

SERCO-IAL LIMITED
(formerly International Aeradio Limited)

ANNUAL REPORT AND ACCOUNTS

31 DECEMBER 1993



A Company registered in England and Wales, number 427272

SERCO-IAL LIMITED (formerly International Aeradio Limited)

DIRECTORS' REPORT TO BE PRESENTED TO THE FORTY-SEVENTH ANNUAL GENERAL MEETING OF THE SHAREHOLDERS

The Directors present their Annual Report and the audited Accounts of the company for the year ended 31 December 1993.

ACTIVITIES

The activities of Serco-IAL Limited are the provision of management services for airports and the supply, installation and maintenance of equipment, in the communications and security field. The Company changed its name to Serco-IAL Limited on 17 January 1994.

REVIEW OF DEVELOPMENTS

Serco-IAL Limited traded satisfactorily with a turnover for the year amounting to £30,299,000 (8 months ended 31 December 1992 - £29,320,000) and the profit on ordinary activities after taxation was £1,373,000 (8 months ended 31 December 1992 - £800,000).

RESULTS

The results for the year are set out on Page 5. The Directors are confident that 1994 will be another successful year.

DIVIDEND AND TRANSFER TO RESERVES

The Directors do not propose the payment of a dividend (1992 - £Nil). The profit of £1,373,000 (1992 - £800,000) has been transferred to reserves.

FIXED ASSETS

The Company's fixed assets are detailed in note 8 to the Accounts. Investments of the Company are detailed in note 9 to the Accounts.

EMPLOYEE INVOLVEMENT

The Directors recognise the need to involve employees directly in the success of the business.

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

SERCO-IAL LIMITED (formerly International Aeradio Limited)

DIRECTORS' REPORT TO BE PRESENTED TO THE FORTY-SEVENTH ANNUAL GENERAL MEETING OF THE SHAREHOLDERS

EMPLOYMENT OF DISABLED PERSONS

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

DIRECTORS

The following Directors served during the year:

	Appointed	Resigned
G Gray		
A Robson		
D Perkins		
K Beeston		
J Duggan		
A Cornwell		18 August 1993
Sir P Redwood		
J Wilson		5 March 1993
C Farnfield	1 September 1993	
P Kehoe	9 December 1993	
P McKoen	9 December 1993	

No Director had any interest in the shares of the Company at the beginning or end of the year. The interests of the Directors in the shares of group companies are shown in note 3 to the Accounts.

AUDITORS

Touche Ross & Co. have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

SERCO-IAL LIMITED (formerly International Aeradio Limited)

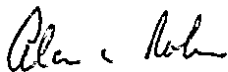
DIRECTORS' RESPONSIBILITIES

Company Law requires the Directors to prepare Accounts for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit and loss of the Company for that year. In preparing these Accounts, 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 accounting standards have been followed;
- prepare the Accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board of Directors and signed on behalf of the Board:



A L ROBSON FCA FCT F Inst. D

Secretary

Serco House
Hayes Road
Southall
Middlesex
UB2 5NJ

2 March 1994

AUDITORS' REPORT TO THE MEMBERS

We have audited the Accounts and Notes on pages 5 to 20 which have been prepared under the accounting policies set out on pages 8 to 9.

Respective responsibilities of directors and auditors

As described on page 3 the Company's Directors are responsible for the preparation of the Accounts and Notes. It is our responsibility to form an independent opinion, based on our audit, on those Accounts and Notes and to report our opinion to you.

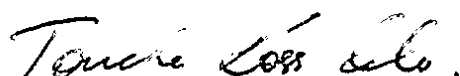
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination on a test basis, of evidence relevant to the amounts and disclosures in the Accounts and Notes. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Accounts and Notes, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the Accounts and Notes give a true and fair view of the state of affairs of the Company as at 31 December 1993 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Touche Ross & Co.
Chartered Accountants and Registered Auditors
Hill House
1 Little New Street
London
EC4A 3TR

