

Registration number: 00427272

Serco-IAL Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2017

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Serco-IAL Limited

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Serco-IAL Limited

Company Information

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

Serco-IAL Limited

Strategic Report for the Year Ended 31 December 2017

The directors present their strategic report for the year ended 31 December 2017.

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 £72.7m is broadly consistent with the prior period (2016: £73.2m). The company has a number of ongoing Aviation contracts in the UAE (Dubai and Sharjah), Iraq (Baghdad) and Bahrain. The profit before tax in the year of £5.3m compared with a profit before tax of £9.1m in the prior period was largely a result of foreign exchange losses of £1.1m (2016: £2.0m foreign exchange gain).

The company did not pay a dividend in the year which is consistent with 2016.

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.

Approved by the Board on 12 November 2018 and signed on its behalf by:


.....
Paul Moberg
Director

Serco-IAL Limited

Directors' Report for the Year Ended 31 December 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

Directors of the company

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

S M Ashby

P J Mohring

D J Greer (resigned 16 October 2018)

Serco Corporate Services Limited - Company secretary and director

The directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

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

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board on 12 November 2018 and signed on its behalf by:



.....
P J Mohring
Director

Serco-IAL Limited

Directors' Report and the Financial Statements

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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Serco-IAL Limited

Independent Auditor's Report to the members of Serco IAL Limited

Opinion

We have audited the financial statements of Serco IAL Ltd ("the company") for the year ended 31 December 2017, which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework* and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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 take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Serco-IAL Limited

Independent Auditor's Report to the members of Serco IAL Limited

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

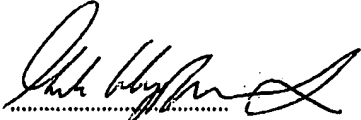
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



.....
Mark Wrigglesworth (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
London
E14 5GL
United Kingdom

19 NOVEMBER 2018

Serco-IAL Limited

Profit and Loss Account for the Year Ended 31 December 2017

	Note	2017 £ 000	2016 £ 000
Turnover	4	72,727	73,239
Cost of sales		<u>(65,788)</u>	<u>(65,331)</u>
Gross profit		6,939	7,908
Administrative expenses		<u>(1,997)</u>	<u>1,054</u>
Operating profit		4,942	8,962
Other interest receivable and similar income	6	<u>337</u>	<u>148</u>
Profit before tax		5,279	9,110
Tax on profit	10	<u>(879)</u>	<u>(845)</u>
Profit for the year		<u><u>4,400</u></u>	<u><u>8,265</u></u>

The above results were derived from continuing operations.

Serco-IAL Limited

Statement of Comprehensive Income for the Year Ended 31 December 2017

	Note	2017 £ 000	2016 £ 000
Profit for the year		4,400	8,265
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation gains		<u>(5,279)</u>	<u>8,748</u>
Total comprehensive (loss)/income for the year		<u>(879)</u>	<u>17,013</u>

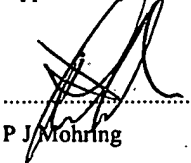
The notes on pages 11 to 20 form an integral part of these financial statements.

Serco-IAL Limited

**(Registration number: 00427272)
Balance Sheet as at 31 December 2017**

	Note	2017 £ 000	2016 £ 000
Fixed assets			
Property, plant and equipment	11	-	23
Investments	12	58	58
		<u>58</u>	<u>81</u>
Current assets			
Debtors	13	73,826	72,901
Cash at bank and in hand		4,338	5,286
		<u>78,164</u>	<u>78,187</u>
Creditors: Amounts falling due within one year			
Trade and other payables	14	(4,690)	(3,837)
Corporation tax	10	(188)	(146)
Deferred income		(49)	(80)
		<u>(4,927)</u>	<u>(4,063)</u>
Creditors: Amounts falling due within one year			
Net current assets		<u>73,237</u>	<u>74,124</u>
Total assets less current liabilities		73,295	74,205
Provisions for liabilities	15, 10	(5,536)	(5,567)
Net assets		<u>67,759</u>	<u>68,638</u>
Capital and reserves			
Called up share capital	17	11,503	11,503
Share premium reserve		7,183	7,183
Other reserves		1,146	1,146
Profit and loss account		47,927	48,806
Shareholders' funds		<u>67,759</u>	<u>68,638</u>

Approved by the Board on 12 November 2018 and signed on its behalf by:


P J Mohring
Director

The notes on pages 11 to 20 form an integral part of these financial statements.

Serco-IAL Limited

Statement of Changes in Equity for the Year Ended 31 December 2017

	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
	Share capital £ 000	Share premium £ 000	Share based payments reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2017	11,503	7,183	1,146	48,806	68,638
Profit for the year	-	-	-	4,400	4,400
Other comprehensive income	-	-	-	(5,279)	(5,279)
Total comprehensive income	-	-	-	(879)	(879)
At 31 December 2017	11,503	7,183	1,146	47,927	67,759

The notes on pages 11 to 20 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 2017

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 19.

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 2017 have had a material effect on the financial statements.

Serco-IAL Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

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 2017

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.

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.

