Financial Statements
Serco (UK) Services Limited

For the year ended 31 March 2014

Registered number: 02180352

Company Information

Directors	Abhay Telang Richard Judge
Company secretary	Serco Corporate Services Limited
Registered number	02180352
Registered office	Serco House 16 Bartley Wood Business Park Bartley Way Hook Hampshire RG27 9UY
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 1020 Eskdale Road IQ Winnersh Wokingham RG41 5TS
Bankers	HSBC Holdings Plc 8 Canada Place Canary Wharf London E14 5HQ

Contents

Strategic Report

For the year ended 31 March 2014

Principal activities

The company provides telephone and internet sales and customer services support through Contact Centres to the public on behalf of passenger transport providers.

Business review

Prior to an earlier acquisition of the company on 10 January 2010 from First Group Holdings Limited by Intelenet (UK) Limited the terms of the contracts held with First Group plc included a revenue discount to below commercial rates. The change in the contract pricing results in reduced revenues and the unavoidable costs of meeting the obligations under the contract exceeding the economic benefits expected to be received under it. In the previous year management forecast that the remainder of this contract would be break even on the basis that certain centralised overheads would be shared amongst new contracts and certain "pre-contract costs" associated with an ongoing retender process would be recovered when the contract was renewed. However, in the current year these assumptions have been revised and as a result management are now forecasting losses on the remainder of the contract which expires in September 2017.

The new East Coast contract was phased in during the second half of 2012 and in 2013 completed its iteration to be based on a completed case model, which shows for this year end it is resulting in losses on the contract.

As noted above, an annual review and forecasting exercise is performed each year to consider the value of any onerous obligations associated with contracts with customers and, where appropriate, provisions for cash outflows up to the end of those contracts are made, taking into consideration current and future market conditions to 2017 or the end of the contract. The exercise undertaken in December 2014 which includes actual outcomes since the year end and the outcome of known refranchise results has resulted in a provision of expected cash outflows totaling £3.5m.

Turnover again showed very strong growth in new and emerging IT based areas, with web and social media lines combining with additional volumes to increase turnover £1.3m (17%) year on year. The company continues to invest heavily in leading edge technology and work in partnership to provide robust future proofed technology solutions. Serco (UK) Services will maintain its focus on reviewing costs and aim for appropriate further cost reductions in 2014/15, while continuing to work in partnership to look for new business opportunities. Despite the increase in turnover the overall outcome reflects a loss for the year as a result of the points mentioned above.

Principal risks and uncertainties

The company uses various financial instruments which include amounts owed to/from group companies, cash and various other items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below.

The main risks arising from the company's financial instruments are interest rate risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below. The policies have remained unchanged from previous years.

Liquidity risk
The company seeks to manage liquidity risk by ensuring sufficient cash is available to meet foreseeable needs and to invest cash assets safely and profitably.

Interest rate risk
The company's cash assets are all held in floating rate accounts. Trade debtors and creditors do not attract interest.

Strategic Report (continued)
For the year ended 31 March 2014

and are therefore subject to fair value interest rate risk.

Strategic Report (continued)
For the year ended 31 March 2014

Credit risk
The company's principal financial assets are cash and trade debtors. The credit risk associated with the cash balances is managed by the company monitoring the financial position of the counter parties involved. The company's main exposure is in respect of trade debtors, with a concentration of business under contracts with East Cost and First Group plc. Amounts due under these contracts are settled within the agreed terms.

It is the company's policy to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods and services in accordance with agreed terms and condition.

Financial key performance indicators

The company's key performance indicators are turnover, operating profit and head count. Each of these key performance indicators can be found in the primary financial statements and the notes thereof.

Future developments and outlook

The company continues to invest in new technology including a new Microsoft Dynamics CRM, a customer relationship management (CRM) business solution, to provide a future proofed leading edge software platform for strong future growth and product expansion.

The company is now in a stronger position to continue expanding its market share as new franchise opportunities arise in the coming years, combined with the opportunities created in being part of Serco, a major international group.

This report was approved by the board on 22nd January 2015 and signed on its behalf.

Abhay Telang
Director

Directors' Report

For the year ended 31 March 2014

The directors present their report and the financial statements for the year ended 31 March 2014.