2 March 1994

SERCO-IAL LIMITED (formerly International Aeradio Limited)**PROFIT AND LOSS ACCOUNT**

for the year ended 31 December 1993

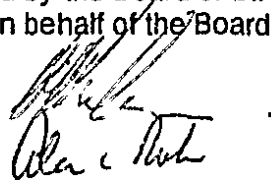
			8 months ended 31 December	
	Note	1993 £'000	1992 £'000	1992 £'000
Turnover of continuing operations		30,299		25,778
Discontinued operation		-		3,542
Total Turnover	2	30,299		29,320
Cost of sales of continuing operations		(26,506)	(22,672)	
Discontinued operation		-	(2,845)	
				(25,517)
Gross profit		3,793		3,803
Administrative expenses of continuing operations		(2,183)	(2,225)	
Administrative expenses of discontinued operation		-	(697)	
				(2,922)
Operating profit of continuing operations		1,610	881	
Discontinued operation		-	-	
Total Operating profit		1,610		881
Income from shares in associated undertakings		417		109
Interest receivable	4	586		288
Interest payable and similar charges	5	(55)		(8)
Profit on ordinary activities before taxation	6	2,558		1,270
Tax on profit on ordinary activities	7	(1,185)		(470)
Profit on ordinary activities after taxation		1,373		800
Retained profit for the financial period		1,373		800

SERCO-IAL LIMITED (formerly International Aeradio Limited)**BALANCE SHEET**
at 31 December 1993

	Note	1993 £'000	1992 £'000
FIXED ASSETS			
Tangible assets	8	7,282	7,151
Investments	9	1,249	1,465
		<u>8,531</u>	<u>8,616</u>
CURRENT ASSETS			
Stocks	10	144	2,056
Debtors: Amounts receivable within one year	11	4,410	6,959
Amounts owed by fellow subsidiaries		2,211	4,811
Amounts owed by associated undertakings		-	90
Cash at bank and in hand		9,202	2,066
		<u>15,967</u>	<u>15,982</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Trade creditors		644	576
Amounts owed to fellow subsidiaries		-	193
Amounts owed to subsidiaries		-	239
Amounts owed to associated undertakings		-	40
Other creditors including taxation and social security	12	1,965	1,260
Accruals and deferred income		4,876	7,712
		<u>7,485</u>	<u>10,020</u>
NET CURRENT ASSETS		<u>8,482</u>	<u>5,962</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>17,013</u>	<u>14,578</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	13	24	-
PROVISIONS FOR LIABILITIES AND CHARGES	14	4,458	3,770
		<u>12,531</u>	<u>10,808</u>
CAPITAL AND RESERVES			
Called up share capital	15	11,500	11,500
Revaluation reserve	16	3,960	3,610
Profit and loss account	17	(2,929)	(4,302)
		<u>12,531</u>	<u>10,808</u>

These Accounts were approved by the Board of Directors
on 2 March 1994 and signed on behalf of the Board:

D E PERKINS)
A L ROBSON) Directors



SERCO-IAL LIMITED (formerly International Aeradio Limited)**STATEMENT OF RECOGNISED GAINS & LOSSES**
as at 31 December 1993

	1993 £'000	8 months ended 31 December 1992 £'000
Profit for the financial period	1,373	800
Unrealised profit/(loss) on revaluation of properties	142	-
	<u>1,515</u>	<u>800</u>
Unrealised profit on revaluation of investments	208	228
	<u>208</u>	<u>228</u>
Total recognised gains and losses relating to the period	<u>1,723</u>	<u>1,028</u>

NOTES TO THE ACCOUNTS

for the year ended 31 December 1993

1. ACCOUNTING POLICIES

These Accounts have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

These Accounts have been prepared under the historical cost convention, as modified by the revaluation of freehold properties and investments in associated undertakings. Consolidated accounts have not been prepared as the Company is a wholly owned subsidiary of a company incorporated in Great Britain and is therefore exempt by virtue of S228 of the Companies Act 1985 from the requirement to prepare and deliver group accounts.

Depreciation

No depreciation is charged in the Accounts in respect of freehold land. The depreciation charged on other assets is provided on a straight-line basis at rates which, in the opinion of the Directors, will reduce the assets to their residual value over their estimated useful lives.

The principal annual rates used are:

Freehold buildings	2.5%
Short leasehold building improvements	The higher of 10% or rate produced by lease term
Plant and machinery	15%
Fittings and equipment	15%
Motor vehicles	25%
Computers	33%

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes an appropriate proportion of direct material and labour.

