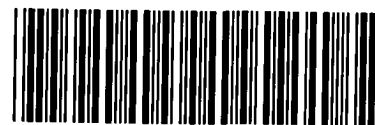


Company Registration No. 3912708 (England and Wales)

SERVICES SUPPORT (SEL) HOLDINGS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

TUESDAY



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COMPANIES HOUSE

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

COMPANY INFORMATION

Directors	J Heath E G Wegener R J Newton D R Bradbury
Secretary	T Hedges
Company number	3912708
Registered office	8 White Oak Square London Road Swanley BR8 7AG
Auditor	KPMG LLP Arlington Business Park Theale, Reading RG7 4SD
Banker	Commerzbank AG London Branch PO Box 52715 London EC2P 2XY

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

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SERVICES SUPPORT (SEL) HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors present their annual report and audited financial statements for the year ended 31 December 2016.

Principal activities

The Company principally operates as a holding company and was formed to hold the equity investment in Services Support (SEL) Limited.

The principal activity of the Group is to design, build, finance and operate three sector police stations and a divisional headquarters in South East London in accordance with an agreement with the Mayor's Office for Policing and Crime.

Financial close was achieved on 26 October 2001. The concession period is 27 years. The completion certificate for the initial construction works was received on 29 November 2002 (Deptford station).

Directors

The Directors who held office during the year and up to the date of signature of the financial statements were as follows:

J Heath
E G Wegener
R J Newton
D R Bradbury

Results and dividends

The results for the year are set out on page 6.

Ordinary dividends were paid amounting to £5,299,000 (2015: £1,899,000). The Directors do not recommend payment of a final dividend.

Qualifying third party indemnity provisions

The Group has made qualifying third party indemnity provisions for the benefit of its Directors during the year. These provisions remain in force at the reporting date.

Financial risk management objectives and policies

Liquidity risk

The Group manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the Group has sufficient liquid resources to meet the operating needs of the business. At the start of the PFI contract, the Group negotiated debt facilities with an external party to ensure that the Group has sufficient funds over the life of the PFI concession.

Interest rate risk

The Group's borrowings expose it to cash flow risk primarily due to the financial risks of changes in interest rates. The Group uses interest rate derivatives to manage the risk and reduce its exposure to changes in interest rates.

Credit risk

The Group's principal financial assets are cash, financial assets and trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables which are with one counterparty, although in the opinion of the board of directors this risk is limited as the receivables are with a local government authority.

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

Lifecycle risk

Lifecycle expenditure is the main risk to the Group. The risk being that the allowance for lifecycle costs factored into the financial model is insufficient to cover future lifecycle expenditure, thus resulting in lower profitability and reduced distributions. This is mitigated by regular lifecycle reviews undertaken by the management services provider and a detailed lifecycle review performed every five years.

Future developments

The Directors are not aware, at the date of this report, of any major changes in the Group's activities in the next year.

Auditor

The auditor, KPMG LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

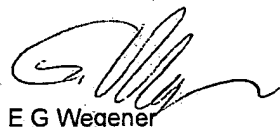
Statement of disclosure to auditor

Each of the Directors in office at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Group's auditor is unaware, and
- the Director has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

On behalf of the board



E G Wegener

Director

4 May 2017

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

The directors are responsible for preparing 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 they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK 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 group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

INDEPENDENT AUDITOR'S 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 2016 set out on pages 6 to 27. 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 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 Directors' Responsibilities Statement set out on page 3, 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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's 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 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 Directors' report:

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

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SERVICES SUPPORT (SEL) HOLDINGS LIMITED

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.



4 May 2017

Richard Lomax (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Arlington Business Park

Theale

Reading

RG7 4SD

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £'000	2015 £'000
Turnover	3	9,541	9,290
Cost of sales		(8,093)	(8,106)
Gross profit		1,448	1,184
Interest receivable and similar income	7	5,668	5,826
Interest payable and similar charges	8	(4,661)	(4,828)
Profit before taxation		2,455	2,182
Taxation	9	(515)	(125)
Profit for the financial year		1,940	2,057
Other comprehensive income			
Fair value (loss)/gain arising on cash flow hedges in the year	13	(1,287)	2,620
Deferred tax relating to other comprehensive income	9	77	(808)
Total comprehensive income for the year		730	3,869