Results and dividends

The loss for the year, after taxation, amounted to £4,616,000 (2013 - loss £348,000).

The directors do not recommend the payment of a dividend (2013 – Nil).

Directors

The directors who served during the year were:

Abhay Telang
Richard Judge

Disabled employees

The company gives full consideration to applications for employment, career development and promotion received from the disabled and offers employment when suitable opportunities arise. If employees become disabled during their service, arrangements are made wherever practicable to continue their employment and training.

Going concern

The directors have considered the going concern assumption given the current economic climate and balance sheet of the company. They have formed the conclusion that there is a reasonable expectation that the company will continue to operate for the foreseeable future. The directors have considered their future strategy, the company forecasts and the financial commitment provided by the ultimate holding company, Serco plc, in forming this judgement.

After making enquiries and considering the above factors the directors have a reasonable expectation that the company has adequate resources to continue to operate as a going concern for a period of at least twelve months from the date of signing these financial statements. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

As with any company placing reliance on other group companies for financial support the directors acknowledge that there can be no certainty that the support will continue, although at the date of approval of these financial statements they have no reason to believe that this support will not continue to be available.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;

Directors' Report

For the year ended 31 March 2014

- 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on 22nd January 2015 and signed on its behalf.

Abhay Telang
Director

Grant Thornton

Independent Auditor's Report to the Members of Serco (UK) Services Limited

We have audited the financial statements of Serco (UK) Services Limited for the year ended 31 March 2014, which comprise the Profit and loss account, the Balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 pages 3 and 4, 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/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Grant Thornton

Independent Auditor's Report to the Members of Serco (UK) Services 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Grant Thornton UK LLP

Amrish Shah FCA (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
Reading
Date: 10 February 2015

Profit and Loss Account

For the year ended 31 March 2014

	Note	2014 £000	2013 £000
Turnover	1,2	**8,938**	7,610
Administrative expenses		**(9,930)**	(8,556)
Exceptional items		**(3,543)**	1,159
Total administrative expenses		**(13,473)**	(7,397)
Operating (loss)/profit	3	**(4,535)**	213
Interest payable and similar charges	5	**(81)**	(106)
(Loss)/profit on ordinary activities before taxation		**(4,616)**	107
Tax on (loss)/profit on ordinary activities	6	**-**	(455)
Loss for the financial year	15	**(4,616)**	(348)

All amounts relate to continuing operations.

There were no recognised gains and losses for 2014 or 2013 other than those included in the Profit and loss account.

The notes on pages 10 to 19 form part of these financial statements.

Balance Sheet
As at 31 March 2014

	Note	£000	2014 £000	£000	2013 £000
Fixed assets					
Tangible assets	7		**682**		520
Current assets					
Debtors	8	**1,974**		2,051	
Cash at bank		**278**		1,984	
		2,252		4,035	
Creditors: amounts falling due within one year	9	**(1,104)**		(2,027)	
Net current assets			**1,148**		2,008
Total assets less current liabilities			**1,830**		2,528
Creditors: amounts falling due after more than one year	10		**(4,997)**		(4,622)
Provisions for liabilities					
Other provisions	12		**(3,543)**		-
Net liabilities			**(6,710)**		(2,094)
Capital and reserves					
Called up share capital	14		**1,667**		1,667
Profit and loss account	15		**(8,377)**		(3,761)
Shareholders' deficit	16		**(6,710)**		(2,094)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
22nd January 2015

Abhay Telang
Director

The notes on pages 10 to 19 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 March 2014

1. Accounting Policies

1.1 Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The directors have reviewed the principal accounting policies adopted by the company and consider them to be the most appropriate. The policies remain unchanged from the previous year and are set out below.

1.2 Going concern

The going concern basis of preparation has been adopted as described in the going concern statement in the directors report on page 3.

1.3 Turnover

Turnover comprises revenue recognised by the company, when obligations have been fulfilled, in respect of support services supplied during the year. It is stated exclusive of Value Added Tax and trade discounts.

Revenue is measured as the fair value of the consideration received or receivable and represents amounts due for goods and services provided in the normal course of business.