Long-Term Contracts

Long-term contract balances represent costs incurred on specific contracts, net of amounts transferred to cost of sales in respect of work recorded as turnover by reference to the value of the work carried out to date. No profit is recognised until the contract has advanced to a stage where the total profit can be assessed with reasonable certainty. Provision is made for the full amount of foreseeable losses on contracts. Advance payments are included in creditors to the extent that they exceed the related work in progress.

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the Accounts to the extent that it is probable that a liability or asset will crystallise in the future.

SERCO-IAL LIMITED (formerly International Aeradio Limited)

NOTES TO THE ACCOUNTS

for the year ended 31 December 1993

1. ACCOUNTING POLICIES (continued)

Investments in subsidiary and associated undertakings

Investments in subsidiary undertakings are shown at cost less amounts written off. Investments in associated undertakings are shown at Directors' valuation, being equal to the net asset value at the period end.

Basis of translation of foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rate ruling at the date of the transaction. Amounts receivable and payable in foreign currencies at the balance sheet date are translated at the rates ruling at that date.

All translation differences are dealt with in the profit and loss account.

Turnover

Turnover, which excludes value added tax and other sales taxes, comprises the value of services provided and equipment sales.

Pension Costs

Retirement benefits to employees are funded by contributions from the Company and its employees. Payments are made to a trust fund which is financially separate from the Company in accordance with periodic calculations by the Company's actuaries. The expected cost to the Company of providing pensions is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the scheme in such a way that the cost is a substantially level percentage of current and expected future payroll cost.

Leases

Assets obtained under finance leases are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Rental costs under operating leases are charged to the profit and loss account in equal agreed amounts over the period of the leases.

Contract termination provisions

In appropriate cases where permanent staff are employed on long term fixed period contracts, contract termination provisions are set up and include redundancy costs based on current legislation.

Comparative Figures

The comparative figures for the year ended 31 December 1992 have been restated in compliance with Financial Reporting Standard FRS 3 to show the results of the Security Products Division of Serco-IAL Limited, which was sold on 31 December 1992, as a discontinued operation.

SERCO-IAL LIMITED (formerly International Aeradio Limited)**NOTES TO THE ACCOUNTS**

for the year ended 31 December 1993

2. SEGMENTAL REPORT

		8 months ended 31 December
	1993 £'000	1992 £'000
Turnover:		
Facilities Management	6,954	4,070
Operations and Maintenance	12,117	8,025
Project Management	6,180	3,826
Systems Engineering	5,048	13,399
	<u>30,299</u>	<u>29,320</u>
United Kingdom	7,678	7,978
Europe	3,561	1,748
Middle East & Africa	14,969	10,670
Far East & Australasia	4,091	8,924
	<u>30,299</u>	<u>29,320</u>
Profit/(loss) on ordinary activities before taxation:		
Facilities Management	1,319	650
Operations and Maintenance	1,514	1,159
Project Management	1,505	1,056
Systems Engineering	528	1,099
Divisional overheads	(2,308)	(2,694)
	<u>2,558</u>	<u>1,270</u>

**3. INFORMATION REGARDING DIRECTORS
AND EMPLOYEES**

		8 months ended 31 December
	1993 £'000	1992 £'000
Directors' emoluments:		
Directors' fees	Nil	Nil
Other emoluments	167	154
	<u>167</u>	<u>154</u>
Remuneration of the Chairman	Nil	Nil
Remuneration of the highest paid Director	50	35
	<u>50</u>	<u>35</u>

SERCO-IAL LIMITED (formerly International Aeradio Limited)

NOTES TO THE ACCOUNTS

for the year ended 31 December 1993

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

		8 months ended 31 December 1992
	1993 Number	Number
Scale of other Directors' remuneration:		
£0 - £5,000	2	5
£10,001 - £15,000	1	-
£15,001 - £20,000	1	-
£25,001 - £30,000	-	3
£30,001 - £35,000	-	1
£35,001 - £40,000	2	-

There are four Directors who are also Directors of Serco Group plc and/or Serco Limited and their interests in the shares of Serco Group plc are shown in the notes to the Accounts of those companies.

