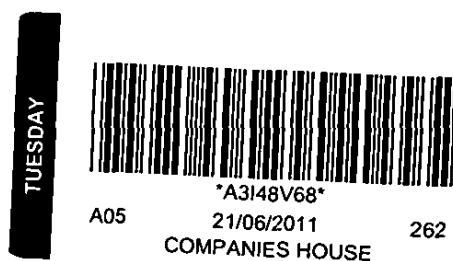


Serco International Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2010



A company registered in England and Wales, number 02324094

Serco International Limited

Contents

Company Information	1
Directors' Report	2
Directors' Responsibilities Statement	3
Independent Auditor's Report	4
Profit and Loss Account	5
Balance Sheet	6
Notes to the Financial Statements	7 to 12

Serco International Limited
Company Information

Directors	G Leach J Roberts
Registered office	Serco House 16 Bartley Wood Business Park Bartley Way Hook Hampshire RG27 9UY
Auditor	Deloitte LLP Chartered Accountants and Statutory Auditor London United Kingdom

Serco International Limited
Directors' Report for the Year Ended 31 December 2010

The directors present their annual report and the audited financial statements for the year ended 31 December 2010. As set out in note 1 to the financial statements, the directors consider it appropriate to prepare the accounts on the going concern basis.

Principal activities

The Company is a holding company whose subsidiary companies and joint venture undertakings provide a wide range of services for public and private sector customers.

Financial risk management

The Company's principal financial instruments are its intercompany receivables and payables. The directors do not consider that the Company is exposed to significant interest rate or liquidity risk because the interest payments on its intercompany payables are expected to be funded by future dividends from its subsidiaries and joint venture undertakings. Further discussion of financial risk management is included in the consolidated Annual Report and Accounts of Serco Group plc.

Directors of the company

The directors who held office during the year and to the date of this report were as follows:

G Leach

C Nunn (resigned 18 February 2011)

J Roberts

Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

Elective Resolutions to dispense with holding annual general meetings, the laying of accounts before the Company in general meeting and the appointment of auditors annually are currently in force. Deloitte LLP has expressed its willingness to continue in office and will therefore be deemed to have been reappointed.

The Directors' Report has been prepared in accordance with the special provisions in Part 15 of the Companies Act 2006 relating to small companies.

Approved by the Board on 16 June 2011 and signed on its behalf by



G Leach
Director

Serco International Limited

Directors' Responsibilities Statement

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 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 apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent, and
- 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of Serco International Limited

We have audited the financial statements of Serco International Limited for the year ended 31 December 2010, comprising the profit and loss account, the balance sheet and the related notes 1 to 17, set out on pages 5 to 12. The financial reporting framework that has been applied in their preparation is applicable law and 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 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on the 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 December 2010 and of its profit 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.

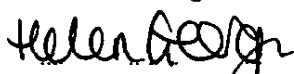
Opinion on other matter prescribed by the Companies Act 2006

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

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, or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the Directors' Report.



Helen George (Senior Statutory Auditor)
For and on behalf of Deloitte LLP,
Chartered Accountants and Statutory Auditor
London, United Kingdom

16 June 2011

Serco International Limited
Profit and Loss Account for the Year Ended 31 December 2010

	Note	2010 £ 000	2009 £ 000
Management charge received		159	93
Other operating income		-	246
Administrative expenses		(1,292)	-
Impairment of joint venture investments		-	(3,085)
Profit on disposal of fixed asset investments	9	<u>3,605</u>	<u>-</u>
Operating profit/(loss)		2,472	(2,746)
Interest receivable and similar income	5	284	485
Interest payable and similar charges	6	<u>(455)</u>	<u>(509)</u>
Profit/(loss) on ordinary activities before taxation		2,301	(2,770)
Tax on profit or loss on ordinary activities	7	<u>-</u>	<u>-</u>
Profit/(loss) for the financial year		<u><u>2,301</u></u>	<u><u>(2,770)</u></u>

All results derive wholly from continuing operations

The company has no recognised gains or losses for the year other than the results above

Serco International Limited
(Registration number: 02324094)
Balance Sheet at 31 December 2010

	Note	2010 £ 000	2009 £ 000
Fixed assets			
Goodwill	8	336	363
Investments	9	562	13,854
		<u>898</u>	<u>14,217</u>
Current assets			
Debtors - amounts falling due within one year	10	87	71
Debtors - amounts falling due after more than one year	10	70,749	53,640
		<u>70,836</u>	<u>53,711</u>
Creditors: Amounts falling due within one year			
Creditors - amounts falling due within one year	11	(6,616)	(54)
Net current assets		<u>64,220</u>	<u>53,657</u>
Total assets less current liabilities		65,118	67,874
Creditors: Amounts falling due after more than one year			
Creditors - amounts falling due after more than one year	12	(380)	(5,437)
Net assets		<u>64,738</u>	<u>62,437</u>
Capital and reserves			
Share premium account	14	62,330	62,330
Profit and loss account	14	2,408	107
Shareholders' funds		<u>64,738</u>	<u>62,437</u>

