

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

**DIRECTORS' REPORT
AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2006**

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COMPANIES HOUSE

Registered Number: 03912708

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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DIRECTORS AND ADVISORS

Directors

A C Cowley (resigned 17 October 2006)
R Frost (appointed 17 October 2006)
J McClure
G A Neville
N Smith

Company secretary and registered office

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

Auditors

Deloitte & Touche LLP
Chartered Accountants
London

Principal bankers

Dresdner Bank (London)
P.O. Box 52715
30 Gresham Street
London
EC2P 2XY

DIRECTORS' REPORT

The Directors submit their annual report and the audited financial statements for the year ended 31 December 2006.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

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

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.

There have not been any significant changes in the Company's principal activities in the year under review. The Directors are not aware, at the date of this report, of any major changes in the Company's activities in the next year.

Services Support (SEL) Limited continued operations during the year.

FUTURE DEVELOPMENTS

Services Support (SEL) Limited will operate the four police stations in the South East London area until the end of concession on 16 January 2029.

Negotiations regarding refinancing/restructuring are in progress and targeted to be complete by May 2007.

KEY PERFORMANCE INDICATORS

The key performance indicator for Services Support (SEL) Limited is the level of performance and unavailability deductions levied by the client since this reflects the quality of service being provided. Minor deductions have been suffered during the year under review all of which have been recovered from the Facilities Management contractor.

RESULTS AND DIVIDENDS

The profit for the year before taxation amounted to £2,420,000 (2005 - £2,452,000). After taxation of £1,068,000 (2005 - £1,096,000), profit for the year was £1,352,000 (2005 - £1,356,000)

The Directors recommended and paid a dividend of £2,329,000 (2005 - £1,000,000) in the year.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risk is that maintenance costs exceed those forecast in the financial model agreed at financial close. This risk is mitigated by regular management review of actual expenditure against budget and technical evaluations of the physical condition of the buildings.

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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who is a Director at the date of approval of this report confirms that:

- as far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of S234ZA of the Companies Act 1985.

DIRECTORS' REPORT (continued)

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 2006.

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.

EMPLOYEES

Details of the number of employees and related costs can be found in note 5 to the financial statements on page 11.

AUDITORS

On 18 December 2002, the Company passed an elective resolution to dispense with the annual appointment of auditors.

On behalf of the Board



N Smith
Director

8 March 2007

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;
- 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, 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.

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

We have audited the financial statements of Services Support (SEL) Holdings Limited for the year ended 31 December 2006 which comprise the consolidated profit and loss account, the consolidated balance sheet, the Company balance sheet, the consolidated cashflow 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

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 Company's and the Group's affairs as at 31 December 2006 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte & Touche LLP
Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
8 March 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 £'000	2005 £'000
Turnover	1, 2	7,055	7,666
Cost of sales		<u>(6,381)</u>	<u>(7,010)</u>
Operating profit	3	674	656
Net interest receivable	6	1,746	1,796
Profit on ordinary activities before taxation		<u>2,420</u>	<u>2,452</u>
Tax on profit on ordinary activities	7	(1,068)	(1,096)
Profit on ordinary activities after taxation		<u>1,352</u>	<u>1,356</u>
Dividends on equity shares	8	(2,329)	(1,000)
Retained (loss)/profit for the year transferred (from)/to reserves	15	<u>(977)</u>	<u>356</u>

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 2006

	Notes	2006 £'000	2005 £'000
Current assets			
Debtors		94,005	95,735
- due within one year	10	4,954	5,072
- due after more than one year	10	89,051	90,663
Cash at bank and in hand		4,216	4,649
		98,221	100,384
Current liabilities			
Creditors: amounts falling due within one year	11	(6,542)	(5,673)
Net current assets		91,679	94,711
Total assets less current liabilities		91,679	94,711
Creditors: amounts falling due after more than one year	11	(87,272)	(90,396)
Provisions for liabilities and charges	13	(3,423)	(2,355)
Net assets		983	1,960
Capital and reserves			
Called up share capital	14	25	25
Profit and loss account	15	958	1,935
Equity shareholders' funds	16	983	1,960

The financial statements were approved by the Board of Directors on 8 March 2007 and were signed on its behalf by:



N Smith
Director

8 March 2007

BALANCE SHEET AS AT 31 DECEMBER 2006

	Notes	2006 £	2005 £
Fixed assets			
Investments	9	6,839	6,839
Creditors: amounts falling due within one year	11	(1,484)	(531)
Net current liabilities		<u>(1,484)</u>	<u>(531)</u>
Total assets less current liabilities		<u>5,355</u>	<u>6,308</u>
Creditors: amounts falling due after more than one year	11	(5,330)	(6,283)
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 8 March 2007 and were signed on its behalf by:



N Smith
Director

8 March 2007

CONSOLIDATED CASHFLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006 £'000	2005 £'000
Net Cash inflow from operating activities	20	9,313	998
Returns on investment and servicing of finance			
Interest received		131	7,629
Interest paid		(5,583)	(5,754)
Net cashflow from returns on investments and servicing of finance		(5,452)	1,875
Net cash inflow before use of liquid resources and financing		3,861	2,873
Financing			
Dividends paid		(2,329)	(1,000)
Decrease in bank borrowings		(1,965)	(1,745)
Net cash outflow from financing		(4,294)	(2,745)
(Decrease) / increase in cash in the year		(433)	128
Cash at bank and in hand			
Balance as at 1 January		4,649	4,521
Balance as at 31 December		4,216	4,649

Notes to the financial statements for the year ended 31 December 2006

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 the contract during the construction period. This treatment ceases on commissioning.

e) Operating costs

Operating costs are added to amounts recoverable on the 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 the 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.

Notes to the financial statements for the year ended 31 December 2006

2 TURNOVER

	2006	2005
	£'000	£'000
Turnover in the year is analysed as follows:		
Variation income	1,439	2,025
Concession unitary income	5,614	5,641
Other income	2	-
	<u>7,055</u>	<u>7,666</u>

3 OPERATING PROFIT

The fee payable to the Company's auditors for the audit of the Company's annual accounts of £2,266 (2005 - £2,178) is borne by Services Support (SEL) Limited.

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 (2005 - nil).

6 NET INTEREST RECEIVABLE

	2006	2005
	£'000	£'000
Interest receivable and similar income		
Interest receivable on bank deposits	199	290
Interest receivable from client	27	25
Interest receivable on finance debtor	7,204	7,314
	<u>7,430</u>	<u>7,629</u>
Interest payable and similar charges		
Interest payable on bank loans and overdrafts	(5,594)	(5,746)
Amortised debt issue costs	(82)	(79)
Commitment fee on undrawn loan facility	(8)	(8)
	<u>(5,684)</u>	<u>(5,833)</u>
Net interest receivable	<u>1,746</u>	<u>1,796</u>

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2006	2005
	£'000	£'000
<u>Analysis of charge for the year</u>		
Current tax	<u>-</u>	<u>-</u>
Deferred tax		
Accelerated capital allowances	(1,074)	(1,092)
Prior year adjustment	6	(4)
Total deferred tax (note 13)	<u>(1,068)</u>	<u>(1,096)</u>
Total tax on profit on ordinary activities	<u>(1,068)</u>	<u>(1,096)</u>

Notes to the financial statements for the year ended 31 December 2006 (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:

	2006	2005
	£'000	£'000
Profit on ordinary activities before tax	<u>2,420</u>	<u>2,452</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005 - 30%)	(726)	(736)
Effects of:		
Tax losses brought forward	726	736
Total current tax charge for the year	<u>-</u>	<u>-</u>

8 DIVIDENDS PAID AND PROPOSED

	2006	2005
	£'000	£'000
Equity shares:		
- final paid of £93.16 per ordinary share (2005 - £40)	(2,329)	(1,000)
	<u>(2,329)</u>	<u>(1,000)</u>

9 INVESTMENTS

	Interest in Group Undertakings		
	Shares	Loans	Total
	£'000	£'000	£'000
Cost and net book value			
At 1 January and 31 December 2006	<u>25</u>	<u>6,814</u>	<u>6,839</u>

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

	2006	2005
	£'000	£'000
<u>Due within one year:</u>		
Trade debtors	1,421	2,128
Finance debtor	1,622	1,501
Amounts owed by group undertakings	-	27
Prepayments and accrued income	1,911	1,416
	<u>4,954</u>	<u>5,072</u>
<u>Due after more than one year:</u>		
Finance debtor	<u>89,051</u>	<u>90,663</u>

The finance debtor balance includes cumulative net interest costs of £3,796,003 (2005 - £3,853,500).