None of the other Directors had any interests in the shares of Serco Group plc.

		8 months ended 31 December 1992
	1993 £'000	£'000
Employee costs including directors:		
Wages and salaries	15,979	11,022
Social security costs	786	483
Other pension costs	-	-
	<u>16,765</u>	<u>11,505</u>

		8 months ended 31 December 1992
	1993 Number	Number
Average number of persons employed:		
Operations	842	819
Administration and other	57	60
	<u>899</u>	<u>879</u>

SERCO-IAL LIMITED (formerly International Aeradio Limited)

NOTES TO THE ACCOUNTS

for the year ended 31 December 1993

4. INTEREST RECEIVABLE	8 months ended 31 December	
	1993 £'000	1992 £'000
Bank interest	467	288
Other interest receivable	119	-
	<u>586</u>	<u>288</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES	8 months ended 31 December	
	1993 £'000	1992 £'000
On liabilities repayable within five years:		
Bank loans and overdrafts	54	8
Other	1	-
	<u>55</u>	<u>8</u>

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	8 months ended 31 December	
	1993 £'000	1992 £'000
Profit on ordinary activities before taxation		
is after charging:		
Hire of plant and machinery	44	12
Depreciation on tangible fixed assets - owed	848	501
Depreciation on tangible fixed assets - leased	11	-
	<u>863</u>	<u>513</u>

Auditors' remuneration and other charges from Touche Ross and Co. are borne by the parent company.

SERCO-IAL LIMITED (formerly International Aeradio Limited)

NOTES TO THE ACCOUNTS

for the year ended 31 December 1993

		8 months ended 31 December
7. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES	1993 £'000	1992 £'000

The taxation charge on the results for the year is made up as follows:

United Kingdom corporation tax at 33% (31 December 1992 - 33%)	1,157	453
Less: Double tax relief	-	(14)
Overseas taxation	-	31
Adjustment in respect of prior years	28	-
	<u>1,185</u>	<u>470</u>

The tax charge for the year is high in relation to the profit on ordinary activities as a result of deferred tax asset timing differences for which no credit has been taken and expenditure which is not deductible for tax purposes.

8. TANGIBLE FIXED ASSETS

	Freehold Land & Buildings £'000s	Short Leasehold building improvements £'000s	Machinery, motor vehicles, furniture and equipment £'000s	Total £'000s
Cost or valuation:				
At 1 January 1993	5,950	60	4,898	10,908
Additions	203	-	914	1,117
Disposals	-	(60)	(1,386)	(1,446)
Revaluation adjustment	(3)	-	-	(3)
At 31 December 1993	<u>6,150</u>	<u>-</u>	<u>4,426</u>	<u>10,576</u>
Accumulated depreciation:				
At 1 January 1993	-	28	3,729	3,757
Provided during the period	45	-	814	859
Disposals	-	(28)	(1,249)	(1,277)
Revaluation adjustment	(45)	-	-	(45)
At 31 December 1993	<u>-</u>	<u>-</u>	<u>3,294</u>	<u>3,294</u>
Net book values:				
At 31 December 1993	<u>6,150</u>	<u>-</u>	<u>1,132</u>	<u>7,282</u>
At 31 December 1992	<u>5,950</u>	<u>32</u>	<u>1,169</u>	<u>7,151</u>

SERCO-IAL LIMITED (formerly International Aeradio Limited)

NOTES TO THE ACCOUNTS

for the year ended 31 December 1993

8. TANGIBLE FIXED ASSETS (continued)

The historical cost of the freehold land and buildings as at 31 December 1993 was £6,208,000 and the cumulative depreciation to that date £100,000.

The cost of assets held by the Company under finance leases at 31 December 1993 was £38,137 (1992 - £Nil). The accumulated depreciation provided for those assets at 31 December 1993 was £11,441 (1992 - £Nil).

The main freehold properties were valued by Adlers, a firm of Surveyors, in December 1993. Their open market valuation at that date was £6,150,000, apportioned by them as to £2,820,000 in respect of land and £3,330,000 in respect of buildings. The valuations have been incorporated in the balance sheet. The differences between the valuations and the net book values for both properties totalled £42,000. The difference for each individual property has been applied to the revaluation reserve where there is a surplus and otherwise to the profit and loss account.

