

Serco Manchester Leisure Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2012



A company registered in England and Wales, number: 04222446

Serco Manchester Leisure Limited

Contents

Company information	1
Directors' Report	2 to 3
Directors' Responsibilities Statement	4
Independent Auditor's Report to the Members of Serco Manchester Leisure Limited	5
Profit and Loss Account	6
Balance Sheet	7
Statement of Changes in Equity	8
Notes to the Financial Statements	9 to 12

Serco Manchester Leisure Limited

Company information

Registered office Serco House
16 Bartley Wood Business Park
Bartley Way
Hook
Hampshire
RG27 9UY

Auditor Deloitte LLP
London
United Kingdom

Serco Manchester Leisure Limited

Directors' Report for the Year Ended 31 December 2012

The directors present their report and the financial statements for the year ended 31 December 2012. As set out in note 1 to the financial statements, the directors consider it appropriate to prepare the accounts on a going concern basis.

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 as issued by the Financial Reporting Council. During the year the decision was taken to replace the previous reporting framework under United Kingdom Generally Accepted Accounting Practice (UK GAAP) and adopt Financial Reporting Standard (FRS) 101 Reduced Disclosure Framework. This has had no impact on reported reserves.

Principal activity

The principal activity of the Company is the provision of leisure centre management services.

Business review

The Company has grown in terms of profitability during 2012 with revenues and profit for the financial year increased on 2011. The directors consider the results for the year to be extremely good and are confident that 2013 will be another successful year. The directors continue to commit resources to business development activity in order to grow the activities of the Company.

Given the strong cash position and level of reserves held, the directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future and hence the accounts have been prepared on a going concern basis.

Cash was in line with profit expectations and the Company was able to declare and pay a dividend of £500k in the period (2011: £nil).

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company are considered to relate to alternative leisure pursuits for facility users being exacerbated in times of extreme weather conditions.

The current government spending cuts continue to be seen as a potential risk to the Company's contracts as the majority of contracts are in respect of government outsourced leisure facilities. The risk is limited since long term contracts are in place largely with provisions that prevent substantial changes without agreement.

General economic conditions continue to be challenging, particularly in respect of income from facility users, which are a major factor in determining Company profitability. The directors consider that this risk is mitigated by the range and quality of services offered which is available to all sections of the community.

The Company has receivable balances from long-term contracts with local government customers. The directors do not consider that the Company is exposed to significant credit risk due to the size and nature of the contracts and there being no reliance on an individual customer.

The Company has no significant borrowings so the directors do not consider that the Company is exposed to interest rate or liquidity risk.

Financial risk management for Serco Group is undertaken by Serco Group plc. The Group risk register is updated at least quarterly, reviewed six-monthly by the Risk Oversight Group and discussed at quarterly board meetings.

Serco Manchester Leisure Limited

Directors' Report for the Year Ended 31 December 2012

Directors of the Company

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

S Lawrence

E O'Rourke

I Phelps

C Rushton

K Thomas

J Hickey (resigned 15 May 2012)

P Bryan (resigned 7 March 2013)

R Williams (appointed 30 July 2012)

Disabled employees

Full and fair consideration is given to applications for employment made by the disabled, having regard to their aptitude and ability. Appropriate training is arranged, including retraining of employees who have become disabled.

Employee involvement

Managers are tasked with developing employees' awareness of factors affecting business and matters concerning them as employees and noting employees' views so that they can be taken into account when making decisions that may affect them or the business. Regular meetings are held with employee representatives where trade union or staff associations are recognised or where works councils are constituted.

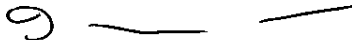
Disclosure of information to the auditor

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 auditors are 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 section 418 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 reappointment of the auditor annually are currently in force. Deloitte LLP has expressed its willingness to continue in office and will therefore be deemed to be reappointed.

Approved by the Board on 2 September 2013 and signed on its behalf by



I Phelps
Director

Serco Manchester Leisure 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 Financial Reporting Standard 101 Reduced Disclosure Framework. 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 judgments and accounting estimates that are reasonable and prudent,
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements, 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 to 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 the financial statements may differ from legislation in other jurisdictions.

Serco Manchester Leisure Limited

Independent Auditor's Report to the Members of Serco Manchester Leisure Limited Serco Manchester Leisure Limited

We have audited the financial statements of Serco Manchester Leisure Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity and related notes 1 to 12, set out on pages 6 to 12. The financial reporting framework that has been applied in their preparation is applicable law and Financial Reporting Standard 101 Reduced Disclosure Framework.

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 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 to the financial statements.

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. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework, 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.



Ross Howard (Senior Statutory Auditor)
for and on behalf of Deloitte LLP,
Chartered Accountants and Statutory Auditor
London, United Kingdom

2 September 2013

Serco Manchester Leisure Limited

Profit and Loss Account for the Year Ended 31 December 2012

	Note	2012 £ 000	2011 £ 000
Turnover		495	414
Cost of sales		<u>(117)</u>	<u>(184)</u>
Gross profit being operating profit		378	230
Interest receivable and similar income	5	<u>5</u>	<u>3</u>
Profit on ordinary activities before tax		383	233
Tax on profit on ordinary activities	6	<u>-</u>	<u>-</u>
Profit for the financial year being comprehensive income		<u><u>383</u></u>	<u><u>233</u></u>

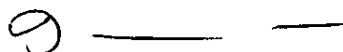
All results derive wholly from continuing operations

The Company has no recognised gains and losses for the year other than the results above, hence no separate statement of comprehensive income has been shown

Serco Manchester Leisure Limited
(Registration number: 04222446)
Balance Sheet as at 31 December 2012

