

Bringing service to life

**ITNET Limited**

## **Financial Statements 31 March 2007**

**A company registered in England and Wales, number 3036256**

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### **Directors' Report**

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 March 2007

### **Principal Activities**

The Company's principal activity is that of a holding company

### **Business Review and Future Developments**

The Company is a holding company for the ITNET group of companies. Further details of the Company's subsidiaries can be found in note 18 to the accounts

On 18 December 2006 Serco Solutions Limited paid a dividend of £258,174,000 to ITNET Limited and the company's investment in its subsidiary was written down. Subsequent to the year end Technosys Limited was dissolved on 11 September 2007. Serco Solutions Limited and its subsidiary French Thornton Limited were placed in liquidation on 14<sup>th</sup> September 2007. It is the intention of the Directors to liquidate ITNET Limited in 2008.

### **Results and Dividends**

The profit on ordinary activities after taxation of the Company is set out on page 6. An interim dividend of £272,075,000 was paid on 18 December 2006.

### **Directors**

The following Directors served throughout the period except as stated below:

I Downie

P Holden (resigned 30 June 2006)

### **Financial Risk Management**

The Company's principal financial assets are intercompany receivables. Consequently the Directors do not consider that the Company is exposed to interest rate or liquidity risk.

### **Statement regarding the disclosure of information to auditors**

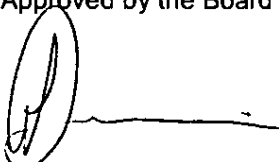
In accordance with s234Z of the Companies Act 1985, each director confirms that:

- i) so far as they are aware, there is no relevant audit information of which the company's auditors are unaware, and
- ii) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor are aware of that information.

### **Auditors**

A resolution to re-appoint Deloitte & Touche LLP will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on its behalf



I Downie  
Director  
19 March 2008

**Statement of Directors' Responsibilities**

The directors are responsible for preparing the Annual 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). The financial statements are required by law to 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 estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed,
- 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 proper accounting records that 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 1985. 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.

## **Independent Auditors' Report to the Members of ITNET Limited**

We have audited the financial statements of ITNET Limited for the year ended 31 March 2007, which comprise the Profit and Loss Account, the Balance Sheet and related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

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

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

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

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Independent Auditors' Report to the Members of ITNET Limited (continued)**

**Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

**Emphasis of matter – Financial statements prepared other than on a going concern basis**

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern

*Deloitte & Touche LLP*

Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
London, UK  
19 March 2008

**Profit and Loss Account**

For the year ended 31 March 2007

		Year ended 31 March 2007 £'000	15-month period ended 31 March 2006 £'000
	Notes		
<b>Turnover</b>		-	-
Cost of sales		-	-
<b>Gross profit</b>		-	-
Administrative expenses		-	(122)
Amount written off investment in subsidiary undertaking	3	(29,653)	-
Exceptional item	4	-	(1,647)
<b>Operating loss</b>		(29,653)	(1,769)
Net interest receivable	5	-	1,199
Dividends received	6	258,174	-
<b>Profit/(loss) on ordinary activities before taxation</b>	7	228,521	(570)
Tax charge on loss on ordinary activities	8	-	(20)
<b>Profit/(loss) on ordinary activities after taxation</b>	16	228,521	(590)

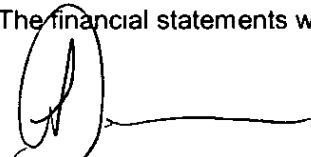
All activities are derived from discontinued operations as the company is being liquidated

There are no recognised gains or losses in either the current or preceding period other than those shown above. Accordingly, no statement of total recognised gains and losses is presented

**Balance Sheet**  
 At 31 March 2007

	Notes	31 March 2007 £'000	As restated 31 March 2006 £'000
<b>Fixed Assets</b>			
Investments	10	-	29,653
			29,653
<b>Current Assets</b>			
Debtors	11	14,677	28,597
Cash at bank and in hand		-	39
		14,677	28,636
<b>Creditors amounts falling due within one year</b>			
Amounts falling due within one year	12	-	(58)
		14,677	(58)
<b>Net Current Assets</b>		14,677	28,578
<b>Net Assets</b>		14,677	58,231
<b>Capital and Reserves</b>			
Called up share capital	14	7,739	7,739
Share premium account	15	6,938	6,938
Profit and loss account	16	-	43,554
<b>Equity Shareholders' Funds</b>	17	14,677	58,231

The financial statements were approved by the Sole Director on 19 March 2008



I Downie  
Director

**Notes to the Financial Statements (continued)**

For the year ended 31 March 2007

**1. Accounting policies**

The particular accounting policies adopted are detailed below. These have all been applied consistently throughout the current and preceding financial year.

