

Company Registration No. 3912708 (England and Wales)

SERVICES SUPPORT (SEL) HOLDINGS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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SERVICES SUPPORT (SEL) HOLDINGS LIMITED

COMPANY INFORMATION

Directors	E G Wegener D R Bradbury G Quaife F Barekati	(Appointed 30 April 2018)
Secretary	T Hedges	
Company number	3912708	
Registered office	8 White Oak Square London Road Kent Swanley Kent 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 2017

The Directors present their annual report and audited financial statements for the year ended 31 December 2017.

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:

E G Wegener	
J Heath	(Resigned 30 April 2018)
A E Kinghorn	(Resigned 7 May 2018)
R J Newton	(Resigned 7 May 2018)
D R Bradbury	
G Quaife	
F Barekati	(Appointed 30 April 2018)

Results and dividends

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

Ordinary dividends were paid amounting to £2,724,000 (2016: £5,299,000). 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 instruments

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 2017

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.

Change of Facilities Manager

On 15 January 2018 the Facilities Manager for the Company, Carillion Integrated Services Limited ("CIS") and its Performance Guarantor, Carillion Plc ("Carillion") entered into compulsory liquidation. PricewaterhouseCoopers ("PwC") were appointed as Special Managers to ensure services continued whilst an alternative service provider was procured. At 23:59 on 28 March 2018, CIS was terminated as Facilities Management provider and Bouygues E&S FM UK Limited was appointed as Interim Managers to deliver the Facilities Management Services. Negotiations continue to put in place a full Facilities Management Agreement ("FMA") with the preferred service provider later in 2018. The expectation is that the full FMA will be put in place with the new service provider on close to the same terms and cost as the previous FMA with CIS. Further details on the effect of this with respect to the going concern assumption for the Group and parent company can be found in note 1.3 to the financial statements.

Auditor

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

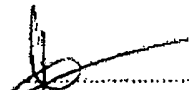
Statement of disclosure to auditor

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


D R Bradbury
Director
28 June 2018

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

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;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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

Opinion

We have audited the financial statements Services Support (SEL) Holdings Limited ("the company") for the year ended 31 December 2017 which comprise the Group Statement of Comprehensive Income, the Group Balance Sheet, the Company Balance Sheet, the Group Statement of Changes in Equity, the Company Statement of Changes in Equity, the Group Statement of Cash Flows and related notes, including the accounting policies in note 1.

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 2017 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1.3 to the financial statements which indicates that the project has entered technical default as a result of the liquidation of its Facilities Manager Carillion Integrated Services Limited on 15 January 2018, an event which occurred after the balance sheet date. There is no certainty that a replacement Facilities Management Agreement will be agreed or that the lenders will not exercise their rights under the Event of Default prior to its resolution. These conditions, along with the other matters explained in note 1.3, constitute a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; 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

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Richard Lomax (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Arlington Business Park
Theale
Reading
RG7 4SD

29 June 2018

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £'000	2016 £'000
Turnover	3	9,088	9,541
Cost of sales		(7,536)	(8,093)
Gross profit		1,552	1,448
Interest receivable and similar income	7	5,340	5,668
Interest payable and similar expenses	8	(4,477)	(4,661)
Profit before taxation		2,415	2,455
Taxation	9	(872)	(515)
Profit for the financial year		1,543	1,940
Other comprehensive income			
Fair value gain/(loss) arising on cash flow hedges in the year	13	2,464	(1,287)
Deferred tax relating to other comprehensive income	9	(420)	77
Total comprehensive income for the year		3,587	730

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

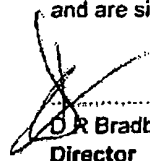
SERVICES SUPPORT (SEL) HOLDINGS LIMITED

GROUP BALANCE SHEET

AS AT 31 DECEMBER 2017

	Notes	2017 £'000	2016 £'000
Current assets			
Debtors falling due after one year	14	63,127	65,601
Debtors falling due within one year	14	11,096	10,139
Cash at bank and in hand		3,230	3,452
		<u>77,453</u>	<u>79,192</u>
Creditors: amounts falling due within one year	15	<u>(11,106)</u>	<u>(7,842)</u>
Net current assets		66,347	71,350
Creditors: amounts falling due after more than one year	17	(68,337)	(74,473)
Provisions for liabilities	18	(2,800)	(2,530)
Net liabilities		<u>(4,790)</u>	<u>(5,653)</u>
Capital and reserves			
Called up share capital	20	25	25
Hedging reserve	20	(10,818)	(12,862)
Profit and loss reserves	20	6,003	7,184
Total deficit		<u>(4,790)</u>	<u>(5,653)</u>

The financial statements were approved by the board of directors and authorised for issue on 28 June 2018 and are signed on its behalf by:


O R Bradbury
Director

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

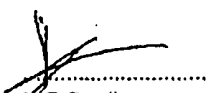
COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2017

	Notes	2017 £'000	2016 £'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	751	379
		<u>7,047</u>	<u>6,675</u>
Creditors: amounts falling due within one year	15	(751)	(379)
Net current assets		<u>6,296</u>	<u>6,296</u>
Total assets less current liabilities		<u>6,321</u>	<u>6,321</u>
Creditors: amounts falling due after more than one year	17	(6,296)	(6,296)
Net assets		<u>25</u>	<u>25</u>
Capital and reserves			
Called up share capital	20	25	25
Total equity		<u>25</u>	<u>25</u>

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 £2,724,000 (2016: £5,299,000).