	Note	2012 £ 000	2011 £ 000
Current assets			
Debtors amounts falling due within one year	8	275	210
Cash at bank and in hand		<u>953</u>	<u>1,166</u>
		<u>1,228</u>	<u>1,376</u>
Creditors amounts falling due within one year			
Creditors amounts due within one year	9	<u>(73)</u>	<u>(104)</u>
Net assets		<u>1,155</u>	<u>1,272</u>
Capital and reserves			
Called up share capital	10	-	-
Profit and loss account		<u>1,155</u>	<u>1,272</u>
Shareholders' funds	11	<u>1,155</u>	<u>1,272</u>

Approved by the Board on 2 September 2013 and signed on its behalf by



I Phelps
Director

Serco Manchester Leisure Limited

Statement of Changes in Equity for the Year Ended 31 December 2012

	Note	Called up share capital £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 January 2011		-	1,039	1,039
Comprehensive income for the financial year		-	233	233
At 1 January 2012		-	1,272	1,272
Comprehensive income for the financial year		-	383	383
Equity dividends paid	7	-	(500)	(500)
At 31 December 2012		-	1,155	1,155

Serco Manchester Leisure Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

1 General Information

Serco Manchester Leisure Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report on pages 2 to 3.

2 Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied throughout the current and preceding years, unless otherwise stated.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report on pages 2 to 3.

Basis of preparation

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2012 the Company has undergone transition from reporting under UK GAAP to FRS 101 as issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. No adjustments have been identified on transition to an IFRS measurement basis.

The financial statements have been prepared on the historical cost basis and on the going concern basis.

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, and the Company's results are included within the consolidated financial statements of Serco Group plc, which are publicly available.

Related parties

The Company is exempt under the terms of FRS 101 from disclosing related party transactions with entities that are 100% owned by Serco Group plc.

Going concern

The financial statements have been prepared on the going concern basis.

The directors have acknowledged the guidance on going concern and financial reporting published by the Financial Reporting Council in October 2009 and subsequent recommendations published by the Sharman Inquiry in June 2012. Whilst the current economic climate is uncertain, the Company's revenues are largely derived from long term contracts with UK public sector backing which, historically, have been largely unaffected by changes in the general economy. As a result the Company has high visibility of its future revenue streams. Therefore based on detailed projections management believe that the Company has adequate resources to continue in operational existence for the foreseeable future, and as a result these accounts have been drawn up on the going concern basis.

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. Sales of goods are recognised when goods are delivered and title has passed and sales of services when the service has been delivered.

Turnover is deferred when the Company has received consideration under the terms of a contract in advance of performing a related service or delivering the associated goods. Deferred income is recognised when the Company has fulfilled the relevant contractual commitment.

Interest income is accrued on a time basis.

Serco Manchester Leisure Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

Taxation

The tax expense represents the sum of current tax expense and deferred tax expense

Current tax expense 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 Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for accounting purposes.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which these items can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet 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 utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based upon tax rates and legislation that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also recognised in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority where the Company intends to settle its current tax assets and liabilities on a net basis.

3 Directors' emoluments and staff costs

No director received any remuneration for services to the Company during the year to 31 December 2012 (2011: £nil).

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

4 Auditor's remuneration

Auditor's remuneration of £3,000 (2011: £3,000) for the audit of the Company's annual accounts from Deloitte LLP are borne by another group company in both current and preceding financial years. There have been no non-audit fees incurred by the Company and payable to Deloitte LLP during the year (2011: £nil).

5 Interest receivable and similar income

	2012 £ 000	2011 £ 000
Bank interest receivable	5	3

Serco Manchester Leisure Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

6 Taxation

Tax on profits on ordinary activities

The current year total tax charge on profit on ordinary activities is £nil (2011 £nil)

Factors affecting current tax charge for the year

The total tax charge is lower than the UK corporation tax rate of 24.5% (2011 26.5%). The reasons for this are set out below

	2012 £ 000	2011 £ 000
Profit on ordinary activities before tax	383	233
Corporation tax at 24.5% (2011 26.5%)	94	62
Expense not deductible for tax purposes	-	(5)
Group relief for nil consideration	(94)	(57)
Total current tax charge	-	-

7 Equity dividends

	2012 £ 000	2011 £ 000
Equity dividend of £5,000 (2011 £nil) per ordinary share	500	-

8 Debtors Amounts falling due within one year

	2012 £ 000	2011 £ 000
Trade debtors	22	14
Accrued income	253	196
	275	210

9 Creditors Amounts falling due within one year

	2012 £ 000	2011 £ 000
Amounts owed to group companies	9	27
Other taxes and social security	64	77
	73	104

Serco Manchester Leisure Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

10 Called up share capital

Allotted, called up and fully paid

	2012 No	2012 £	2011 No	2011 £
Ordinary shares of £1 each	81	81	81	81
B ordinary shares of £1 each	19	19	19	19
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

11 Reconciliation of movement in shareholders' funds

	2012 £ 000	2011 £ 000
Profit attributable to members of the Company	383	233
Equity dividends paid	<u>(500)</u>	<u>-</u>
Net addition to shareholders' funds	(117)	233
Shareholders' funds at 1 January	<u>1,272</u>	<u>1,039</u>
Shareholders' funds at 31 December	<u>1,155</u>	<u>1,272</u>

12 Control

The immediate parent company is Serco Holdings Limited

The ultimate parent company and controlling party is Serco Group plc, a company incorporated in the United Kingdom and registered in England and Wales. Serco Group plc is the parent undertaking of the smallest and largest group to consolidate these financial statements. These financial statements are available upon request from the Company Secretary, Serco Group plc, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire RG27 9UY.