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

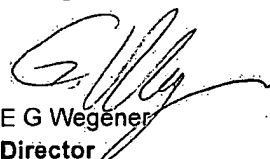
SERVICES SUPPORT (SEL) HOLDINGS LIMITED

GROUP BALANCE SHEET

AS AT 31 DECEMBER 2016

	Notes	2016 £'000	2015 £'000
Current assets			
Debtors falling due after one year	14	65,601	69,418
Debtors falling due within one year	14	10,139	4,412
Cash at bank and in hand		3,452	9,475
		<u>79,192</u>	<u>83,305</u>
Creditors: amounts falling due within one year	15	(7,842)	(5,439)
Net current assets		71,350	77,866
Creditors: amounts falling due after more than one year	17	(74,473)	(75,929)
Provisions for liabilities	18	(2,530)	(3,021)
Net liabilities		<u>(5,653)</u>	<u>(1,084)</u>
Capital and reserves			
Called up share capital	20	25	25
Hedging reserve	20	(12,862)	(11,652)
Profit and loss reserves	20	7,184	10,543
Total deficit		<u>(5,653)</u>	<u>(1,084)</u>

The financial statements were approved by the board of directors and authorised for issue on 4 May 2017 and are signed on its behalf by:


E G Wegener
Director

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

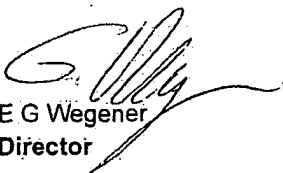
COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2016

	Notes	2016 £'000	2015 £'000
Fixed assets			
Investments	11	25	25
Current assets			
Debtors falling due after one year	14	6,296	6,296
Debtors falling due within one year	14	379	381
		6,675	6,677
Creditors: amounts falling due within one year	15	(379)	(381)
Net current assets		6,296	6,296
Total assets less current liabilities		6,321	6,321
Creditors: amounts falling due after more than one year	17	(6,296)	(6,296)
Net assets		25	25
Capital and reserves			
Called up share capital	20	25	25
Total equity		25	25

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes. The Company's profit for the year was £5,299,000 (2015: £1,899,000).

The financial statements were approved by the board of directors and authorised for issue on 4 May 2017 and are signed on its behalf by:


E G Wegener
Director

Company Registration No. 3912708

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Share capital £'000	Hedging reserve £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 January 2015		25	(13,464)	10,385	(3,054)
Year ended 31 December 2015:					
Profit for the year		-	-	2,057	2,057
Other comprehensive income:					
Fair value gain arising on cash flow hedges in the year		-	2,620	-	2,620
Deferred tax relating to other comprehensive income		-	(808)	-	(808)
Total comprehensive income for the year		-	1,812	2,057	3,869
Dividends	10	-	-	(1,899)	(1,899)
Balance at 31 December 2015		25	(11,652)	10,543	(1,084)
Year ended 31 December 2016:					
Profit for the year		-	-	1,940	1,940
Other comprehensive income:					
Fair value loss arising on cash flow hedges in the year		-	(1,287)	-	(1,287)
Deferred tax relating to other comprehensive income		-	77	-	77
Total comprehensive income for the year		-	(1,210)	1,940	730
Dividends	10	-	-	(5,299)	(5,299)
Balance at 31 December 2016		25	(12,862)	7,184	(5,653)

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Share capital £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 January 2015		25	-	25
Year ended 31 December 2015:				
Profit and total comprehensive income for the year		-	1,899	1,899
Dividends	10	-	(1,899)	(1,899)
Balance at 31 December 2015		25	-	25
Year ended 31 December 2016:				
Profit and total comprehensive income for the year		-	5,299	5,299
Dividends	10	-	(5,299)	(5,299)
Balance at 31 December 2016		25	-	25

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £'000	2015 £'000
Cash flows from operating activities			
Cash generated from operations	23	11,426	10,506
Income taxes paid		(1)	-
Net cash inflow from operating activities		<u>11,425</u>	<u>10,506</u>
Investing activities			
Interest received		<u>35</u>	<u>28</u>
Net cash generated from investing activities		35	28
Financing activities			
Investments in long-term deposits		(4,861)	-
Interest paid		(4,604)	(4,767)
Repayment of bank loans		(2,720)	(2,602)
Purchase of derivatives		1	-
Dividends paid		<u>(5,299)</u>	<u>(1,899)</u>
Net cash used in financing activities		<u>(17,483)</u>	<u>(9,268)</u>
Net (decrease)/increase in cash and cash equivalents		(6,023)	1,266
Cash and cash equivalents at beginning of year		<u>9,475</u>	<u>8,209</u>
Cash and cash equivalents at end of year		<u><u>3,452</u></u>	<u><u>9,475</u></u>

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

Company information

Services Support (SEL) Holdings Limited is a private company limited by shares domiciled in the United Kingdom, incorporated in Great Britain and registered in England and Wales. The registered office is 8 White Oak Square, London Road, Swanley, BR8 7AG.