Revenue is deferred when the company has received consideration under the terms of a contract in advance of performing the related service or delivering the associated goods. Deferred revenue is recognised as revenue in the profit and loss when the company has fulfilled the relevant contractual commitment.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Plant & machinery	-	5-10 years
Fixtures & fittings	-	10 years
Computer equipment	-	5 years
Leasehold upgrades	-	Over period of lease

1.5 Leases

All leases are operating leases and the rental charges are taken to the profit and loss account on a straight line basis over the life of the lease.

1. Accounting Policies (continued)

1.6 Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax in future periods. Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

1.7 Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, these financial statements are classified as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited directly to equity.

1.8 Pensions costs - group scheme

The company's employees previously had the opportunity to take part in the First Group defined benefit scheme. Two employees remained within that scheme at the balance sheet date. On the basis that the scheme assets and liabilities are immaterial to the company's management account for the scheme as if it were a defined contribution scheme. Contributions were charged to the profit and loss account as they became payable. Management review the appropriateness of this treatment at each reporting date.

Notes to the Financial Statements

For the year ended 31 March 2014

1. Accounting Policies (continued)

1.9 Provisions

A provision is recognised when the company has a legal or constructive obligation as a result of a past transaction or event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

The expense relating to any provision is presented in the profit and loss account net of any reimbursement. Where discounting is used, the increase in provision as a result of unwinding the discount is recognised as an interest cost in the profit and loss account.

1.10 Foreign currencies

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Exchange differences are then taken into account when arriving at operating profit.

1.11 Cash flow exemption

The company is a subsidiary of a company that prepares a consolidated cash flow statement and therefore the company takes advantage of the exemption provided by FRS 1 "Cash Flow Statements" from including a cash flow statement in the financial statements.

2. Turnover

The turnover and loss before tax, all of which is generated in the UK, is attributable to the one principal activity of the company as set out in the Strategic report.

3. Operating (loss)/profit

The operating loss is stated after charging/(crediting):

	2014	2013
	£000	£000
Depreciation of tangible fixed assets:		
- owned by the company	**142**	247
Auditor's remuneration	**20**	10
Operating lease rentals:		
- land and buildings	**154**	155
Provision/(Release of provision) for onerous contracts (see note 12)	**3,543**	(1,159)

During the year, no director received any emoluments (2013 - £NIL) for services to the company.

Notes to the Financial Statements

For the year ended 31 March 2014

4. Staff costs

Staff costs were as follows:

	2014 £000	2013 £000
Wages and salaries	**5,222**	4,397
Social security costs	**314**	271
Other pension costs	**71**	67
	5,607	4,735

The average monthly number of employees, including the directors, during the year was as follows:

	2014 No.	2013 No.
Employees	**259**	240

5. Interest payable

	2014 £000	2013 £000
Interest paid on loans from related parties	**81**	106

6. Taxation

	2014 £000	2013 £000
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on (loss)/profit for the year	-	-
Deferred tax (see note 11)		
Origination and reversal of timing differences	-	455
Tax on (loss)/profit on ordinary activities	-	455

6. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 23% (2013 - 24%). The differences are explained below:

	2014 £000	2013 £000
(Loss)/profit on ordinary activities before tax	**(4,616)**	107
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23% (2013 - 24%)	**(1,062)**	28
Effects of:		
Capital allowances for year in excess of depreciation	**19**	-
Unrelieved tax losses carried forward	**1,043**	-
Group relief	**-**	(28)
Current tax charge for the year (see note above)	**-**	-

The company has carried forward unrelieved trading losses of £4,402,039 (2013: £3,534,775). A deferred tax asset relating to those losses has not been recognised due to insufficient certainty regarding its recovery in the foreseeable future.

7. Tangible fixed assets

	Plant & machinery £000	Fixtures, fittings and leasehold upgrades £000	Computer equipment £000	Assets under construction £000	Total £000
Cost					
At 1 April 2013	50	235	1,353	-	1,638
Additions	-	47	31	226	304
Transfer between classes	-	-	(40)	40	-
At 31 March 2014	50	282	1,344	266	1,942
Depreciation					
At 1 April 2013	24	175	919	-	1,118
Charge for the year	7	51	84	-	142
At 31 March 2014	31	226	1,003	-	1,260
Net book value					
At 31 March 2014	19	56	341	266	682
At 31 March 2013	26	60	434	-	520

