJ 08628, United States	100%	100%
Serco Insurance Company Limited	Direct	Maison Trinity, Trinity Square, St Peter Port Guernsey	100%	100%
Serco Transport Limited	Integrated Private Indirect	Office# 431, Level 4, Augusta Point, Sector 53 Golf Course Road, Gurgaon 122002, India	100%	100%
Serco International Limited	Direct	Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, United Kingdom	100%	100%
Serco International S.à r.l	Direct	Headstart, 7 rue Robert Stümper, L-2557 Luxembourg	100%	100%
Serco Leasing Limited	Direct	Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, United Kingdom	100%	100%
Serco Operating Limited	Leisure Direct	Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, United Kingdom	100%	100%
Serco Limited	Direct	Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, United Kingdom	100%	100%
Serco Company Limited	Listening Direct	Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, United Kingdom	100%	100%
Serco S.A.	Luxembourg Direct	17 Boulevard Royal 17, L-2449 Luxembourg	100%	100%
Serco Leisure Limited	Manchester Direct	Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, United Kingdom	100%	81%
Serco Nederland B.V.	Direct	Kapteynstraat 1, 2201 BB Noordwijk ZH, Netherlands	100%	100%
Serco New Zealand (Asset Management Services) Limited	Direct	Level 4, KPMG Centre, 18 Viaduct Harbour Avenue, Auckland Central, Auckland, 1010, New Zealand	100%	100%
Serco New Zealand Limited	Direct	Level 4, KPMG Centre, 18 Viaduct Harbour Avenue, Auckland Central, Auckland, 1010, New Zealand	100%	100%

## Serco Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2016

Serco New Zealand Direct Training Limited	Level 4, KPMG Centre, 18 Viaduct Harbour Avenue, Auckland Central, Auckland, 1010, New Zealand	100%	100%
Serco North America Direct (Holdings), Inc.	Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States	100%	100%
Serco North America Indirect Limited	Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, United Kingdom	100%	100%
Serco Paisa Limited Direct	Surrey, Ci Tower, St. George's Square, New Malden, Surrey, KT3 4TE United Kingdom	50%	50%
Serco Pension Trustee Direct Limited	Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, United Kingdom	100%	100%
Serco Projects LLC Direct	Global Business Centre 2, Second Floor, Al Hitmi Village Building, C-Ring Road, PO Box 25422 Doha, State of Qatar	49%	49%
Serco Regional Direct Services Limited	Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, United Kingdom	100%	100%
Serco Sarl Direct	15, rue Lumière 01630 Saint Genis Pouilly, France	100%	100%
Serco SAS Direct	15, rue Lumière 01630 Saint Genis Pouilly, France	100%	100%
Serco Saudi Arabia Direct LLC	Mazaya Tower, 1st Floor, King Saud Road, PO Box 366877, Riyadh 11393, Kingdom of Saudi Arabia	100%	100%
Serco Services GmbH Direct	Lise-Meitner-Strasse 10, 64293 Darmstadt, Germany	100%	100%
Serco Services Inc. Indirect	Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States	100%	100%
Serco Services Ireland Direct Limited	29 Earlsfort Terrace, Dublin 2, Ireland	100%	100%
Serco Societa per Azioni Direct	Via Sciadonna 24/26, 00044 Frascati (Roma), Italy	100%	100%
Serco Sodexo Defence Services Pty Ltd Indirect	Level 7, 301 Coronation Drive, Milton QLD 4064, Australia	50%	50%

## Serco Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2016

Serco Switzerland SA	Direct	86 bis Route de Frontenex, Case postale 6364, 1208 Geneva, Switzerland	100%	100%
Serco Traffic Camera Services (VIC) Pty Limited	Direct	Level 23, 60 Margaret Street, Sydney NSW 2000, Australia	100%	100%
Serco-IAL Limited	Direct	Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, United Kingdom	100%	100%
Service Glasgow LLP	Indirect	220 High Street, Glasgow, G4 0QW, Scotland, United Kingdom	50%	50%
VIAPATH Group LLP	Indirect	Francis House, 9 King's Head Yard, London, SE1 1NA, United Kingdom	33%	33%
Serco PIK Limited	Direct	Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, United Kingdom	100%	0%
Serco Immigration Services SA	Direct	Avenue Edmond Van Nieuwenhuyse 6 – 1160 Auderhem, Belgium	99%	0%

\* indicates direct investment of the company

## Serco Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2016

#### 13 Debtors

	2016 £ 000	2015 £ 000
Amounts owed by group companies	538,000	857,691
Other receivables	49	73
Corporation tax asset	38	-
	<u>538,087</u>	<u>857,764</u>

#### Details of non-current trade and other receivables

£528,462k (2015: £849,342k) of amounts owed by group companies is classified as non-current.

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

	2016 £ 000	2015 £ 000
Accruals and deferred income	505	548
Amounts owed to group companies	25,800	475,718
Other creditors	-	251
	<u>26,305</u>	<u>476,517</u>

Amounts owed to group companies are repayable within one year and bear interest based on LIBOR plus 0.2%.

## Serco Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2016

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

	2016 £ 000	2015 £ 000
Amounts owed to group companies	158,614	150,691
Loans and borrowings	11,767	10,110
Other creditors	-	1
	<u>170,381</u>	<u>160,802</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 £11,767k in 2016 (2015: £10,110k).

#### 16 Share capital

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

	2016		2015	
	No.	£	No.	£
Ordinary of £1 each	<u>35</u>	<u>35</u>	<u>35</u>	<u>35</u>

#### 17 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 (2015: £5.0m). The overdraft was undrawn at 31 December 2016.

#### 18 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.