The Group consists of Services Support (SEL) Holdings Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 have been applied.

The financial statements are prepared in pound sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared on the historical cost convention, modified to include certain financial instruments at fair value, and in accordance with FRS 102. The principal accounting policies adopted are set out below.

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes. The Company's profit for the year was £5,299,000 (2015: £1,899,000).

1.2 Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertaking drawn up to 31 December each year.

1.3 Going concern

The Company exists to hold investments in its subsidiary that provides services under certain private finance agreements. The subsidiary is set up as a Special Purpose Company under non-recourse arrangements and therefore the Company has limited its exposure to the liabilities. In the event of default of the subsidiary, the exposure is limited to the extent of the investment it has made.

The Group is in a net liabilities position as at 31 December 2016 due to the fair value of the interest rate swaps. The Directors have reviewed the Group's forecasts and projections, taking into account future cash requirements and forecast receipts, which show that the Group can continue to meet its debts as they fall due.

The Directors therefore, at the time of approving the financial statements, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Income received in respect of the service concession is allocated between revenue and capital repayment of, and interest income on, the PFI financial asset using the effective interest rate method. Service revenue is recognised as a margin on non-pass-through operating and maintenance costs.

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

(Continued)

Pass through income represents the direct pass through of recoverable costs, as specified in the Project Agreement.

Variation income relates to the recharge of costs incurred for the alteration of the facilities or the services provided, requested by the Authority

1.5 Fixed asset investments

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Investments are held at cost less impairment.

1.6 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

The total restricted cash for 2016 amounted to £4,861,000 (2015: £3,995,000).

1.7 Financial instruments

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Loans and receivables

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

(Continued)

Service Concession

The Group has been established to provide services under certain private finance agreements with The Metropolitan Police Authority (the Authority). Under the terms of these Agreements, the Authority (as grantor) controls the services to be provided by the Group over the contract term. Based on the contractual arrangements the Group has classified the project as a service concession arrangement, and has accounted for the principal assets of, and income streams from, the project in accordance with FRS 102, Section 34.12 Service Concession Arrangements.

The Group has chosen to adopt the transitional arrangements available within FRS 102, Section 35.10 (i) and as such the service concession arrangement has continued to be accounted for using the same accounting policies being applied prior to the date of transition to FRS 102 (1 January 2014). The nature of the asset has therefore not changed; however, there was a change in the description from Finance Debtor to Financial Asset.

Under the terms of the arrangement, the Group has the right to receive a baseline contractual payment stream for the provision of the services from or at the direction of the grantor (the Authority), and as such the asset is accounted for as a financial asset. The financial asset has initially been recognised at the fair value of the consideration received, based on the fair value of the construction (or upgrade) services, plus any directly attributable transaction costs, provided in line with FRS 102.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.8 Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Group.

1.9 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

The Group does not hold or issue derivative financial instruments for speculative purposes.

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

(Continued)

Hedge accounting

The Group designates certain hedging instruments, including derivatives, embedded derivatives and non-derivatives, as either fair value hedges or cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item along with risk management objectives and strategy for undertaking various hedge transactions. At the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income.

The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line in this item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in the profit or loss in the same line as the recognised hedged item. However when the forecast transaction that is hedged results in the recognition of a non-financial asset or liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability concerned.

1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable 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 Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end 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 recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

(Continued)

1.11 Interest receivable and Interest payable

Interest payable and similar charges include interest payable on borrowings and associated ongoing financing fees.

Other interest receivable and similar income include interest receivable on funds invested and interest recognised on the finance debtor based upon the finance debtor accounting policy above.