The financial statements were approved by the board of directors and authorised for issue on 28 June 2018 and are signed on its behalf by:


D R Bradbury
Director

Company Registration No. 3912708

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Share capital £'000	Hedging reserve £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 January 2016		25	(11,652)	10,543	(1,084)
Year ended 31 December 2016:					
Profit for the year		-	-	1,940	1,940
<i>Other comprehensive income:</i>					
Fair value gain 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)
Year ended 31 December 2017:					
Profit for the year		-	-	1,543	1,543
<i>Other comprehensive income:</i>					
Fair value loss arising on cash flow hedges in the year		-	2,464	-	2,464
Deferred tax relating to other comprehensive income		-	(420)	-	(420)
Total comprehensive income for the year		-	2,044	1,543	3,587
Dividends	10	-	-	(2,724)	(2,724)
Balance at 31 December 2017		25	(10,818)	6,003	(4,790)

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Share capital £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 January 2016		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
Year ended 31 December 2017:				
Profit and total comprehensive income for the year		-	2,724	2,724
Dividends	10	-	(2,724)	(2,724)
Balance at 31 December 2017		25	-	25

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £'000	2016 £'000
Cash flows from operating activities			
Cash generated from operations	24	9,353	11,426
Income taxes paid		(40)	(1)
Net cash inflow from operating activities		<u>9,313</u>	<u>11,425</u>
Investing activities			
Interest received		4	35
Net cash generated from investing activities		<u>4</u>	<u>35</u>
Financing activities			
Investments in long-term deposits		406	(4,861)
Interest paid		(4,422)	(4,604)
Repayment of bank loans		(2,799)	(2,720)
Purchase of derivatives		-	1
Dividends paid		(2,724)	(5,299)
Net cash used in financing activities		<u>(9,539)</u>	<u>(17,483)</u>
Net decrease in cash and cash equivalents		<u>(222)</u>	<u>(6,023)</u>
Cash and cash equivalents at beginning of year		3,452	9,475
Cash and cash equivalents at end of year		<u><u>3,230</u></u>	<u><u>3,452</u></u>

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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, Kent, 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 under 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.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;

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.

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

1.3 Going concern

The Group is in a net liabilities position as at 31 December 2017 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 Company can continue to meet its debts as they fall due assuming that debts are not called due to an Event of Default.

On 15 January 2018 the Facilities Manager ("FM") for the Group, Carillion Integrated Services Limited ("CIS") and its Performance Guarantor, Carillion Plc ("Carillion") entered into compulsory liquidation. This resulted in the project entering technical default, as the liquidation of the FM provider is an Event of Default in the Facilities Agreement. PricewaterhouseCoopers ("PwC") were appointed as Special Managers to ensure services continued whilst an alternative service provider was procured.

The Directors have acted to resolve the Event of Default. At 23:59 on 28 March 2018, CIS was terminated as Facilities Manager and Bouygues E&S FM UK Limited was appointed Interim Managers to deliver the Facilities Management Services. The company continues to have discussions with The Metropolitan Police Authority and the Lenders to ensure service delivery while negotiations to put in place a full Facilities Management Agreement ("FMA") with a preferred service provider later in 2018, are ongoing.

The Directors are of the opinion that the Group can continue to provide its contractual obligation in relation to facilities management services under the Project Agreement and as such continue to receive payment of the Unitary Charge in full. The Group continues to trade normally and as at the date of signing the financial statements, the Unitary Charge continues to be paid. The Directors are in continuing discussions with the Lenders who are aware of the situation and the proposed mitigation and remain supportive of the project. The Directors are not aware of any indication that the Lenders will not approve the full FMA or intend to call in the balances owed to them.

Given the above, at the time of approving the financial statements, the Directors 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.

However, there is no certainty that a replacement FMA will be agreed or that the lenders will not exercise their rights under the Event of Default prior to its resolution and as such there is a material uncertainty that may cast significant doubt over the Group and parent company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. These financial statements do not include any adjustments that would result.

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.

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

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

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 at 31 December 2017 amounted to £4,454,000 (2016: £4,861,000).

