

Registration number: 00427272

# Serco-IAL Limited

Annual Report and Financial Statements  
for the Year Ended 31 December 2016



## **Serco-IAL Limited**

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## **Serco-IAL Limited**

### **Company Information**

<b>Directors</b>	S M Ashby P J Mohring D J Greer Serco Corporate Services Limited
<b>Registered office</b>	Serco House 16 Bartley Way Business Park Bartley Way Hook Hampshire RG27 9UY
<b>Auditors</b>	KPMG LLP 15 Canada Square London E14 5GL United Kingdom

## **Serco-IAL Limited**

### **Strategic Report for the Year Ended 31 December 2016**

The directors present their strategic report for the year ended 31 December 2016.

#### **Principal activity**

The principal activity of the company is the provision of management services for airports and air traffic control through branches operating in the Middle East. It also supplies, installs and maintains air traffic and related equipment in the communications and security fields through these branches. The financial statements have been prepared using pound sterling as the reporting currency.

#### **Business Review**

The company's turnover of £73.2m (2015: £75.0m) showed a 2% decline from 2015 level (2015: £75.0m 6% decline from 2014). Despite the decline there remains a solid core of Aviation contracts in the UAE (Dubai and Sharjah), Iraq (Baghdad) and Bahrain. The business margin decreased by 8.7% which was impacted by both an adverse exchange rate and underlying changes in the existing contract portfolio; namely the Dubai contract which has decreased in scope as per the agreed transition plan with the customer. Additionally the Baghdad aviation contract has a lower margin as a result of a one-off bad debt reversal in 2015 (£6.6m).

Subsequent to the year end, the Baghdad contract expired mid-January 2017 however, the company received a confirmation to continue services until end of 2017.

The company did not pay a dividend in the year which is consistent with 2015.

The directors consider the results for the year to be satisfactory given the challenging environment the business is under.

#### **Principal risks and uncertainties**

The company's principal financial instruments are amounts payable to other group companies. 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 returns from investments. Further discussion of the financial risk management is included in the consolidated Annual Report and Accounts of Serco Group plc.

Financial risk management for all Serco Group entities 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. Risk management is fundamental to how the business is managed. Risk management policies, systems and processes form part of the Serco Management System (SMS). Certain risks identified at Group level also apply to the company and procedures are put in place within the company to manage these risks with guidance from the Risk Oversight Group.

The company is operating in an environment of uncertainty and this has presented challenges for the company during the period with significant operating risks, including, staff retention, use of ageing technology and continued supply of parts. The directors are pleased with how the company has managed the various operational risks associated with this uncertainty.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, as stated in the Business review and therefore the going concern basis of accounting continues to be adopted in preparing the financial statements.

**Serco-IAL Limited**

**Strategic Report for the Year Ended 31 December 2016**

Approved by the Board on 24/9/17 and signed on its behalf by:

  
D.J. Gidd  
Director

## Serco-IAL Limited

### Directors Report for the Year Ended 31 December 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

#### Directors of the company

The directors who held office during the year were as follows:

S M Ashby

P J Mohring

D J Greer

Serco Corporate Services Limited

#### Employment of disabled persons

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 in to 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 auditors

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.

#### Reappointment of auditors

In accordance with Section 487 of the Companies Act 2006, Deloitte LLP has not been re-appointed as the Company's auditor. Following a competitive tender process, KPMG LLP have confirmed their willingness to be appointed as the Company's auditor for the year ending 31 December 2016.

Approved by the Board on 24/9/17 and signed on its behalf by:

  
D J Greer  
Director

## **Serco-IAL Limited**

### **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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). 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;
- state whether FRS 101 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 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.

## **Serco-IAL Limited**

### **Independent Auditor's Report**

We have audited the financial statements of Serco-IAL Limited for the year ended 31 December 2016, which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, and the related notes 1 to 20. 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), including FRS 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 Statement of Directors' Responsibilities (set out on page 5), 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 to the financial statements.

#### **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/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### **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 2016 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 Strategic Report and Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and Directors' Report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.