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Hedge accounting

The Directors consider the Group to have met the criteria for hedge accounting and the Group has therefore recognised fair value movements on derivatives in effective hedging relationships through other comprehensive income as well as the deferred tax thereon.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Valuation of derivative financial instruments

The Directors use their judgement in selecting a suitable valuation technique for derivative financial instruments. All derivative financial instruments are valued at the mark to market valuation provided by the derivative counterparty. In these cases, the Group uses valuation techniques to assess the reasonableness of the valuation provided by the derivative counterparty. These techniques use a discounted cash flow analysis based on market observable inputs derived from similar instruments in similar and active markets. The fair value of derivative financial instruments at the balance sheet date was a liability of £15,496,000 (2015: £14,209,000 liability). The Directors do not consider the impact of own credit risk to be material.

Service concession arrangement

As disclosed in Note 1, the Group accounts for the project as a service concession arrangement. The Directors use their judgement in selecting the appropriate financial asset rate to be applied in order to allocate the income received between revenue, and capital repayment of and interest income on the financial asset; and also the service margin that is used to recognise service revenue. The Directors have also used their judgement in assessing the appropriateness of the future maintenance costs that are included in the Group's forecasts. The Directors will continue to monitor the condition of the assets and undertake a regular review of maintenance spend.

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

3 Turnover and other revenue

An analysis of the Group's turnover is as follows:

	2016 £'000	2015 £'000
Turnover		
Service fee income	9,291	8,960
Variation and passthrough income	250	330
	<u>9,541</u>	<u>9,290</u>

Turnover analysed by geographical market

	2016 £'000	2015 £'000
United Kingdom	<u>9,541</u>	<u>9,290</u>

4 Auditor's remuneration

	2016 £'000	2015 £'000
Fees payable to the Company's auditor and associates:		
For audit services		
Audit of the financial statements of the Company	1	1
Audit of the Company's subsidiaries	10	13
	<u>11</u>	<u>14</u>

5 Employees

The Group had no employees during the current or prior year.

6 Directors' remuneration

The Group is managed by secondees from the shareholders under a management services contract.

£131,000 was paid for director's services (not paid to directors' individually) by the Group during the year (2015 - £131,000).

7 Interest receivable and similar income

	2016 £'000	2015 £'000
Interest income		
Interest on bank deposits	35	28
Other interest income	5,633	5,798
	<u>5,668</u>	<u>5,826</u>

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

8 Interest payable and similar charges

	2016 £'000	2015 £'000
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	3,905	4,067
Interest payable to group undertakings	756	761
	<u> </u>	<u> </u>
Total interest expense	4,661	4,828
	<u> </u>	<u> </u>

9 Taxation

	2016 £'000	2015 £'000
Current tax		
UK corporation tax on profits for the current period	965	244
Tax relating to prior year adjustments recognised in profit or loss	(36)	-
	<u> </u>	<u> </u>
Total current tax	929	244
	<u> </u>	<u> </u>
Deferred tax		
Origination and reversal of timing differences	(123)	507
Changes in tax rates	(291)	(626)
	<u> </u>	<u> </u>
Total deferred tax	(414)	(119)
	<u> </u>	<u> </u>
Total tax charge	515	125
	<u> </u>	<u> </u>

For the year ended 31 December 2016, the UK rate of 20% is applied.

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective 1 April 2017 and to 18% effective 1 April 2020, was substantively enacted on 26 October 2015. Subsequently, the Finance Act 2016, which provided a further reduction in the main rate of corporation tax to 17% effective 1 April 2020, was substantively enacted on 6 September 2016. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

9 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge based on the profit or loss and the standard rate of tax as follows:

	2016 £'000	2015 £'000
Profit before taxation	2,455	2,182
Expected tax charge based on a corporation tax rate in the UK of 20.00% (2015: 20.25%)	491	442
Tax effect of expenses that are not deductible in determining taxable profit	351	309
Adjustments in respect of prior years	(36)	-
Effect of change in corporation tax rate	(291)	(626)
Tax expense for the year	515	125

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2016 £'000	2015 £'000
Deferred tax arising on:		
Revaluation of financial instruments treated as cash flow hedges	(77)	808

10 Dividends

	2016 £'000	2015 £'000
Interim paid	5,299	1,899
	5,299	1,899

Interim dividend of £211.95 (2015 - £75.97) paid per £1 share.

