

Registration number: 00427272

Serco-IAL Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2018



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

Strategic Report

for the Year Ended 31 December 2018

The directors present their strategic report for the year ended 31 December 2018.

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 £69.4m is broadly consistent with the prior period (2017: £72.7m). 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 £8.2m compared with a profit before tax of £5.3m in the prior period was largely a result of foreign exchange gain of £0.6m (2017: £1.1m foreign exchange loss).

The company did not pay a dividend in the year which is consistent with 2017.

The directors consider the results for the year to be satisfactory.

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 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 28/06/2019 and signed on its behalf by:



.....
P J Mohring
Director

Directors' Report

for the Year Ended 31 December 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

Directors of the company

The directors who held office throughout the year and subsequently to the date of this report, unless otherwise stated were as follows:

S M Ashby

P J Mohring

D Greer (resigned 16 October 2018)

Serco Corporate Services Limited

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 28/06/2019 and signed on its behalf by:



.....
P J Mohring
Director

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The directors are responsible for preparing the Strategic Report, 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 International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- 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.

Independent Auditor's Report to the Members of Serco-IAL Limited

Opinion

We have audited the financial statements of Serco-IAL Limited (the 'Company') for the year ended 31 December 2018, which comprise Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, and 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 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; 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

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

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.

Independent Auditor's Report to the Members of Serco-IAL Limited

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.

We have nothing to report in these respects.

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.

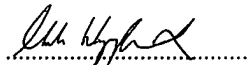
Auditor's responsibilities

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

Date: 28 June 2019

Serco-IAL Limited

Profit and Loss Account for the Year Ended 31 December 2018

	<i>Note</i>	<i>2018</i> <i>£ 000</i>	<i>2017</i> <i>£ 000</i>
Turnover	4	69,423	72,727
Cost of sales		<u>(61,347)</u>	<u>(65,788)</u>
Gross profit		8,076	6,939
Administrative expenses		<u>(708)</u>	<u>(1,997)</u>
Operating profit	5	7,368	4,942
Other interest receivable and similar income	6	803	337
Interest payable and similar charges	7	<u>(13)</u>	<u>-</u>
Profit before tax		8,158	5,279
Tax on profit on ordinary activities	11	<u>(977)</u>	<u>(879)</u>
Profit for the year		<u>7,181</u>	<u>4,400</u>

The above results were derived from continuing operations.

The notes on pages 11 to 21 form an integral part of these financial statements.

Statement of Comprehensive Income
for the Year Ended 31 December 2018

	<i>2018</i> <i>£ 000</i>	<i>2017</i> <i>£ 000</i>
Profit for the year	7,181	4,400
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation gains/(losses)	<u>3,638</u>	<u>(5,279)</u>
Total comprehensive income/(loss) for the year	<u><u>10,819</u></u>	<u><u>(879)</u></u>

The notes on pages 11 to 21 form an integral part of these financial statements.

Serco-IAL Limited

Balance Sheet

as at 31 December 2018

Registration number: 00427272

	Note	2018 £ 000	2017 £ 000
Fixed assets			
Investments	12	58	58
Current assets			
Debtors	13	85,131	73,826
Cash at bank and in hand	14	5,596	4,338
		<u>90,727</u>	<u>78,164</u>
Creditors: Amounts falling due within one year			
Trade and other payables	15	(5,694)	(4,690)
Corporation tax	11	(315)	(188)
Deferred income		<u>(62)</u>	<u>(49)</u>
Creditors: Amounts falling due within one year		<u>(6,071)</u>	<u>(4,927)</u>
Net current assets		<u>84,656</u>	<u>73,237</u>
Total assets less current liabilities		84,714	73,295
Provisions for liabilities	16	<u>(6,032)</u>	<u>(5,536)</u>
Net assets		<u>78,682</u>	<u>67,759</u>
Capital and reserves			
Called up share capital	18	11,503	11,503
Share premium reserve		7,183	7,183
Other reserves		1,250	1,146
Profit and loss account		<u>58,746</u>	<u>47,927</u>
Shareholders' funds		<u>78,682</u>	<u>67,759</u>

The financial statements were approved by the director on 28/06/2019... and signed on its behalf by:



P J Mohring
Director

The notes on pages 11 to 21 form an integral part of these financial statements.