Approved by the Board on 16 June 2011 and signed on its behalf by



G Leach
Director

Serco International Limited

Notes to the Financial Statements for the Year Ended 31 December 2010

1 Accounting policies

The principal accounting policies are set out below and have been applied consistently throughout the current and preceding financial year

These financial statements have been prepared in accordance with UK GAAP and applicable UK law and accounting standards. The financial statements have also been prepared in accordance with the special provisions in Part 15 of the Companies Act 2006 relating to small companies

As an investment holding company this company does not trade. This means that in considering the appropriateness of the going concern assumption, the directors have considered the underlying trade of their investments. These investments have broad based contract portfolios with the majority of their customers being government bodies which historically have been largely unaffected by changes in the general economy, so whilst the current economic environment is uncertain, the investments are well placed to manage their business risks successfully, including those risks arising from the failure of customers to meet contractual obligations. The directors therefore do not believe that there is any additional risk over impairment of the investments in the foreseeable future and as a result these accounts have been drawn up on the going concern basis

Basis of preparation

The financial statements have been prepared under the historical cost convention

Exemption from preparing a cash flow statement

The company is exempt from preparing a cash flow statement as 90% or more of the voting rights are held within the group

Exemption from preparing group accounts

These financial statements present information about the Company as an individual undertaking and not about its group. Consolidated financial statements have not been prepared as the company is a wholly owned subsidiary of a company incorporated in Great Britain and registered in England and Wales and so is therefore exempt, by virtue of s400 of the Companies Act 2006, from the requirement to prepare and deliver group accounts. The only group company for which consolidated financial statements are prepared is Serco Group plc

Related Parties

The Company is exempt under the terms of FRS 8 "Related Party Transactions" from disclosing related party transactions with entities that are 100% owned by Serco Group plc group

Goodwill

Goodwill arising on the acquisition of businesses is capitalised in the balance sheet in accordance with FRS10 "Goodwill and intangible assets". Amortisation of goodwill is provided on a straight-line basis over the economic useful life of the asset or a period of 20 years, whichever is shorter. Goodwill is reviewed for impairment at least annually. Any impairment is recognised immediately in the profit and loss account and is not subsequently reversed

Fixed asset investments

Fixed asset investments are stated at historical cost less provision for any diminution in value

Current tax

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Serco International Limited

Notes to the Financial Statements for the Year Ended 31 December 2010

..... continued

Deferred tax

The charge for taxation takes account of taxation deferred because of differences between the timing of recognition of certain items for taxation purposes and for accounting purposes. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where the transactions or events that give rise to an obligation to pay more or less tax in the future have occurred by the balance sheet date. A deferred tax asset is recognised only when it is considered more likely than not that it will be recovered. Deferred tax is recognised on a non-discounted basis using tax rates that are expected to apply in the periods in which the timing differences are expected to reverse.

Basis of translation of foreign currencies

Transactions in currencies other than pounds sterling are recorded at the rates of exchange on the dates of the transactions. At each balance sheet date monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on retranslation are included in the profit or loss account for the period. Where foreign currency equity investments have been financed by foreign currency borrowings, gains and losses arising on the retranslation of the borrowings are offset in the statement of total recognised gains and losses only to the extent of the gains and losses arising on the retranslation of the investment.

2 Particulars of employees

The Company had no employees during either the current or preceding financial year.

3 Directors' remuneration

No director received any remuneration for services to the Company during the current or preceding year.

4 Auditor's remuneration

Auditor's remuneration of £5,000 (2009 £5,000) for the audit of the Company's annual accounts was borne by another group company in both the current and preceding years.

5 Interest receivable and similar income

	2010 £ 000	2009 £ 000
Interest receivable from group companies	284	485

6 Interest payable and similar charges

	2010 £ 000	2009 £ 000
Interest payable to group companies	455	509

Serco International Limited

Notes to the Financial Statements for the Year Ended 31 December 2010

..... continued

7 Taxation

Tax on profit or loss on ordinary activities

	2010 £ 000	2009 £ 000
Current tax		
UK Corporation tax	-	-

Factors affecting current tax charge for the year

The current tax recognised on the profit on ordinary activities for the year is lower than (2009 lower than) the standard rate of corporation tax in the United Kingdom of 28% (2009 28%)