9. INVESTMENTS HELD AS FIXED ASSETS

	Interests in group undertakings £'000	Other Investments £'000	Total £'000
Cost or valuation:			
At 1 January 1993	2,015	385	2,400
Dividends received	(417)	-	(417)
Additions	152	362	514
Disposals	-	-	-
Revaluation adjustment	208	-	208
At 31 December 1993	1,958	747	2,705
Amounts written off:			
At 1 January 1993	550	385	935
Provided during the period	159	362	521
Disposals	-	-	-
At 31 December 1993	709	747	1,456
Net book value:			
At 31 December 1993	1,249	-	1,249
At 31 December 1992	1,465	-	1,465

SERCO-IAL LIMITED (formerly International Aeradio Limited)

NOTES TO THE ACCOUNTS

for the year ended 31 December 1993

The Company is exempt by virtue of S228 of the Companies Act 1985 from the requirement to prepare and deliver group accounts.

In the opinion of the Directors, the aggregate values of the assets consisting of shares in, and amounts owing from, its subsidiaries and associated undertakings is not less than the amount at which these assets are included in the balance sheet.

At 31 December 1993, Serco-IAL Limited directly held all of the allotted share capital of the following principal subsidiaries, namely:

Name	Allotted shares	Country of incorporation /registration	Operates principally in
International Aeradio Pakistan (Private) Limited	1,000 ordinary shares of 100Rs	Pakistan	Pakistan
International Aeradio (Hong Kong) Limited	10,000 ordinary shares of HK\$1	Hong Kong	Hong Kong

At 31 December 1993, Serco-IAL Limited directly held part of the allotted share capital of the following principal associated undertakings:

Name	Allotted shares	Percentage of allotted capital owned	Country of registration or incorporation
Aeradio Technical Services WLL	400 ordinary shares of BD 100	49	Bahrain
International Aeradio (Emirates) LLC	100 ordinary shares of DHS 10,000	49	United Arab Emirates

During the period the Company disposed of its investment in Caribbean Telecoms Limited.

The principal activity of all subsidiary and associated undertakings is the provision of communication services and equipment.

10. STOCKS

	1993 £'000	1992 £'000
Service spares	-	1,899
Work in progress	144	157
	144	2,056

SERCO-IAL LIMITED (formerly International Aeradio Limited)**NOTES TO THE ACCOUNTS**

for the year ended 31 December 1993

**11. DEBTORS: AMOUNTS RECEIVABLE
WITHIN ONE YEAR**

	1993 £'000	1992 £'000
Amounts recoverable on contracts	3,932	6,419
Other debtors	338	419
Prepayments and accrued income	140	121
	<u>4,410</u>	<u>6,959</u>

**12. OTHER CREDITORS INCLUDING TAXATION AND
SOCIAL SECURITY: AMOUNTS PAYABLE
WITHIN ONE YEAR**

	1993 £'000	1992 £'000
Corporation tax	1,483	940
Other taxation and social security	479	320
Obligations under finance leases	3	-
	<u>1,965</u>	<u>1,260</u>

**13. CREDITORS: AMOUNTS FALLING DUE AFTER
MORE THAN ONE YEAR**

	1993 £'000	1992 £'000
(a) Amounts falling due after more than one year:		
Obligations under finance leases	27	-
Other loans	-	-
	<u>27</u>	<u>-</u>
Total loans	27	-
Less: Amounts included in creditors falling due within one year	3	-
	<u>24</u>	<u>-</u>
Loans falling due after more than one year	24	-

SERCO-IAL LIMITED (formerly International Aeradio Limited)

NOTES TO THE ACCOUNTS

for the year ended 31 December 1993

**13. CREDITORS: AMOUNTS FALLING DUE AFTER
MORE THAN ONE YEAR (continued)**

	1993 £'000	1992 £'000
(b) Analysis of loan repayments:		
Other borrowings:		
Finance leases:		
Within one year or on demand	3	-
Between one and two years	5	-
Between two and five years	19	-
	<u>27</u>	<u>-</u>

14. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred Taxation £'000	Other Provisions £'000	Total £'000
At 1 January 1993	-	3,770	3,770
Charged against profit for the period	-	688	688
At 31 December 1993	<u>-</u>	<u>4,458</u>	<u>4,458</u>

Other provisions were solely in respect of contract termination.