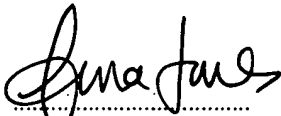
**Serco-IAL Limited**

**Independent Auditor's Report**

**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



Anna Jones (Senior Statutory Auditor)

For and on behalf of KPMG LLP, Chartered Accountants and Statutory Auditor

15 Canada Square  
London  
E14 5GL  
United Kingdom

Date: 25/9/17

# Serco-IAL Limited

## Profit and Loss Account for the Year Ended 31 December 2016

	Note	2016 £ 000	2015 £ 000
Turnover	4	73,239	75,048
Cost of sales		<u>(65,331)</u>	<u>(64,796)</u>
Gross profit		7,908	10,252
Administrative expenses		<u>1,054</u>	<u>(164)</u>
Operating profit		<u>8,962</u>	<u>10,088</u>
Other interest receivable and similar income	6	148	44
Interest payable and similar charges	7	<u>-</u>	<u>(299)</u>
		<u>148</u>	<u>(255)</u>
Profit before tax		9,110	9,833
Tax on profit	11	<u>(845)</u>	<u>(724)</u>
Profit for the year		<u><u>8,265</u></u>	<u><u>9,109</u></u>

The above results were derived from continuing operations.

The notes on pages 12 to 22 form an integral part of these financial statements.

## **Serco-IAL Limited**

### **Statement of Comprehensive Income for the Year Ended 31 December 2016**

	Note	2016 £ 000	2015 £ 000
Profit for the year		8,265	9,109
<b>Items that may be reclassified subsequently to profit or loss</b>			
Foreign currency translation gains		<u>8,748</u>	<u>2,002</u>
Total comprehensive income for the year		<u>17,013</u>	<u>11,111</u>

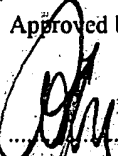
The notes on pages 12 to 22 form an integral part of these financial statements.

# Serco-IAL Limited

(Registration number: 00427272)  
Balance Sheet as at 31 December 2016

	Note	2016 £ 000	2015 £ 000
<b>Fixed assets</b>			
Property, plant and equipment	12	23	43
Investments	13	58	58
		<u>81</u>	<u>101</u>
<b>Current assets</b>			
Debtors	14	72,901	54,681
Cash at bank and in hand		5,286	5,081
		<u>78,187</u>	<u>59,762</u>
<b>Creditors: Amounts falling due within one year</b>			
Trade and other payables	15	(3,837)	(3,429)
Corporation tax	11	(146)	(124)
Deferred income		(80)	(21)
		<u>(4,063)</u>	<u>(3,574)</u>
<b>Creditors: Amounts falling due within one year</b>			
Net current assets		<u>74,124</u>	<u>56,188</u>
<b>Total assets less current liabilities</b>		<u>74,205</u>	<u>56,289</u>
<b>Creditors: Amounts falling due after more than one year</b>			
Loans and borrowings	16	-	(36)
Provisions for liabilities	17, 11	(5,567)	(4,689)
		<u>(5,567)</u>	<u>(4,689)</u>
<b>Net assets</b>		<u>68,638</u>	<u>51,564</u>
<b>Capital and reserves</b>			
Called up share capital	19	11,503	11,503
Share premium reserve		7,183	7,183
Other reserves		1,146	1,085
Profit and loss account		48,806	31,793
		<u>68,638</u>	<u>51,564</u>
<b>Shareholders' funds</b>		<u>68,638</u>	<u>51,564</u>

Approved by the Board on 24/9/17 and signed on its behalf by:

  
D J Greer  
Director

**Serco-LAL Limited**

**Statement of Changes in Equity for the Year Ended 31 December 2016**

	Share capital £ 000	Share premium £ 000	Share based payments reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2015	11,500	2,670	979	20,682	35,831
Profit for the year	-	-	-	9,109	9,109
Other comprehensive income	-	-	-	2,002	2,002
Total comprehensive income	-	-	-	11,111	11,111
New share capital subscribed	3	4,513	-	-	4,516
Share based payment transactions	-	-	106	-	106
At 31 December 2015	11,503	7,183	1,085	31,793	51,564
	Share capital £ 000	Share premium £ 000	Share based payments reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2016	11,503	7,183	1,085	31,793	51,564
Profit for the year	-	-	-	8,265	8,265
Other comprehensive income	-	-	-	8,748	8,748
Total comprehensive income	-	-	-	17,013	17,013
Share based payment transactions	-	-	61	-	61
At 31 December 2016	11,503	7,183	1,146	48,806	68,638

The notes on pages 12 to 22 form an integral part of these financial statements:  
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## **Serco-IAL Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2016**

#### **1 General information**

The company is a private company limited by share capital incorporated and domiciled in United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 2 to 3.