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.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017

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 2017

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 2017

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 £13,031,000 (2016: £15,496,000 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 2017

3 Turnover and other revenue

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

	2017 £'000	2016 £'000
Turnover		
Service fee income	9,021	9,291
Variation and passthrough income	67	250
	<u>9,088</u>	<u>9,541</u>

Turnover analysed by geographical market

	2017 £'000	2016 £'000
United Kingdom	<u>9,088</u>	<u>9,541</u>

4 Auditor's remuneration

	2017 £'000	2016 £'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	9	10
	<u>10</u>	<u>11</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.

£137,000 was paid for director's services (not paid to directors' individually) by the Group during the year (2016 - £131,000).

7 Interest receivable and similar income

	2017 £'000	2016 £'000
Interest income		
Interest on bank deposits	-	35
Other interest income	5,340	5,633
	<u>5,340</u>	<u>5,668</u>
Total interest income	<u>5,340</u>	<u>5,668</u>

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

8	Interest payable and similar expenses	2017	2016
		£'000	£'000
	Interest on financial liabilities measured at amortised cost:		
	Interest on bank overdrafts and loans	3,724	3,905
	Interest payable to group undertakings	753	756
	Total interest expense	4,477	4,661
9	Taxation	2017	2016
		£'000	£'000
	Current tax		
	UK corporation tax on profits for the current period	1,022	965
	Tax relating to prior year adjustments recognised in profit or loss	-	(36)
	Total current tax	1,022	929
	Deferred tax		
	Origination and reversal of timing differences	(150)	(123)
	Changes in tax rates	-	(291)
	Total deferred tax	(150)	(414)
	Total tax charge	872	515

For the year ended 31 December 2017, the UK rate of 19.25% 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 2017

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:

	2017 £'000	2016 £'000
Profit before taxation	2,415	2,455
Expected tax charge based on a corporation tax rate in the UK of 19.25% (2016: 20.00%)	465	491
Tax effect of expenses that are not deductible in determining taxable profit	390	351
Adjustments in respect of prior years	-	(36)
Effect of change in corporation tax rate	17	(291)
Tax expense for the year	872	515

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:

	2017 £'000	2016 £'000
Deferred tax arising on: Revaluation of financial instruments treated as cash flow hedges	420	(77)

10 Dividends

	2017 £'000	2016 £'000
Interim paid	2,724	5,299
	<u>2,724</u>	<u>5,299</u>

Interim dividend of £108.96 (2016 - £211.95) paid per £1 share.

11 Fixed asset investments

	Notes	Group 2017 £'000	2016 £'000	Company 2017 £'000	2016 £'000
Investments in subsidiaries	12	-	-	25	25

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

12 Subsidiaries

Details of the Company's subsidiaries at 31 December 2017 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, Kent, UK 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 2017 £'000	2016 £'000	Company 2017 £'000	2016 £'000
Carrying amount of financial assets				
Debt instruments measured at amortised cost	74,190	68,909	7,047	6,296
Measured at undiscounted amount receivable	3,881	1,903	-	-
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	13,031	15,496	-	-
Measured at amortised cost	57,339	62,087	7,047	6,296
Measured at undiscounted amount payable	1,339	829	-	-

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 decrease in fair value of the interest rate swap that was recognised in other comprehensive income in the period was £2,464,000 (2016 an increase of £1,287,000).

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 2017

13 Financial instruments

(Continued)

	Within 1 year £'000	2017 Between 1 - 2 years £'000	Between 2 - 5 years £'000	5 years and over £'000
Interest rate swap	2,725	2,664	6,611	5,023
	Within 1 year £'000	2016 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

14 Debtors

	Group 2017	2016	Company 2017	2016
	£'000	£'000	£'000	£'000
Notes				
Amounts falling due within one year:				
Trade debtors	3,880	1,903	-	-
Financial asset	2,728	3,307	-	-
Other financial assets	4,454	4,861	-	-
Amounts owed from group undertakings	-	-	751	379
Prepayments and accrued income	34	68	-	-
	11,096	10,139	751	379
Amounts falling due after more than one year:				
Amounts owed from group undertakings	-	-	6,296	6,296
Financial asset	63,127	65,601	-	-
Total debtors	74,223	75,740	7,047	6,675

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 2017

15 Creditors: amounts falling due within one year

		Group		Company	
	Notes	2017	2016	2017	2016
		£'000	£'000	£'000	£'000
Bank loans and overdrafts	16	3,668	2,742	-	-
Trade creditors		802	26	-	-
Amounts due to parent undertakings	16	751	379	751	379
Corporation tax payable		2,240	1,257	-	-
Other taxation		537	803	-	-
Senior debt accrued interest		24	-	-	-
Accruals and deferred income		3,084	2,635	-	-
		<u>11,106</u>	<u>7,842</u>	<u>751</u>	<u>379</u>