Serco-IAL Limited

Statement of Changes in Equity

for the Year Ended 31 December 2018

	<i>Share capital</i> £ 000	<i>Share premium</i> £ 000	<i>Share based payments reserve</i> £ 000	<i>Retained earnings</i> £ 000	<i>Total</i> £ 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
At 1 January 2018	11,503	7,183	1,146	47,927	67,759
Profit for the year	-	-	-	7,181	7,181
Other comprehensive income	-	-	-	3,638	3,638
Total comprehensive income	-	-	-	10,819	10,819
Share based payment transactions	-	-	104	-	104
At 31 December 2018	11,503	7,183	1,250	58,746	78,682

The notes on pages 11 to 21 form an integral part of these financial statements.

Notes to the Financial Statements

for the Year Ended 31 December 2018

1 General information

The Company is a private company limited by share capital, incorporated and domiciled in United Kingdom under the Companies Act 2006. 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 page 2.

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

The level of rounding is to the nearest thousand ('000) unless otherwise stated.

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 across the period 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, except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

New standards

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2018.

The following new or revised standards have no material impact on the financial statements.

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

IFRS 16 Leases was issued in January 2016 and is applicable to annual reporting periods beginning on or after 1 January 2019. The Company decided not to early adopt IFRS 16.

Notes to the Financial Statements

for the Year Ended 31 December 2018

2 Accounting policies (continued)

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.

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. Under IFRS15, unless upfront fees received from customers including transition payments can be clearly attributable to a distinct service the customer is obtaining, then such payments do not constitute a separate performance obligation and instead are deferred and spread over the life of the core services. 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 IFRS 15 Revenue from Contracts with Customers. 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.

Notes to the Financial Statements

for the Year Ended 31 December 2018

2 Accounting policies (continued)

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.

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:

<i>Asset class</i>	<i>Depreciation method and rate</i>
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 debtors 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.

Notes to the Financial Statements

for the Year Ended 31 December 2018

2 Accounting policies (continued)

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.

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 judgement 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 £70.6m. 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.

Notes to the Financial Statements

for the Year Ended 31 December 2018

4 Turnover

The analysis of the Company's turnover for the year from continuing operations is as follows:

	2018 £ 000	2017 £ 000
Rendering of services	<u>69,423</u>	<u>72,727</u>

5 Operating profit

Arrived at after (crediting)/charging

	2018 £ 000	2017 £ 000
Depreciation expense	-	21
Foreign exchange (gains)/losses	(620)	1,120
Loss on disposal of property, plant and equipment	<u>-</u>	<u>3</u>

6 Other interest receivable and similar income

	2018 £ 000	2017 £ 000
Interest received from group companies	803	312
Dividend income	<u>-</u>	<u>25</u>
	<u>803</u>	<u>337</u>

7 Interest payable and similar charges

	2018 £ 000	2017 £ 000
Intercompany interest	<u>13</u>	<u>-</u>

Notes to the Financial Statements

for the Year Ended 31 December 2018

8 Staff costs

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

	2018 £ 000	2017 £ 000
Wages and salaries	35,817	37,339
Social security costs	19	11
Pension costs, defined contribution scheme	739	849
Pension costs, defined benefit scheme	1	16
Other employee expense	14,675	14,708
	<u>51,251</u>	<u>52,923</u>

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

	2018 No.	2017 No.
Total	<u>386</u>	<u>375</u>

9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2018 £ 000	2017 £ 000
Remuneration	<u>311</u>	<u>340</u>

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

	2018 No.	2017 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:

	2018 £ 000	2017 £ 000
Remuneration	<u>311</u>	<u>340</u>

Notes to the Financial Statements

for the Year Ended 31 December 2018

9 Directors' remuneration (continued)

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 Auditor's remuneration

Auditor's remuneration of £5,000 (2017: £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 (2017: £nil).

