

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

**DIRECTORS' REPORT
AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2005**

Registered Number: 03912708



SERVICES SUPPORT (SEL) HOLDINGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

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SERVICES SUPPORT (SEL) HOLDINGS LIMITED

DIRECTORS AND ADVISORS

Directors

J Cann (resigned 06 December 2005)
A C Cowley (appointed 06 December 2005)
J McClure
G A Neville (appointed 06 December 2005)
A S Renshaw (resigned 06 December 2005)
N Smith

Company secretary and registered office

P G Shell
Allington House
150 Victoria Street
London SW1E 5LB

Auditors

Deloitte & Touche LLP
London

Solicitors

Denton Wilde Sapte
5 Chancery Lane
Clifford's Inn
London
EC4A 1BU

Principal bankers

Dresdner Bank (London)
2 Swan Lane
London
EC4R 3UX

Financial advisors

Macquarie Bank
City Point, Level 30
1 Ropemaker Street
London
EC2Y 9HD

DIRECTORS' REPORT

The Directors submit their annual report and the audited financial statements for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is to hold an investment in Services Support (SEL) Limited, a special purpose company whose activity is the design, construction, financing and operation of three sector police stations and one divisional headquarters in South East London, under the Private Finance Initiative.

REVIEW OF THE YEAR AND FUTURE PROSPECTS

Services Support (SEL) Limited continued operations during the year. These facilities will be operated until the end of the concession on 16 January 2029. The ultimate shareholding changed during the year with Allianz PFI Holdings (Jersey) Limited investing in 50% of the equity of the project on 6 December 2005. On 28 April 2006 this 50% shareholding was transferred to Allianz PFI (UK) Limited.

RESULTS AND DIVIDENDS

The result for the year before taxation amounted to £2,452,000 (2004 - £2,288,000). After taxation of £1,096,000 (2004 - £1,017,000), profit for the year was £1,356,000 (2004 - £1,271,000)

The Directors recommended and paid a dividend of £1,000,000 (2004 - £nil).

DIRECTORS

The Directors who served throughout the year, except as noted, are shown on page 1.

DIRECTORS' INTERESTS

No Director held any interests in the shares of the Company, or had any personal interest in any significant or material contract with the Company, during the year ended 31 December 2005.

As disclosed in note 21, the Directors believe that the Company is jointly owned and controlled and therefore has no parent or ultimate parent undertaking.

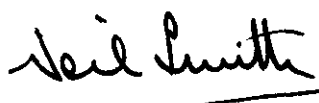
FINANCIAL RISK MANAGEMENT

The Company's exposure to interest rate risk is managed through the use of interest rate swaps, details of which are set out in note 12 to the financial statements.

AUDITORS

A resolution to re-appoint Deloitte & Touche LLP as auditors will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board


N Smith
Director
28 April 2006

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements. The Directors have chosen to prepare accounts for the Company and the group in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). Company law requires the Directors to prepare such financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Company and the Group for that period and comply with UK GAAP and the Companies Act 1985.

In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' report, which comply with the requirements of the Companies Act 1985.

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SERVICES SUPPORT (SEL) HOLDINGS LIMITED

We have audited the financial statements of Services Support (SEL) Holdings Limited and the group for the year ended 31 December 2005 which comprise the consolidated profit and loss account, the consolidated and individual company balance sheet, the consolidated cash flow statement and the related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of Directors and auditors

As described in the statement of Directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Auditing Standards on Auditing (UK and Ireland).

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

We read the Directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the individual company's and group's affairs as at 31 December 2005 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London

28 April 2006

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	2005 £'000	2004 £'000
Turnover	1, 2	7,666	8,115
Cost of sales		<u>(7,010)</u>	<u>(7,528)</u>
Operating profit	3	656	587
Net interest receivable	6	1,796	1,701
Profit on ordinary activities before taxation		2,452	2,288
Tax on profit on ordinary activities	7	<u>(1,096)</u>	<u>(1,017)</u>
Profit on ordinary activities after taxation		1,356	1,271
Dividends on equity shares	8	(1,000)	-
Retained profit for the year transferred to reserves	15	356	1,271

A reconciliation of movement in equity shareholders' funds is given in note 16.

All items in the profit and loss account relate to continuing operations.

There is no material difference between the results stated in the profit and loss account and their historical cost equivalents.

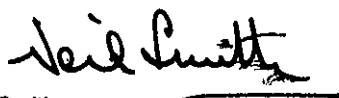
All gains and losses are recognised in the profit and loss account in both the current and preceding year, and therefore no separate statement of total recognised gains and losses has been presented.