Notes to the Financial Statements
For the year ended 31 March 2014

8. Debtors

	2014 £000	2013 £000
Trade debtors	**1,814**	1,799
Amounts owed by group undertakings	**-**	30
Other debtors	**47**	36
Prepayments and accrued income	**113**	186
	1,974	2,051

9. Creditors: Amounts falling due within one year

	2014 £000	2013 £000
Trade creditors	**606**	567
Amounts owed to group undertakings	**128**	1,033
Other taxation and social security	**251**	249
Other creditors	**10**	6
Accruals and deferred income	**109**	172
	1,104	2,027

10. Creditors: Amounts falling due after more than one year

	2014 £000	2013 £000
Amounts owed to group undertakings	**4,997**	4,622

The above amounts are subject to interest of 2.48% (2013 - 4.3%) and are unsecured with no fixed repayment.

11. Deferred taxation

	2014 £000	2013 £000
At beginning of year	**-**	(455)
Charge for year (P&L)	**-**	455
At end of year	**-**	-

12. Provisions

Provisions for onerous contracts are as follows:

	£000
At 1 April 2013	-
Additions	3,543
At 31 March 2014	3,543

The provision relates to loss making contracts entered into in earlier years and is based upon the estimated future cash flows arising from the contracts discounted to present value.

In the prior year the provision was released to the profit and loss account as Management were forecasting profitability over the remaining term of the contract. In arriving at the discounted cash value of the provision, management made significant estimates regarding the future profitability of the contract based on post year end trading activity and forecast movements in the business' cost base. Importantly, as the business continues to build its revenues on new contracts the centralised costs are apportioned to those new contracts reducing the overall cost of delivering the contract that was previously considered onerous.

In the current year the provision relates to a forecast loss of £915,000 on the remainder of one contract which is due run until 31 July 2015 and a forecast loss of £2,628,000 on another conract which is due to run until 9 January 2017. The provisions represent management's best estimate of the losses on those contracts. As in the prior year, in arriving at the discounted cash value of the provision, management made significant estimates regarding the future profitability of the contracts based on actual post year end trading activity and forecast movements in the business' cost base. Importantly, given recent developments regarding the re-tender for certain contracts management's assumptions regarding the allocation of central over heads and pre-contract costs associated with future tenders have been revised and instead included in managements calculation of the estimated cash flows.

	2014 £000	2013 £000
Opening provision	-	1,159
Amounts reversed during the year	-	(1,159)
Amounts provided for in the year	3,543	-
Total	3,543	-

Notes to the Financial Statements

For the year ended 31 March 2014

13. Operating lease commitments

At 31 March 2014 the company had annual commitments under non-cancelable operating leases as follows:

	Land and buildings	
	2014	2013
	£000	£000
Expiry date:		
Within 1 year	**55**	55
Between 2 and 5 years	**42**	42
Total	**97**	97

14. Share capital

	2014	2013
	£000	£000
Authorised, allotted, called up and fully paid		
1,667,002 Ordinary shares of £1 each	**1,667**	1,667

15. Reserves

	Profit and loss account £000
At 1 April 2013	**(3,761)**
Loss for the financial year	**(4,616)**
At 31 March 2014	**(8,377)**

16. Reconciliation of movement in shareholders' deficit

	2014	2013
	£000	£000
Opening shareholders' deficit	**(2,094)**	(2,188)
Loss for the financial year	**(4,616)**	(348)
Shares issued during the year	**-**	442
Closing shareholders' deficit	**(6,710)**	(2,094)

17. Contingent liabilities

The directors have confirmed that there were no contingent liabilities which should be disclosed at 31 March 2014 or 31 March 2013.

Notes to the Financial Statements

For the year ended 31 March 2014

18. Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard No 8 'Related Party Transactions' to disclose transactions between group companies on the grounds that they are included in the consolidated financial statements of the ultimate parent undertaking, Serco Group plc.

19. Ultimate parent company

The company's immediate controlling party is Serco Global Services (UK) Limited, a company incorporated in the United Kingdom. The parent company of Serco Global Services (UK) Limited is Serco BPO Private Limited, a company registered in India.

Serco Group plc, a company registered in England and Wales, is the ultimate parent undertaking and the largest and smallest group that includes the company's results and for which the group financial statements are drawn up and publicly available.