11 Tax

Tax charged in the profit and loss account

	2018 £ 000	2017 £ 000
Current taxation		
Foreign tax	<u>977</u>	<u>879</u>

The differences are reconciled below:

The tax on profit before tax for the year is lower than the standard rate of corporation tax of 19% (2017 - 19.25%).

	2018 £ 000	2017 £ 000
Profit before tax	<u>8,158</u>	<u>5,279</u>
Corporation tax at standard rate	1,550	1,016
Adjustments in respect of prior years	17	-
Expenses not deductible for tax purposes	104	-
Movement in unrelieved tax losses	-	7
Movement in deferred tax not provided	-	1
Overseas rate differences	<u>(694)</u>	<u>(145)</u>
Total tax charge	<u>977</u>	<u>879</u>

Notes to the Financial Statements

for the Year Ended 31 December 2018

11 Tax (continued)

Deferred tax

There are £13,000 of depreciation in excess of capital allowances (2017: £17,000) for which no deferred tax asset is recognised in the statement of financial position.

Factors affecting future tax rate

In 2016 the UK Government enacted measures to reduce the current UK tax rate from 19% to 17% from April 2020. Any future current tax charge for the Company will be calculated using these appropriately reduced rates.

12 Investments

Subsidiaries

£ 000

Cost or valuation

As at 1 January 2018

58

As at 31 December 2018

58

Carrying amount

At 31 December 2018 and as at 31 December 2017

58

Details of the investments as at 31 December 2018 are as follows:

Name of investment	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2018	2017
Serco Arabia LLC	Saudi Transportation services	PO Box 366877, Riyadh, 11393, Saudi Arabia	5%	5%

Notes to the Financial Statements

for the Year Ended 31 December 2018

13 Debtors

	2018 £ 000	2017 £ 000
Trade receivables	8,961	8,031
Amounts owed by group companies	70,572	59,463
Prepayments	5,598	6,332
	<u>85,131</u>	<u>73,826</u>
Less non-current portion	<u>(70,572)</u>	<u>(59,463)</u>
Total current trade and other receivables	<u>14,559</u>	<u>14,363</u>

Amounts owed by group companies have no fixed repayment date and bear interest based on LIBOR minus 0.2%.

14 Cash and cash equivalents

	2018 £ 000	2017 £ 000
Cash at bank	<u>5,596</u>	<u>4,338</u>

15 Creditors: Amounts falling due within one year

	2018 £ 000	2017 £ 000
Trade creditors	-	838
Accrued expenses	5,138	3,508
Amounts due to related parties	86	-
Social security and other taxes	250	204
Other creditors	220	140
	<u>5,694</u>	<u>4,690</u>

Notes to the Financial Statements

for the Year Ended 31 December 2018

16 Provisions for liabilities

	<i>Employee benefits £ 000</i>
At 1 January 2018	5,536
Increase in existing provisions	1,047
Provisions used	(8)
Unused provision reversed	(895)
Increase due to foreign exchange differences	352
At 31 December 2018	<u>6,032</u>
Non-current liabilities	<u>6,032</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.

17 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £739k (2017: £849k).

Contributions totalling £nil (2017: £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 31 of the consolidated Annual Review and Accounts of the company's ultimate parent, Serco Group plc.

Defined benefit pension schemes

The company paid employer contributions of £1,000 (2017: £17,000) into UK defined benefit schemes. Contributions totalling £nil (2017: £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.

Notes to the Financial Statements

for the Year Ended 31 December 2018

17 Pension and other schemes (continued)

The total net pension asset on this Group defined benefit scheme at 31 December 2018 was £85.8m (2017: £41.8m 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 31 of the consolidated Annual Review and Accounts of the company's ultimate parent, Serco Group plc, under the heading 'defined benefit schemes'.

18 Share capital

Allotted, called up and fully paid shares

	2018		2017	
	<i>No.</i>	<i>£</i>	<i>No.</i>	<i>£</i>
Ordinary share capital of £1 each	<u>11,503,000</u>	<u>11,503,000</u>	<u>11,503,000</u>	<u>11,503,000</u>

19 Parent and ultimate parent undertaking

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.