These financial statements are presented in pounds Sterling because that is the currency of the primary economic environment in which the Company operates.

#### **2 Accounting policies**

##### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **Basis of preparation**

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. This is because the Company is included within the consolidated financial statements of Serco Group plc which are available from the address provided in note 20.

The financial statements have been prepared on the historical cost basis and on the going concern basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

##### **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 the United Kingdom and registered in England and Wales and is therefore exempt, by virtue of section 400 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.

##### **Changes in accounting policy**

None of the standards, interpretations and amendments effective for the first time from 1 January 2016 have had a material effect on the financial statements.

## **Serco-IAL Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2016**

#### **Turnover**

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities.

Turnover is deferred when payment is received in advance of performing the related service of delivering the associated goods, and released when the relevant contractual commitment is fulfilled. Turnover on repeat service-based contracts is recognised as services are provided. Where initial contract costs (phase in costs) are paid for by the customer, turnover is recognised when the related costs are incurred. The Company has a number of long-term contracts for the provision of complex, project-based services. Where the outcome of such long-term project-based contracts can be measured reliably, income and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date in accordance with IAS 18 Revenue and IAS 11 Construction Contracts. This is normally measured by the proportion of contract costs incurred for work performed to date compared to the estimated total contract costs, but where a more accurate basis is available that alternative methodology is used. Contract costs include a rational allocation of overheads. Where the outcome of a long-term project-based contract cannot be estimated reliably, contract turnover is recognised to the extent that it is probable that contract costs will be recovered. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that the total contract costs will exceed total contract income, the expected loss is recognised as an expense immediately. Such amounts are not discounted.

#### **Foreign currency transactions and balances**

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

#### **Tax**

The tax expense for the period comprises current tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

## Serco-IAL Limited

### Notes to the Financial Statements for the Year Ended 31 December 2016

#### Property, plant and equipment

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

#### Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Plant and machinery	20% - 33%

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

#### Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

#### Borrowings

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.



## Serco-IAL Limited

### Notes to the Financial Statements for the Year Ended 31 December 2016

#### Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

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

#### Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

#### Defined contribution pension obligation

Contributions for the year in respect of defined contribution schemes are charged to the profit and loss account as they fall due. Differences between charges accruing during the year and cash payments are included as either accruals or prepayments in the balance sheet.

#### Defined benefit pension obligation

The Company contributes to a Group defined benefit scheme. The structure of the benefit scheme does not enable any of the Group companies to identify their share of the schemes' underlying assets or liabilities, and consequently the scheme has been treated in the same way as defined contribution schemes in the Company's financial statements (see below).

### 3 Critical accounting judgements and key sources of estimation uncertainty

#### Critical judgements

In the process of applying the company's accounting policies, which are described above, management has made the following judgment that has a most significant effect on the amounts recognised in the financial statements.

##### *Impairment of trade and other receivables*

Identifying whether there are indicators of impairment for trade and other receivables, involves a high level of judgement and a good understanding of the drivers of value behind the asset. At each reporting period an assessment is performed in order to determine whether there are any such indicators. The largest asset in the company's balance sheet is a receivable from a related party of £59.1m. This balance is supported by a letter of support from the company's ultimate holding company, Serco Group plc.