11 Fixed asset investments

	Notes	Group 2016 £'000	2015 £'000	Company 2016 £'000	2015 £'000
Investments in subsidiaries	12	-	-	25	25

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

12 Subsidiaries

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

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
Services Support (SEL) Limited	8 White Oak Square, London Road, Swanley, BR8 7AG	Design, build and operate three sector police stations and a divisional headquarters in South East London.	Ordinary Shares	100.00

13 Financial Instruments

	Group 2016 £'000	2015 £'000	Company 2016 £'000	2015 £'000
Carrying amount of financial assets				
Debt instruments measured at amortised cost	68,909	71,785	6,296	6,296
Measured at undiscounted amount receivable	1,903	1,981	-	-
Equity instruments measured at cost less impairment	-	-	25	25
Carrying amount of financial liabilities				
Measured at fair value and designated in an effective hedging relationship	15,496	14,209	-	-
Measured at amortised cost	62,087	64,807	6,296	6,296
Measured at undiscounted amount payable	829	1,264	-	-

Derivative Financial Instruments

The swaps have a fixed interest rate of 5.5025% and expire on 30 June 2027. The interest rate swaps settle on a semi-annual basis. The floating rate on the interest rate swaps is six months' Libor. The Group will settle the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contracts are designated as hedges of variable interest rate risk of the Group's floating rate borrowings. The hedged cash flows are expected to occur and to affect profit or loss over the period to maturity of the interest rate swaps.

The fair value of the derivative financial instrument above comprise the fair value of the interest rate swap designed in the effective hedging relationship. The reduction in fair value of the interest rate swap that was recognised in other comprehensive income in the period was £1,287,000 (2015 a reduction of £2,620,000).

The following table indicates the periods in which the cash flow associated with the interest rate swap are expected to occur as required by FRS102.29(a) for the cash flow hedge accounting models and also the associated cash flow hedging instruments are expected to affect profit and loss:

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

13 Financial instruments

(Continued)

	Within 1 year £'000	Between 1 - 2 years £'000	Between 2 - 5 years £'000	5 years and over £'000
Interest rate swap	2,737	2,534	5,912	5,008

	Within 1 year £'000	2015 Between 1 - 2 years £'000	Between 2 - 5 years £'000	5 years and over £'000
Interest rate swap	2,753	2,346	5,238	5,151

14 Debtors

	Group 2016	2015	Company 2016	2015
Notes	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	1,904	1,981	-	-
Financial asset	3,307	2,366	-	-
Other financial assets	4,861	-	-	-
Other debtors	-	-	379	381
Prepayments and accrued income	68	65	-	-
	<u>10,140</u>	<u>4,412</u>	<u>379</u>	<u>381</u>

Amounts falling due after more than one year:

Amounts due from subsidiary undertakings	-	-	6,296	6,296
Financial asset	<u>65,601</u>	<u>69,418</u>	<u>-</u>	<u>-</u>
Total debtors	<u>75,741</u>	<u>73,830</u>	<u>6,675</u>	<u>6,677</u>

Other financial assets include amounts held within deposit accounts with a maturity of not less than 3 months from the initial deposit.

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

15 Creditors: amounts falling due within one year

	Notes	Group 2016 £'000	2015 £'000	Company 2016 £'000	2015 £'000
Bank loans and overdrafts	16	2,742	2,662	-	-
Trade creditors		26	952	-	-
Amounts due to parent undertakings	16	379	381	379	381
Corporation tax payable		1,257	328	-	-
Other taxation		803	312	-	-
Accruals and deferred income		2,635	804	-	-
		<u>7,842</u>	<u>5,439</u>	<u>379</u>	<u>381</u>

16 Loans and overdrafts

	Group 2016 £'000	2015 £'000	Company 2016 £'000	2015 £'000
Bank loans	55,423	58,086	-	-
Loans from parent undertakings	6,296	6,296	6,296	6,296
	<u>61,719</u>	<u>64,382</u>	<u>6,296</u>	<u>6,296</u>
Payable within one year	2,742	2,662	-	-
Payable after one year	58,977	61,720	6,296	6,296

The loans are secured by a fixed and floating charge over all the assets of the Group and a charge over the shares of the Group.

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

17 Creditors: amounts falling due after more than one year

		Group		Company	
	Notes	2016	2015	2016	2015
		£'000	£'000	£'000	£'000
Bank loans and overdrafts	16	52,681	55,424	-	-
Amounts due to parent undertakings	16	6,296	6,296	6,296	6,296
Derivative financial instruments		15,496	14,209	-	-
		<u>74,473</u>	<u>75,929</u>	<u>6,296</u>	<u>6,296</u>

Bank loans

The Group 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 until the final repayment date on 30 June 2027. Interest on the facilities is charged at rates linked to LIBOR plus a margin of 0.95% and a Mandatory Cost Rate of 0.003%. The Group has entered into a fixed rate swap to mitigate its interest rate exposure. The fixed interest rate on the facility during the operational phase, after taking into consideration the swap, is 6.455%.