The reasons for this are set out below

	2010 £ 000	2009 £ 000
Profit/(loss) on ordinary activities before taxation	2,301	(2,770)
Corporation tax charge (credit) at standard rate	644	(776)
Group relief with no consideration	141	(68)
Expenses not deductible for tax purposes	224	869
Unprovided deferred tax	-	(25)
Tax incentives and tax exempt income	(1,009)	-
Current tax charge for the year	-	-

Unprovided deferred tax asset

No amounts of deferred taxation have been recognised in the financial statements. The Company has an unprovided deferred tax asset of £1,000 (2009 £1,000) relating to capital allowances in excess of depreciation

8 Goodwill

	Total £ 000
Cost	
At 1 January 2010 and 31 December 2010	538
Accumulated amortisation	
At 1 January 2010	175
Charge for the year	27
At 31 December 2010	202
Net book value	
At 31 December 2010	336
At 31 December 2009	363

Serco International Limited

Notes to the Financial Statements for the Year Ended 31 December 2010

..... continued

9 Investments held as fixed assets

Shares in group undertakings and participating interests

	Subsidiary undertakings £ 000	Joints ventures £ 000	Total £ 000
Cost and net book value			
At 1 January 2010	13,292	562	13,854
Disposals	(13,292)	-	(13,292)
At 31 December 2010	-	562	562

On 29 June 2010, the Company transferred 100% ownership of CCM Software Services Limited to Serco Holdings Limited, a company within the Serco Group for £16,897,000. The Company recognised a £3,605,000 profit on disposal.

Details of undertakings

The companies listed below are, in the opinion of the directors, the principal undertakings of Serco International Limited. The percentage of equity capital directly or indirectly held by Serco International Limited is shown below.

Full details of related undertakings will be attached to the Company's Annual Return to be filed with the Registrar of Companies.

Undertaking	Proportion of voting rights and shares held	Country of incorporation
Joint ventures		
Equity Aviation Holdings (Pty) Limited	50%	South Africa
International Aeradio (Emirates) LLC (Abu Dhabi)	49%	UAE
International Aeradio (Emirates) LLC (Dubai)	49%	UAE

Serco International Limited

Notes to the Financial Statements for the Year Ended 31 December 2010

..... continued

10 Debtors

a) Amounts falling due within one year

	2010 £ 000	2009 £ 000
Amounts owed by group companies	67	67
Other debtors	20	4
	<u>87</u>	<u>71</u>

Amounts owed by group companies are due within 30 days of the balance sheet date and do not bear interest

b) Amounts falling due after more than one year

	2010 £ 000	2009 £ 000
Amounts owed by group companies	<u>70,749</u>	<u>53,640</u>

Amounts owed by group companies bear interest based on LIBOR minus 0.2%

11 Creditors: Amounts falling due within one year

	2010 £ 000	2009 £ 000
Amounts owed to group companies	<u>6,616</u>	<u>54</u>

Amounts owed to group companies are due within 30 days of the balance sheet date and do not bear interest

12 Creditors: Amounts falling due after more than one year

	2010 £ 000	2009 £ 000
Amounts owed to group companies	<u>380</u>	<u>5,437</u>

Amounts owed to group companies bear interest based on LIBOR plus 2%

13 Share capital

Allotted, called up and fully paid shares

	2010 £	2009 £
9 (2009 9) ordinary shares of £1 each	<u>9</u>	<u>9</u>

Serco International Limited

Notes to the Financial Statements for the Year Ended 31 December 2010

..... continued

14 Reserves

	Share premium account £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2010	62,330	107	62,437
Profit for the financial year	-	2,301	2,301
At 31 December 2010	<u>62,330</u>	<u>2,408</u>	<u>64,738</u>

15 Reconciliation of movement in shareholders' funds

	2010 £ 000	2009 £ 000
Profit/(loss) for the year attributable to the members of the company	2,301	(2,770)
Credit to share-based payment reserve	-	(87)
Net addition/(reduction) to shareholders' funds	2,301	(2,857)
Shareholders' funds at 1 January	62,437	65,294
Shareholders' funds at 31 December	<u>64,738</u>	<u>62,437</u>

16 Post balance sheet events

On 14 February 2011, the Company sold its 49% shareholding in International Aeradio (Emirates) LLC (Dubai) to Serco Holdings Limited, a company within the Serco Group plc group for AED 11,302,000 (£866,000). The profit on transfer is £866,000.

17 Control

The immediate parent company is Serco Holdings Limited. The ultimate parent company and controlling entity of the company is Serco Group plc, a company incorporated in Great Britain and registered in England and Wales. Serco Group plc is the parent undertaking of the smallest and largest group to consolidate these financial statements. The financial statements of Serco Group plc are available from the Company Secretary, Serco Group plc, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire RG27 9UY.