**Accounting convention**

These financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable United Kingdom law and accounting standards. As explained in the Directors' Report, the Company's subsidiaries have ceased trading. As required by FRS 18 "Accounting Policies", the directors have prepared the financial statements on the basis that the Company is no longer a going concern. No material adjustments arose as a result of ceasing to apply the going concern basis.

**Basis of preparation**

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 s228 of the Companies Act 1985 from the requirement to prepare and deliver group accounts. The smallest group company for which consolidated financial statements are prepared is Serco Group plc.

**Current tax**

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

**Fixed asset investments, subsidiaries**

Investments held as fixed assets are stated at cost less provision for impairment.

**Dividends**

Dividends are recorded in the Company's financial statements in the period in which they are approved by the shareholders.

**Income from shares in Group undertakings**

Income from shares in Group undertakings is credited to the profit and loss account on the date of entitlement.

**Deferred taxation**

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 in force at the balance sheet date.

**Cash flow statement and related party disclosure**

The Company is a wholly owned subsidiary of Serco Group plc and is included in the consolidated financial statements of Serco Group plc, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 ("FRS 1") (revised 1996) – Cash flow statements. The Company is also exempt under the terms of Financial Reporting Standard 8 ("FRS 8") – Related party disclosure, from disclosing related party transactions with entities that are part of the Serco Group plc group.



**Notes to the Financial Statements (continued)**

For the year ended 31 March 2007

**2. Information regarding directors and employees**

During the year the Company had no employees. No director received remuneration for services to the Company in the year to 31 March 2007 (2006 - £nil)

**3 Amount written off investment in subsidiary undertaking**

	Year ended 31 March 2007 £'000	15-month period ended 31 March 2006 £'000
Amount written off investment in Serco Solutions Limited	29,653	-

**4 Exceptional item**

	Year ended 31 March 2007 £'000	15-month period ended 31 March 2006 £'000
Professional fees arising on acquisition of ITNET Ltd by Serco Group plc	-	1,647

**5 Net interest receivable**

	Year ended 31 March 2007 £'000	15-month period ended 31 March 2006 £'000
Intercompany interest receivable	-	1,200
Interest payable on bank overdrafts	-	(1)
	-	1,199

**6 Dividends received**

	Year ended 31 March 2007 £'000	15-month period ended 31 March 2006 £'000
Interim dividend received from Serco Solutions Limited	258,174	-

**Notes to the Financial Statements (continued)**

For the year ended 31 March 2007

**7 Profit on ordinary activities before taxation**

Auditors' remuneration of £5,000 (2006 - £5,000) from Deloitte & Touche LLP is borne by another group company

**8 Tax on profit on ordinary activities**

	Year ended 31 March 2007 £'000	15-month period ended 31 March 2006 £'000
Analysis of tax charge in the period		
United Kingdom corporation tax at 30% (2006 – 30%)	-	-
Adjustments in respect of prior periods	-	19
<b>Total current tax charge for the period</b>	-	19
<b>Deferred tax:</b>		
Current year	-	1
<b>Total deferred tax</b>	-	1
<b>Total tax charge for the period</b>	-	20

The current tax recognised for the year is lower than the United Kingdom corporation tax rate of 30%. The reasons for this are set out below

	Year ended 31 March 2007 £'000	15-month period ended 31 March 2006 £'000
Profit/(loss) on ordinary activities before taxation	228,521	(570)
UK corporation tax at 30% (2006 30%)	68,556	(171)
Effect on the reported tax charge of		
Group relief for no consideration	-	(317)
Expenses not deductible for tax purposes	8,896	489
Non-taxable dividends from subsidiary	(77,452)	-
Accelerated capital allowances	-	(1)
Adjustment in respect of prior periods	-	19
<b>Current tax charge for the year/period</b>	-	19

**Notes to the Financial Statements (continued)**

For the year ended 31 March 2007

**9 Dividends paid**

	Year ended 31 March 2007 £'000	15-month period ended 31 March 2006 £'000
Interim dividend paid of £3 5155 per ordinary share	272,075	-

The interim dividend was paid to Serco Limited on 18 December 2006

**10. Fixed asset investments**

	Shares in subsidiaries £'000
At 1 April 2006	29,653
Disposals	(29,653)
<b>At 31 March 2007</b>	<b>-</b>

On 18 December 2006 Serco Solutions Limited paid an interim dividend of £258,174,000 to the Company. The Company's investment in Serco Solutions Limited was written off following the payment of this dividend.