Serco-IAL Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

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 £59.5m. 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:

	2017 £ 000	2016 £ 000
Rendering of services	72,727	73,239

5 Operating profit

Arrived at after charging/(crediting)

	2017 £ 000	2016 £ 000
Depreciation expense	21	44
Foreign exchange losses/(gains)	1,120	(2,010)
Loss on disposal of property, plant and equipment	3	-

Serco-IAL Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

6 Other interest receivable and similar income

	2017 £ 000	2016 £ 000
Interest received from group companies	312	148
Dividend income	25	-
	<u>337</u>	<u>148</u>

7 Staff costs

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

	2017 £ 000	2016 £ 000
Wages and salaries	37,339	37,661
Social security costs	11	-
Pension costs, defined contribution scheme	849	937
Pension costs, defined benefit scheme	16	28
Other employee expense	14,708	14,624
	<u>52,923</u>	<u>53,250</u>

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

	2017 No.	2016 No.
Total	<u>375</u>	<u>383</u>

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

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2017 £ 000	2016 £ 000
Remuneration	<u>340</u>	<u>357</u>

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

	2017 No.	2016 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:

	2017 £ 000	2016 £ 000
Remuneration	340	357

Serco-IAL Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

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.

9 Auditors' remuneration

Auditor's remuneration of £5,000 (2016: £5,000) 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 (2016: £nil).

10 Tax

Tax charged in the income statement

	2017 £ 000	2016 £ 000
Foreign tax	<u>879</u>	<u>845</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2016: lower than the standard rate of corporation tax in the UK of 19.25% (2016: 20%).

The differences are reconciled below:

	2017 £ 000	2016 £ 000
Profit before tax	<u>5,279</u>	<u>9,110</u>
Corporation tax at standard rate	1,016	1,822
Increase (decrease) from effect of unrelieved tax losses carried forward	7	-
Increase from effect of foreign tax rates	(145)	846
Deferred tax expense (credit) from unrecognised tax loss or credit	1	-
Statutory tax benefits	<u>-</u>	<u>(1,823)</u>
Total tax charge	<u>879</u>	<u>845</u>

Deferred tax

There are £17,000 of capital allowances in excess of depreciation (2016: £13,000) 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 2017

11 Property, plant and equipment

	Furniture, fittings and equipment £ 000	Other property, plant and equipment £ 000	Total £ 000
Cost or valuation			
At 1 January 2016	67	231	298
Foreign exchange	15	46	61
Additions	18	-	18
At 31 December 2016	100	277	377
At 1 January 2017	100	277	377
Foreign exchange	(1)	(16)	(17)
Disposals	(93)	(119)	(212)
At 31 December 2017	6	142	148
Depreciation			
At 1 January 2016	66	190	256
Charge for year	15	28	43
Foreign exchange	14	41	55
At 31 December 2016	95	259	354
At 1 January 2017	95	259	354
Charge for the year	2	18	20
Eliminated on disposal	(90)	(120)	(210)
Foreign exchange	(1)	(15)	(16)
At 31 December 2017	6	142	148
Carrying amount			
At 31 December 2017	-	-	-
At 31 December 2016	5	18	23

Serco-IAL Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

12 Investments

Subsidiaries	£ 000
Carrying amount	
As at 1 January 2017 and at 31 December 2017	<u>58</u>

Details of the subsidiaries as at 31 December 2017 are as follows:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2017	2016
Serco Saudi Arabia LLC	Transportation services	PO Box 366877, Riyadh, 11393, Saudi Arabia	5%	5%

13 Trade and other receivables

	2017 £ 000	2016 £ 000
Trade receivables	8,031	7,352
Amounts owed by group companies	59,463	59,119
Prepayments	<u>6,332</u>	<u>6,430</u>
	73,826	72,901
Less non-current portion	<u>(59,463)</u>	<u>(59,119)</u>
Total current trade and other receivables	<u>14,363</u>	<u>13,782</u>

14 Trade and other payables

	2017 £ 000	2016 £ 000
Trade payables	838	98
Accrued expenses	3,508	3,124
Social security and other taxes	204	530
Other payables	<u>140</u>	<u>85</u>
	<u>4,690</u>	<u>3,837</u>

Serco-IAL Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

15 Other provisions

	Employee benefits £ 000
At 1 January 2017	5,567
Increase in existing provisions	1,512
Provisions used	(817)
Unused provision reversed	(196)
Decrease due to foreign exchange differences	(530)
At 31 December 2017	<u>5,536</u>
Non-current liabilities	<u>5,536</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.

16 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 £849,000 (2016: £311,000).

Contributions totalling £nil (2016: £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.

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Notes to the Financial Statements for the Year Ended 31 December 2017

Defined benefit pension schemes

The company paid employer contributions of £17,000 (2016: £28,000) into UK defined benefit schemes. Contributions totaling £nil (2016: £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 2017 was £41.8m (2016: £150.4m 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'.

17 Share capital

Allotted, called up and fully paid shares

	2017		2016	
	No.	£	No.	£
Ordinary of £1 each	<u>11,503</u>	<u>11,503</u>	<u>11,503</u>	<u>11,503</u>

18 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.