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2005

	Notes	2005 £'000	2004 £'000
Current assets			
Debtors		95,735	95,927
- due within one year	10	5,072	3,783
- due after more than one year	10	90,663	92,144
Cash at bank and in hand		4,649	4,521
		100,384	100,448
Current liabilities			
Creditors: amounts falling due within one year	11	(5,673)	(7,641)
Net current assets		94,711	92,807
Total assets less current liabilities		94,711	92,807
Creditors: amounts falling due after more than one year	11	(90,396)	(89,944)
Provisions for liabilities and charges	13	(2,355)	(1,259)
Net assets		1,960	1,604
Capital and reserves			
Called up share capital	14	25	25
Profit and loss account	15	1,935	1,579
Equity shareholders' funds	16	1,960	1,604

The financial statements were approved by the Board of Directors on 28 April 2006 and were signed on its behalf by:



N Smith
Director

28 April 2006

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2005

	Notes	2005 £	2004 £
Fixed assets			
Investments	9	6,839	6,839
Creditors: amounts falling due within one year	11	(531)	(2,876)
Net current (liabilities)		<u>(531)</u>	<u>(2,876)</u>
Total assets less current liabilities		<u>6,308</u>	<u>3,963</u>
Creditors: amounts falling due after more than one year	11	(6,283)	(3,938)
Net assets		<u>25</u>	<u>25</u>
Capital and reserves			
Called up share capital	14	25	25
Equity shareholders' funds	16	<u>25</u>	<u>25</u>

The financial statements were approved by the Board of Directors on 28 April 2006 and were signed on its behalf by:



N Smith
Director
28 April 2006

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

CONSOLIDATED CASHFLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	2005 £'000	2004 £'000
Net Cash inflow from Operating Activities	20	998	849
Returns on Investment and Servicing of Finance			
Interest Received		7,629	7,681
Interest Paid		(5,754)	(5,916)
Issue Costs of new bank loan		-	15
Net Cashflow from Returns on Investments and Servicing of Finance		<u>1,875</u>	<u>1,780</u>
Net cash inflow before use of liquid resources and financing		<u>2,873</u>	<u>2,629</u>
Financing			
Dividends paid		(1,000)	-
Increase in debenture loans		-	1,511
(Decrease) in bank borrowings		(1,745)	(5,542)
Net cash outflow from financing		<u>(2,745)</u>	<u>(4,031)</u>
Increase / (decrease) in cash in the year		<u>128</u>	<u>(1,402)</u>
<i>Cash at bank and in hand</i>			
Balance as at 1 January		4,521	5,923
Balance as at 31 December		<u>4,649</u>	<u>4,521</u>

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

Notes to the financial statements for the year ended 31 December 2005

1 ACCOUNTING POLICIES

a) Basis of preparation of accounts

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable United Kingdom accounting standards. A summary of the principal accounting policies adopted by the Directors, which have been applied consistently in the current and preceding year, is shown below.

Basis of Consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or the the date on which control passed. Acquisitions are accounted for under the acquisition method.

b) Turnover

During the construction phase of the project, all attributable expenditure including finance costs are included in amounts recoverable on contracts and turnover. Upon the asset becoming operational, the costs are transferred to the finance debtor. During the operational phase, income is allocated between interest receivable and turnover using a constant operating margin on costs. The remainder of the PFI income will be allocated to the finance debtor.

Turnover excludes value added tax and is derived entirely in the United Kingdom.

c) Finance debtor

The Group is an operator under a PFI contract. Under the terms of the contract, substantially all the risks and rewards of ownership of the property asset remain with the Metropolitan Police Service. The underlying asset is therefore not a fixed asset of the Group under FRS 5 Application Note F and SSAP 21.

d) Capitalised Interest

Interest costs on borrowings used to fund the construction of the project are added to amounts recoverable on contract during the construction period. This treatment ceases on commissioning.

e) Operating costs

Operating costs are added to amounts recoverable on contract during the construction period. Following commissioning, regular operating costs will be expensed to the profit and loss account as incurred.

f) Interest payable

Interest costs on borrowings are added to amounts recoverable on contract during the construction phase of the contract, and then written off to the profit and loss account as incurred.

g) Taxation

Current tax, including United Kingdom Corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

In accordance with FRS 19 'Deferred Tax', deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse, based on the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are not discounted.

h) Financial Instruments

The Company uses financial instruments to reduce exposure to interest rate movements. The Company does not hold or issue derivative financial instruments for speculative purposes.