#### Key sources of estimation uncertainty

No key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date have been noted that would have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### 4 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

	2016 £ 000	2015 £ 000
Revenue as disclosed in the profit and loss account	<u>73,239</u>	<u>75,048</u>

# Serco-IAL Limited

## Notes to the Financial Statements for the Year Ended 31 December 2016

### 5 Operating profit

Arrived at after charging/(crediting)

	2016 £ 000	2015 £ 000
Depreciation expense	44	53
Amortisation expense	-	1
Foreign exchange gains	(2,010)	(500)
Loss on disposal of property, plant and equipment	-	6
	<u>          </u>	<u>          </u>

### 6 Other interest receivable and similar income

	2016 £ 000	2015 £ 000
Interest received from group companies	148	44
	<u>          </u>	<u>          </u>

### 7 Interest payable and similar charges

	2016 £ 000	2015 £ 000
Interest payable to group companies	-	299
	<u>          </u>	<u>          </u>

### 8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2016 £ 000	2015 £ 000
Wages and salaries	37,661	41,998
Pension costs, defined benefit scheme	965	1,064
Other employee expense	14,624	19,868
	<u>53,250</u>	<u>62,930</u>

The average number of persons employed by the company (including directors) during the year, was as follows:

	2016 No.	2015 No.
Total	383	447
	<u>          </u>	<u>          </u>

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

### 9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2016 £ 000	2015 £ 000
Remuneration	357	266
	<u>          </u>	<u>          </u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

## Serco-IAL Limited

### Notes to the Financial Statements for the Year Ended 31 December 2016

	2016 No.	2015 No.
Received or were entitled to receive shares under long term incentive schemes	<u>1</u>	<u>1</u>
In respect of the highest paid director:		
	2016 £ 000	2015 £ 000
Remuneration	357	266

During the year the highest paid director received or was entitled to receive shares under a long term incentive scheme.

The Company considers that there is no practicable method to accurately allocate a portion of the emoluments two of the Directors receive from their respective Group company employer to the qualifying services they provide to the Company. The Company is also of the opinion any allocation would be immaterial.

#### 10 Auditors' remuneration

Auditor's remuneration of £5,000 (2015: £3,750) for the audit of the Company's annual accounts was borne by another group company in both the current and preceding financial years. There have been no non-audit fees incurred by the Company and payable to the company's auditor during the year (2015: £nil).

## Serco-IAL Limited

### Notes to the Financial Statements for the Year Ended 31 December 2016

#### 11 Tax

Tax charged in the income statement

	2016 £ 000	2015 £ 000
Foreign tax	<u>845</u>	<u>724</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2015 - lower than the standard rate of corporation tax in the UK of 20% (2015 - 20.25%).

The differences are reconciled below:

	2016 £ 000	2015 £ 000
Profit before tax	<u>9,110</u>	<u>9,833</u>
Corporation tax at standard rate	1,822	1,991
Decrease arising from group relief tax reconciliation	-	(4)
Increase from effect of foreign tax rates	846	724
Statutory tax benefits	<u>(1,823)</u>	<u>(1,987)</u>
Total tax charge	<u>845</u>	<u>724</u>

#### Deferred tax

There are £13,000 of capital allowances in excess of depreciation (2015: £14,000) for which no deferred tax asset is recognised in the statement of financial position.

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. Deferred tax at 31 December 2016 has been calculated based on these rates.

# Serco-IAL Limited

## Notes to the Financial Statements for the Year Ended 31 December 2016

### 12 Property, plant and equipment

	Furniture, fittings and equipment £ 000	Other property, plant and equipment £ 000	Total £ 000
<b>Cost or valuation</b>			
At 1 January 2015	-	362	362
Foreign exchange	-	19	19
Disposals	-	(82)	(82)
At 31 December 2015	-	299	299
At 1 January 2016	-	299	299
Foreign exchange	-	61	61
Additions	17	-	17
At 31 December 2016	17	360	377
<b>Depreciation</b>			
At 1 January 2015	-	263	263
Charge for year	-	53	53
Eliminated on disposal	-	(74)	(74)
Transfers	-	1	1
Foreign exchange movements	-	13	13
At 31 December 2015	-	256	256
At 1 January 2016	-	256	256
Charge for the year	-	44	44
Foreign exchange movements	-	54	54
At 31 December 2016	-	354	354
<b>Carrying amount</b>			
At 31 December 2016	17	6	23
At 31 December 2015	-	43	43
At 1 January 2015	-	99	99