Notes to the financial statements for the year ended 31 December 2006 (continued)

11 CREDITORS

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Debenture loan	1,484	531	1,484	531
Bank loans and overdrafts (note 12)	2,252	1,966	-	-
Less: unamortised debt issue costs	(83)	(84)	-	-
Trade creditors	-	99	-	-
Amounts owed to group undertakings	800	776	-	-
Taxation and social security	377	416	-	-
Other creditors	750	944	-	-
Accruals and deferred income	962	1,025	-	-
	<u>6,542</u>	<u>5,673</u>	<u>1,484</u>	<u>531</u>
Amounts falling due after more than one year				
Debenture loan	5,330	6,283	5,330	6,283
Bank loans and overdrafts (note 12)	82,889	85,140	-	-
Less: unamortised debt issue costs	(947)	(1,027)	-	-
	<u>87,272</u>	<u>90,396</u>	<u>5,330</u>	<u>6,283</u>
Analysis of debt:				
Debt can be analysed as falling due:				
In one year or less, on demand	3,736	2,497	1,484	531
Between one and two years	3,394	3,304	998	1,053
Between two and five years	11,474	10,912	2,919	3,105
In five years or more	73,351	77,207	1,412	2,125
	<u>91,955</u>	<u>93,920</u>	<u>6,813</u>	<u>6,814</u>
Less: unamortised debt issue costs	(1,030)	(1,111)	-	-
Net debt	<u>90,925</u>	<u>92,809</u>	<u>6,813</u>	<u>6,814</u>

The unsecured loan notes of £6,814,000 (2005 - £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 which have a negative fair value at 31 December 2006 of £4,320,831 (2005 - £9,371,218).

13 PROVISIONS FOR LIABILITIES AND CHARGES

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

	2006
	£'000
Deferred taxation	
At 1 January 2006	2,355
Charged to profit and loss account	1,068
At 31 December 2006	<u>3,423</u>

Notes to the financial statements for the year ended 31 December 2006 (continued)

14 CALLED UP SHARE CAPITAL

	2006 No.	2005 No.
Authorised:		
Ordinary shares at £1 each	<u>25,000</u>	<u>25,000</u>
	£'000	£'000
Allotted, called up and fully paid:		
25,000 ordinary shares at £1 each	<u>25</u>	<u>25</u>

15 MOVEMENT IN RESERVES

	Profit and loss account £
At 1 January 2006	1,935
Retained profit for the year	(977)
At 31 December 2006	<u>958</u>

16 RECONCILIATION OF MOVEMENTS IN CONSOLIDATED EQUITY SHAREHOLDERS' FUNDS

	2006 £'000	2005 £'000
Retained (loss)/profit for the financial year	(977)	356
Opening shareholders' funds	1,960	1,604
Closing shareholders' funds	<u>983</u>	<u>1,960</u>

17 TRANSACTIONS WITH RELATED PARTIES

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

	2006 £'000	2005 £'000
John Laing plc and subsidiaries	6,063	5,799
Details of payments made to John Laing plc and subsidiaries are as follows:		
Management Fees	295	296
Facilities Management	<u>5,768</u>	<u>5,503</u>
	<u>6,063</u>	<u>5,799</u>
Balances at year end		
Equion Facilities Management Limited	743	746
Laing Investments Management Services Limited	<u>57</u>	<u>31</u>
	<u>800</u>	<u>776</u>

John Laing plc is the parent company of John Laing Social Infrastructure Limited. John Laing Social Infrastructure Limited jointly controls Services Support (SEL) Limited.

The debt facilities of Services Support (SEL) Limited are provided by Dresdner Bank, a fellow subsidiary to Allianz PFI Holdings (UK) Limited within the Allianz Group. The debt balance at 31 December 2006 was £92.0 million (2005 - £93.9 million) and interest paid during the year amounted to £5.6 million (2005 - £5.8 million).

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

Notes to the financial statements for the year ended 31 December 2006 (continued)

18 ANALYSIS OF NET DEBT

	At 1 January 2006 £'000	Non-cash movements £'000	Cashflow £'000	At 31 December 2006 £'000
Cash in hand and at bank	4,649	-	(433)	4,216
Debt due less than 1 year	(2,413)	(1)	(1,240)	(3,654)
Debt due more than 1 year	(90,396)	(80)	3,205	(87,271)
NET GROUP DEBT	(88,160)	(81)	1,532	(86,709)

19 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	£'000
Increase in cash in the year	(433)
Decrease in bank borrowings due within one year	(1,240)
(Increase) in bank borrowings due in more than one year	3,205
Decrease in debt issue costs amortised	(81)
Decrease in borrowings	1,451
Net debt at 1 January 2006	(88,160)
Net debt at 31 December 2006	(86,709)

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

	2006 £'000	2005 £'000
Operating profit	674	656
Decrease in debtors	9,029	192
(Decrease) / increase in creditors	(390)	150
Net cashflow from operating activities	9,313	998

21 ULTIMATE PARENT UNDERTAKING

At 31 December 2006 the Company is owned and jointly controlled by John Laing Social Infrastructure Limited and Allianz PFI Holdings (UK) Limited. The Directors consider there to be no ultimate controlling party or ultimate parent company.