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

Notes to the financial statements for the year ended 31 December 2005

2 TURNOVER

	2005 £'000	2004 £'000
Turnover in the year is analysed as follows:		
Construction income	-	113
Third-party revenue	-	28
Variation income	2,025	2,308
Concession unitary income	5,641	5,666
	<u>7,666</u>	<u>8,115</u>

3 OPERATING PROFIT

	2005 £'000	2004 £'000
Operating profit is stated after charging:		
Auditors' remuneration		
- audit services	10	11
- taxation consultancy	15	29
	<u>15</u>	<u>29</u>

4 DIRECTORS' REMUNERATION

No Directors received any remuneration for services to the Company during the current or prior year. The Company is managed by secondees from the shareholders under a management services contract

5 STAFF NUMBERS

The Company had no employees during the year (2004 - nil).

6 NET INTEREST RECEIVABLE

	2005 £'000	2004 £'000
Interest receivable and similar income		
Interest receivable on bank deposits	290	231
Interest receivable from client	25	-
Interest receivable on finance debtor	7,314	7,450
	<u>7,629</u>	<u>7,681</u>
Interest payable and similar charges		
Interest payable on bank loans and overdrafts	(5,746)	(5,915)
Amortised debt issue costs	(79)	(79)
Commitment fee on undrawn loan facility	(8)	(1)
	<u>(5,833)</u>	<u>(5,995)</u>
Interest capitalised within amounts recoverable on contract	-	15
Net interest receivable	<u>1,796</u>	<u>1,701</u>

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2005 £'000	2004 £'000
<u>Analysis of charge for the year</u>		
Deferred tax		
Origination and reversal of timing differences	(1,092)	(1,017)
Prior year adjustment	(4)	-
Total deferred tax (note 13)	<u>(1,096)</u>	<u>(1,017)</u>
Total tax on profit on ordinary activities	<u>(1,096)</u>	<u>(1,017)</u>

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

Notes to the financial statements for the year ended 31 December 2005 (continued)

7 TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

Factors affecting the tax charge for the current period

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	2005 £	2004 £
Profit on ordinary activities before tax	2,452	2,288
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004 - 30%)	(736)	(687)
Effects of:		
Tax losses brought forward	736	687
Total current tax charge for the year	-	-

8 DIVIDENDS PAID AND PROPOSED

	2005 £	2004 £
Equity shares:		
- interim paid of £40 per ordinary share (2004 - nil)	(1,000)	-
	(1,000)	-

9 INVESTMENTS

	Interest in Group Undertakings		
	Shares	Loans	in group undertaking
	£'000	£'000	£'000
Cost and net book value			
At 1 January and 31 December 2005	25	6,814	6,839

The sole investment is a 100% interest in Services Support (SEL) Limited, which is incorporated in Great Britain and registered in England and Wales and its principal activity is to design, build, finance and operate police stations in accordance with an agreement with the Metropolitan Police Authority.

In the opinion of the Directors the value of the investment in subsidiary undertaking is not less than the amount stated in the balance sheet.

10 DEBTORS

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
<u>Due within one year:</u>				
Trade debtors	2,128	1,902	-	-
Finance debtor	1,501	1,389	-	-
Amounts owed by group undertakings	27	-	-	-
Prepayments and accrued income	1,416	492	-	-
	5,072	3,783	-	-
<u>Due after more than one year:</u>				
Finance debtor	90,663	92,144	-	-

The finance debtor balance includes cumulative net interest costs of £3,853,500 (2004 - £3,853,500)

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

Notes to the financial statements for the year ended 31 December 2005 (continued)

11 CREDITORS

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Debenture loan	531	2,876	531	2,876
Bank loans and overdrafts (note 12)	1,966	1,739	-	-
Less: unamortised debt issue costs	(84)	(84)	-	-
Trade creditors	99	47	-	-
Amounts owed to group undertakings	776	778	-	-
Taxation and social security	416	354	-	-
Other creditors	944	1,231	-	-
Accruals and deferred income	1,025	700	-	-
	5,673	7,641	531	2,876
Amounts falling due after more than one year				
Debenture loan	6,283	3,938	6,283	3,938
Bank loans and overdrafts (note 12)	85,140	87,112	-	-
Less: unamortised debt issue costs	(1,027)	(1,106)	-	-
	90,396	89,944	6,283	3,938
Analysis of debt:				
Debt can be analysed as falling due:				
In one year or less, on demand	2,497	4,615	531	2,876
Between one and two years	3,304	2,959	1,053	993
Between two and five years	10,912	10,253	3,105	2,945
In five years or more	77,207	77,838	2,125	-
	93,920	95,665	6,814	6,814
Less: unamortised debt issue costs	(1,111)	(1,190)	-	-
Net debt	92,809	94,475	6,814	6,814

The unsecured loan notes of £6,814,000 (2004 - £6,814,000) were issued by the parent undertaking as part of the committed shareholder funding for the project. The loan notes carry a zero percent rate of interest and are repayable by the Company no later than the end of the agreement with the Metropolitan Police Authority (16 January 2029).