## Serco-IAL Limited

### Notes to the Financial Statements for the Year Ended 31 December 2016

#### 13 Investments

Subsidiaries	£ 000
Cost or valuation	
At 1 January 2015	58
At 31 December 2015	58
At 31 December 2016	58
Provision	
Carrying amount	
At 31 December 2016	58

Details of the subsidiaries as at 31 December 2016 are as follows:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held
			2016      2015
Serco Saudi LLC	Arabia Transportation services	PO Box 366877, Riyadh, 11393, Saudi Arabia	5%      5%

#### 14 Trade and other receivables

	2016 £ 000	2015 £ 000
Trade receivables	7,352	8,587
Amounts owed by group companies	59,119	38,670
Prepayments	6,430	7,424
	72,901	54,681
Less non-current portion	(59,119)	(25,535)
Total current trade and other receivables	13,782	29,146

#### 15 Trade and other payables

	2016 £ 000	2015 £ 000
Trade payables	98	320
Accrued expenses	3,124	2,700
Social security and other taxes	530	406
Other payables	85	3
	3,837	3,429

## Serco-IAL Limited

### Notes to the Financial Statements for the Year Ended 31 December 2016

#### 16 Loans and borrowings

	2016 £ 000	2015 £ 000
Non-current loans and borrowings		
Other borrowings	<u>                    </u>	<u>                    36</u>

#### 17 Other provisions

	Employee benefits £ 000
At 1 January 2016	4,689
Increase in existing provisions	1,096
Decrease through disposals	(1,115)
Increase due to foreign exchange differences	897
At 31 December 2016	<u>                    5,567</u>
Non-current liabilities	<u>                    5,567</u>

Employee related provisions are for long-term service awards and terminal gratuities liabilities which have been accrued and are based on contractual entitlement, together with an estimate of the probabilities that employees will stay until retirement and receive all amounts.

#### 18 Pension and other schemes

##### Defined contribution pension scheme

The company operates a defined contribution scheme. The pension cost charge for the year represents contributions payable by the company to the scheme amounted to £311,000 (2015: £328,000).

Contributions totalling £nil (2015: £nil) were payable to the scheme at the end of the year and are included in creditors.

The company contributes to a Group defined contribution scheme. The structure of the defined contribution scheme does not enable any of the Group companies to identify their share of the schemes' underlying assets or liabilities, and consequently the scheme has been treated in the same way as defined contribution schemes in the company's financial statements.

Further details on this Group defined contribution scheme can be found in note 33 of the consolidated Annual Review and Accounts of the company's ultimate parent, Serco Group plc.

## Serco-IAL Limited

### Notes to the Financial Statements for the Year Ended 31 December 2016

#### Defined benefit pension schemes

The company paid employer contributions of £28,000 (2015: £53,000) into UK defined benefit schemes. Contributions totaling £nil (2015: £nil) were payable to the scheme at the end of the year and are included in creditors.

As stated in note 2, the company contributes to a Group defined benefit scheme. The structure of the defined benefit scheme does not enable any of the Group companies to identify their share of the schemes' underlying assets or liabilities, and consequently the scheme has been treated in the same way as defined contribution schemes in the company's financial statements.

The total net pension asset on this Group defined benefit scheme at 31 December 2016 was £150.4m (2015: £127.1m asset).

The Group's major schemes are valued by independent actuaries annually using the projected unit credit method. This reflects services rendered by employees to the dates of valuation and incorporates actuarial assumptions primarily regarding discount rates used in determining the present value of benefits, projected rates of salary growth, and long-term expected rates of return of scheme assets. Discount rates are based on the market yields of high-quality corporate bonds in the country concerned. Further details on this Group defined benefit scheme can be found in note 33 of the consolidated Annual Review and Accounts of the company's ultimate parent, Serco Group plc, under the heading 'non contract specific'.

#### 19 Share capital

##### Allotted, called up and fully paid shares

	2016		2015	
	No.	£	No.	£
Ordinary of £1 each	<u>11,503</u>	<u>11,503</u>	<u>11,503</u>	<u>11,503</u>

#### 20 Parent and ultimate parent undertaking

These financial statements are available upon request from The Company's immediate parent is Serco Holdings Limited.

The ultimate parent 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.