Subordinated debt

Amounts owed to parent undertaking comprises of loans of £6,296,000 (2015: £6,296,000). The loans are subject to interest rates at an agreed arms length rate of 12% per annum and are repayable by 2027 in line with agreed repayment schedules.

18 Provisions for liabilities

		Group		Company	
	Notes	2016	2015	2016	2015
		£'000	£'000	£'000	£'000
Deferred tax liabilities	19	<u>2,530</u>	<u>3,021</u>	<u>-</u>	<u>-</u>

19 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities	Liabilities
	2016	2015
Group	£'000	£'000
Accelerated Capital Allowances	5,744	6,253
Tax losses	(579)	(674)
Deferred tax on interest rate swap fair value	(2,635)	(2,558)
	<u>2,530</u>	<u>3,021</u>

The Company has no deferred tax assets or liabilities.

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

19 Deferred taxation

(Continued)

	Group 2016 £'000	Company 2016 £'000
Movements in the year:		
Liability at 1 January 2016	3,021	-
Charge to profit or loss	(414)	-
Charge to other comprehensive income	(77)	-
Liability at 31 December 2016	<u>2,530</u>	<u>-</u>

The deferred tax asset in relation to the interest rate swap liability is expected to affect profit or loss over the period to maturity of the interest rate swap.

20 Share capital

	Group and company 2016 £'000	2015 £'000
Ordinary share capital		
Issued and fully paid		
25,000 Ordinary shares of £1 each	<u>25</u>	<u>25</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Other Reserves

The Company's other reserves are as follows:

The profit and loss reserve represents cumulative profits or losses.

The hedging reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in hedging variable interest rate risk of recognised financial instruments. Amounts accumulated in this reserve are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

21 Related party transactions

Transactions with related parties

During the year the Group entered into the following transactions with related parties:

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

21 Related party transactions

(Continued)

	Services received	
	2016	2015
	£'000	£'000
Group		
Amalie PFI (UK) Limited - Loan note interest	378	378
Infrastructure Investments Limited Partnership - Directors fees	64	64
JLIF Holdings (Justice and Emergency Services) Limited - Loan note interest	378	378
	<u>820</u>	<u>820</u>

The following amounts were outstanding at the reporting end date:

	Amounts owed to related parties	
	2016	2015
	£'000	£'000
Group		
Amalie PFI (UK) Limited - Loan note principal	3,148	3,148
Amalie PFI (UK) Limited - Loan note interest	190	189
Infrastructure Investments Limited Partnership - Directors fees	64	64
JLIF Holdings (Justice and Emergency Services) Limited - Loan note principal	3,148	3,148
JLIF Holdings (Justice and Emergency Services) Limited - Loan note interest	190	189
	<u>6,740</u>	<u>6,738</u>

No guarantees have been given or received.

Amalie PFI (UK) Limited and JLIF Holdings (Justice and Emergency Services) Limited jointly control Service Support (SEL) Holdings Limited. JLIF Holdings (Justice and Emergency Services) Limited is a subsidiary of John Laing Infrastructure Fund Limited and Amalie PFI (UK) Limited is an indirect subsidiary of Infrastructure Investments Limited Partnership.

22 Controlling party

The Company is a joint venture between JLIF Holdings (Justice and Emergency Services) Limited (50%) and Amalie PFI (UK) Limited (50%). The companies are incorporated in Great Britain and registered in England and Wales. JLIF Holdings (Justice and Emergency Services) Limited registered address is 1 Kingsway, London, WC2B 6AN. Amalie PFI (UK) Limited registered address is 12 Charles II Street, London, SW1Y 4QU. The financial statements are available to the public and can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

The Directors consider there to be no ultimate controlling party or ultimate parent company.

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

23 Cash generated from group operations

	2016	2015
	£'000	£'000
Profit for the year after tax	1,940	2,057
Adjustments for:		
Taxation charged	515	125
Finance costs	4,661	4,828
Investment income	(35)	(28)
Movements in working capital:		
Decrease in debtors	2,950	2,523
Increase in creditors	1,395	1,001
Cash generated from operations	11,426	10,506