12 LOANS

Services Support (SEL) Limited (SPC) has a £101 million facility provided by a syndicate of banks in order to finance the construction of the project. The loan is repayable in instalments based on an agreed percentage amount of the total facility per annum over the next 25 years.

The loan is secured by a charge over the shares of the SPC.

Interest on the facility is charged at rates linked to LIBOR. The SPC has entered into fixed interest rate swaps to mitigate its interest exposure. The fixed interest rate on the facility during the construction phase is 6.5%. The SPC has entered into fixed interest rate swaps to mitigate its interest exposure which have a negative fair value at 31 December 2005 of £9,371,218 (2004 - £5,408,763)

13 PROVISIONS FOR LIABILITIES AND CHARGES

There were no unprovided deferred tax amounts in the current or the previous year.

	2005
	£'000
Deferred taxation	
At 1 January 2005	1,259
Charged to profit and loss account	1,096
At 31 December 2005	2,355

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

Notes to the financial statements for the year ended 31 December 2005 (continued)

14 CALLED UP SHARE CAPITAL

	2005 No.	2004 No.
Authorised:		
Ordinary shares at £1 each	25,000	25,000
	£'000	£'000
Allotted, called up and fully paid:		
25,000 ordinary shares at £1 each	25	25

15 MOVEMENT IN RESERVES

	Profit and loss account £
At 1 January 2005	1,579
Retained profit for the year	356
At 31 December 2005	1,935

As permitted by s230 of the Companies Act, 1985, no parent company profit and loss account is presented. The profit in the parent company is £1m, being a dividend from the subsidiary, pre its own dividend paid.

16 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2005 £'000	2004 £'000
Retained profit for the financial year	356	1,271
Opening shareholders' funds	1,604	333
Closing shareholders' funds	1,960	1,604

17 TRANSACTIONS WITH RELATED PARTIES

There were related party transactions between the Group with the following parties:

	2005 £'000	2004 £'000
John Laing plc and subsidiaries	5,799	5,454
Details of payments made to John Laing plc and subsidiaries are as follows:		
Management Fees	296	589
Facilities Management	5,503	4,865
	5,799	5,454

John Laing plc are the ultimate parent and listing company of Equion Ltd. Equion Ltd jointly controls Services Support (SEL) Limited.

The debt facilities of Services Support (SEL) Limited is provided by Dresdner Bank, a fellow subsidiary to Allianz PFI Holdings (Jersey) Limited within the Allianz Group. The debt balance at 31 December 2005 was £93.9m (2004 - £95.7m) and interest paid during the year amounted to £5.8m (2004 - £5.9m).

18 ANALYSIS OF NET DEBT

	At 1 January 2005 £'000	Non-cash movements £'000	Cashflow £'000	At 31 December 2005 £'000
Cash in hand and at bank	4,521	-	128	4,649
Debt due less than 1 year	(4,531)	-	2,118	(2,413)
Debt due more than 1 year	(89,944)	(79)	(373)	(90,396)
NET GROUP DEBT	(89,954)	(79)	1,873	(88,160)

Notes to the financial statements for the year ended 31 December 2005 (continued)

19 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	£'000
Increase in cash in the year	128
Decrease in bank borrowings due within one year	2,118
(Increase) in bank borrowings due in more than one year	(373)
Decrease in debt issue costs amortised	(79)
Decrease in borrowings	<u>1,793</u>
Net debt at 1 January 2005	(89,954)
Net debt at 31 December 2005	<u>(88,160)</u>

20 RECONCILIATION OF OPERATING RESULT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2005 £'000	2004 £'000
Operating Profit	656	587
Decrease in debtors	192	2,392
Increase / (decrease) in creditors	150	(2,130)
Net Cashflow from Operating Activities	<u>998</u>	<u>849</u>

21 ULTIMATE PARENT UNDERTAKING

Until 6 December 2005 the Company was a wholly owned subsidiary of Equion Limited, a company incorporated in Great Britain and registered in England and Wales. The Company's ultimate parent and controlling party, and the largest and smallest group in which its results are consolidated, was John Laing plc, a company incorporated in Great Britain and registered in England and Wales.

At 31 December 2005 the Company is owned and jointly controlled by Equion Limited and Allianz PFI Holdings (Jersey) Limited. The Directors consider there to be no ultimate controlling party or ultimate parent company.