15. CALLED UP SHARE CAPITAL

	1993 £'000	1992 £'000
Authorised:		
21,000,000 ordinary shares of £1 each	<u>21,000</u>	<u>21,000</u>
Called up, allotted and fully paid:		
11,500,000 ordinary shares at £1 each	<u>11,500</u>	<u>11,500</u>

SERCO-IAL LIMITED (formerly International Aeradio Limited)

NOTES TO THE ACCOUNTS

for the year ended 31 December 1993

16. REVALUATION RESERVE

	Land and Buildings £'000	Investment £'000	1993 Total £'000
Balance at 1 January 1993	2,347	1,263	3,610
Movement in the period	142	208	350
At 31 December 1993	<u>2,489</u>	<u>1,471</u>	<u>3,960</u>

17. PROFIT AND LOSS ACCOUNT

	1993 £'000
At 1 January 1993	(4,302)
Profit retained	1,373
At 31 December 1993	<u>(2,929)</u>

18. PENSION SCHEME INFORMATION

IAL Pension Scheme 1991

This is a pre-funded defined benefit scheme.

The funding policy is to contribute such variable amounts, on the advice of the actuary, as will achieve 100% funding on a projected salary basis.

Actuarial assessments covering expense are carried out by independent qualified actuaries, with the last such review being carried out as at 1 January 1993.

The projected unit method was adopted for the actuarial review of the Scheme. The main actuarial assumptions used in the valuations for accounting purposes this year were:

Investment yield	9.5% p.a.
Salary growth	7.5% p.a.
Equity dividend growth	5.0% p.a.
Pension increases (Part 4 members)	4.0% p.a.
Pension increases (others)	5.0% p.a.

SERCO-IAL LIMITED (formerly International Aeradio Limited)

NOTES TO THE ACCOUNTS

for the year ended 31 December 1993

IAL Pension Scheme 1991 (continued)

The Scheme is assessed to be fully funded on a current funding level basis based on a market value of assets of £60,220,000 at 1 January 1993.

The actuarial value of the assets represented 125% of the on-going liabilities of the Scheme. The Company's policy is to amortise any surplus over the average remaining working lives of the employees. However, the amount of amortisation is currently being restricted to an amount equal to the cost to the employer of pension contributions which would have been payable if no surplus had existed so that no pension credit is recognised in the profit and loss account.

No employer pension contributions were paid into the Scheme during the year (1992 - £nil).

At 31 December 1993 there was no provision or prepayment in respect of the Scheme included in the Accounts (1992 - £nil).

19. CAPITAL AND OTHER COMMITMENTS

	1993 £'000	1992 £'000
Capital expenditure contracted but not provided	177	374
Capital expenditure authorised but not contracted	242	205
	419	579

During the year ending 31 December 1994, the Company is to make the following payments in respect of operating leases:

	Land and buildings £'000	Other £'000
Leases which expire:		
Within one year	615	-
Between one and five years	13	-
After five years	-	-
	628	-

SERCO-IAL LIMITED (formerly International Aeradio Limited)

NOTES TO THE ACCOUNTS

for the year ended 31 December 1993

20. CONTINGENT LIABILITIES

The Company has given indemnities to banks totalling £5,320,000 in respect of performance bonds and other guarantees during the normal course of business. This includes indemnities of £20,000 in respect of the overdraft facilities of subsidiary undertakings.

21. ULTIMATE PARENT COMPANY

The Company's ultimate parent Company is Serco Group plc, a Company incorporated in Great Britain and registered in England and Wales. Serco Limited is the smallest group for which consolidated accounts are prepared and of which this Company is a part. Serco Limited is incorporated in Great Britain and registered in England and Wales. Copies of Serco Group plc's and Serco Limited's consolidated accounts can be obtained from the Company Secretary, Serco Group plc, Serco House, Hayes Road, Southall, Middlesex UB2 5NJ.