16 Loans and overdrafts

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Bank loans	52,678	55,423	-	-
Loans from parent undertakings	6,296	6,296	6,296	6,296
	<u>58,974</u>	<u>61,719</u>	<u>6,296</u>	<u>6,296</u>
Payable within one year	3,668	2,742	-	-
Payable after one year	55,306	58,977	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 2017

17 Creditors; amounts falling due after more than one year

	Notes	Group 2017 £'000	2016 £'000	Company 2017 £'000	2016 £'000
Bank loans and overdrafts	16	49,010	52,681	-	-
Amounts due to parent undertakings	16	6,296	6,296	6,296	6,296
Derivative financial instruments		13,031	15,496	-	-
		<u>68,337</u>	<u>74,473</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 (2016: £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

	Notes	Group 2017 £'000	2016 £'000	Company 2017 £'000	2016 £'000
Deferred tax liabilities	19	<u>2,800</u>	<u>2,530</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 2017 £'000	Liabilities 2016 £'000
Group		
Accelerated Capital Allowances	5,536	5,744
Tax losses	(521)	(579)
Deferred tax on interest rate swap fair value	(2,215)	(2,635)
	<u>2,800</u>	<u>2,530</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 2017

19 Deferred taxation

(Continued)

	Group 2017 £'000	Company 2017 £'000
Movements in the year:		
Liability at 1 January 2017	2,630	-
Charge to profit or loss	(150)	-
Charge to other comprehensive income	420	-
Liability at 31 December 2017	<u>2,800</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 2017 £'000	2016 £'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.

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

21 Related party transactions

Transactions with related parties

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

	Services received	
	2017	2016
	£'000	£'000
Group		
Amalie PFI (UK) Limited - Loan note interest	377	378
Infrastructure Investments Limited Partnership - Directors fees	68	-
Laing Investment Management - Directors fees	68	64
JLIF Holdings (Justice and Emergency Services) Limited - Loan note interest	377	378
	<u>890</u>	<u>820</u>

The following amounts were outstanding at the reporting end date:

	Amounts owed to related parties	
	2017	2016
	£'000	£'000
Group		
Amalie PFI (UK) Limited - Loan note principal	3,148	3,148
Amalie PFI (UK) Limited - Loan note interest	376	190
Infrastructure Investments Limited Partnership - Directors fees	68	66
JLIF Holdings (Justice and Emergency Services) Limited - Loan note principal	3,148	3,148
JLIF Holdings (Justice and Emergency Services) Limited - Loan note interest	376	190
	<u>7,116</u>	<u>6,742</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.

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

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.

23 Events after the reporting date

As detailed within note 1.3 to the financial statements, on 15 January 2018 the Facilities Manager ("FM") for the Company, Carillion Integrated Services Limited ("CIS") and its Performance Guarantor, Carillion Plc ("Carillion") entered into compulsory liquidation. PricewaterhouseCoopers ("PwC") were appointed as Special Managers to ensure services continued whilst an alternative service provider was put in place, and Bouygues E&S FM UK Limited have subsequently been appointed Interim Managers to deliver the Facilities Management Services whilst a permanent replacement FM is appointed.

Although these events have resulted in increased costs such as legal fees and consultant fees, the project has seen a reduction in facility management fees due to the arrangement under the Interim Managers Agreement. Fees payable to PwC as Special Managers were in line with fees previously paid to Carillion as Facilities Management Providers. In addition it is anticipated that any costs incurred directly as a result of the Carillion Liquidation will be off-set against amounts owed to Carillion.

It is expected that the full Facilities Management Agreement ("FMA") will be put in place with the new service provider on close to the same terms and cost as the existing FMA with CIS. The overall profitability of the project is therefore not significantly impacted.

Since the Interim Managers appointment, the project has been unable to pass on any deductions levied by the customer to the FM due to the time period to which these deductions relate and the inability of the FM to mitigate the service performance that causes the deductions to be levied. The deductions to date have been insignificant, and the Directors are not aware of any reason why significant deductions would be levied until the permanent replacement FM is appointed; at which point future deductions would be able to be passed on to the FM. The cost to the Company in relation to these deductions is not estimated to have a material impact.

No adjustments have been made to the financial statements to reflect the additional costs forecast to be incurred as a result of this event.

SERVICES SUPPORT (SEL) HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

24 Cash generated from group operations

	2017	2016
	£'000	£'000
Profit for the year after tax	1,543	1,940
Adjustments for:		
Taxation charged	872	515
Finance costs	4,477	4,661
Investment income	(5,340)	(35)
Movements in working capital:		
Decrease in debtors	6,445	2,950
Increase in creditors	1,356	1,395
Cash generated from operations	<u>9,353</u>	<u>11,426</u>