**11. Debtors**

	2007 £'000	As restated 2006 £'000
Amount owed by group companies	14,677	28,597

**12 Creditors – Amounts falling due within one year**

	2007 £'000	2006 £'000
Corporation tax	-	19
Accruals and deferred income	-	39
	-	58

**Notes to the Financial Statements (continued)**

For the year ended 31 March 2007

**13. Provisions for liabilities and charges**

<b>Deferred taxation</b>	<b>2007 £'000</b>	<b>2006 £'000</b>
An analysis of the deferred tax asset was		
Short term timing differences	-	-
Deferred tax asset	-	-
Movement on deferred taxation balance in the period		
At 1 April 2006	-	1
Charged to profit and loss account	-	(1)
At 31 March 2007	-	-

**14 Called up share capital**

	<b>2007 £'000</b>	<b>As restated 2006 £'000</b>
<b>Authorised:</b>		
105,839,118 ordinary shares of 10p each	10,584	10,584
<b>Called up, allotted and fully paid.</b>		
77,393,555 ordinary shares of 10p each	7,739	7,739

Following the acquisition of ITNET Limited by Serco Limited on 3 February 2005 all Share save, Share Options and LTIPs were settled by the Company. Prior year comparatives have been restated to reflect the issue of 3,909,494 shares issued to employees in March and April 2005 as a result of the closure of the schemes.

**15 Share premium account**

	<b>2007 £'000</b>	<b>As restated 2006 £'000</b>
At 1 April 2006	6,938	445
Premium on issue of new share capital	-	28
	6,938	473
Premium on issue of new share capital (as restated)	-	6,465
<b>At 31 March 2007</b>	<b>6,938</b>	<b>6,938</b>

Following the acquisition of ITNET Limited by Serco Limited on 3 February 2005 all Share save, Share Options and LTIPs were settled by the Company. Prior year comparatives have been restated to reflect the premium arising on the issue of the 3,909,494 shares in March and April 2005.

**ITNET Limited****Notes to the Financial Statements (continued)**

For the year ended 31 March 2007

**16. Profit and loss account**

	2007 £'000	2006 £'000
At 1 April 2006	43,554	44,144
Profit/(loss) on ordinary activities after taxation	228,521	(590)
Dividends paid	(272,075)	-
Closing shareholders' funds	-	43,554

**17 Reconciliation of movement in shareholders' funds**

	2007 £'000	As restated 2006 £'000
Profit/(loss) for the year/period	228,521	(590)
Dividends paid	(272,075)	-
Share capital issued and subscribed	-	393
Premium on issue of new share capital	-	6,493
Net reduction to shareholders funds	(43,554)	6,296
Opening shareholders' funds	58,231	51,935
Closing shareholders' funds	14,677	58,231

Following the acquisition of ITNET Limited by Serco Limited on 3 February 2005 all Share save, Share Options and LTIPs were settled by the company. Prior year comparatives have been restated to reflect the issue of 3,909,494 shares and their associated share premium in March and April 2005.

**18 List of principal undertakings**

The companies listed below are, in the opinion of the Directors, the principal undertakings of ITNET Limited. The percentage of equity capital directly or indirectly held by ITNET Limited is shown. The companies are incorporated and principally operate in the countries designated below.

	Proportion of Ordinary Shares held
<b>Principal subsidiaries</b>	
United Kingdom Serco Solutions Limited*	100%
United Kingdom Technosys Limited (dissolved 11 September 2007)*	100%
United Kingdom The French Thornton Partnership Limited**	100%
* Denotes direct shareholding	
** Denotes owned by Serco Solutions Limited	

**19. Subsequent events**

On 14<sup>th</sup> September 2007 Serco Solutions Limited and The French Thornton Partnership Limited were placed in liquidation as part of a wider group entity rationalisation program.

**Notes to the Financial Statements (continued)**

For the year ended 31 March 2007

**20. Related parties and ultimate parent companies**

The Company has taken advantage of the exemption granted by FRS 8 'Related party disclosure', from disclosing related party transactions with entities that are part of the Serco Group plc group

The immediate parent company is Serco 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, Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, RG27 9UY