

Company Registration No. 07577610

**SNC-LAVALIN TRANSPORT ADVISORY
LIMITED**

Annual Report and Financial Statements

For the year ended 31 December 2018

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**SNC-LAVALIN TRANSPORT ADVISORY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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SNC-LAVALIN TRANSPORT ADVISORY LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Business Review and future developments

Nature of the business

SNC-Lavalin Transport Advisory Limited (the Company) provides management consultancy services in the transport sector. From its office in London, business is conducted in the UK and internationally.

Objectives of the Business and future developments

The Company's primary objective is to create value for our stakeholders – including developing communities, providing outcomes for our clients and delivering appropriate financial returns.

During the year, the Company was a member of the group of companies headed by SNC-Lavalin Group Inc. ("the Group").

We delivered revenue growth of 44% and we achieved an increase in profit before tax of £0.6m. Some of the turnover/ profit margin increase was due to a change in the apportionment of an external contract between this Company and another group company, SNC-Lavalin Rail & Transit Ltd (RTUK). This is a long-term project which in prior years had RTUK as the lead contractor, with the Company providing intercompany subcontract support. During 2018, the roles switched, and the Company became the lead contractor with RTUK providing intercompany subcontract support. The cost increase was driven by increased intercompany purchases to support the increased turnover. Overall, our business had a strong performance, with good profit growth.

We see continuing strong demand for transport consultancy.

Further details of the objectives and future developments for the Group are disclosed in the Group's financial statements for the year ended 31 December 2018 (refer Note 14).

Principal risks and uncertainties

We continue to manage a number of potential risks and uncertainties which could have a material impact on our strategic and operational objectives. Many of these risks are common to other companies and we assess them regularly to establish the principal risks and uncertainties for the Group. SNC-Lavalin Group Inc. has measures in place to identify, monitor and, to a certain extent, mitigate such risks and uncertainties across the Group (further details are disclosed in the SNC-Lavalin Group Inc financial statements for the year ended 31 December 2018 (refer Note 14).

The company specific risks are outlined in the "Financial Risk Management" section on page 3.

Results and dividend

The results are presented for the year ended 31 December 2018. The Company's financial position at the end of the year is shown in the attached Financial Statements.

Revenue

In the year ended 31 December 2018, the Company's revenue increased by 44% to £5.7m.

Operating Profit

Reported operating profit for the year was £0.8m, an increase of £0.6m

Profit for the year

The profit after tax for the year of £0.8m (2017: £0.2m) is shown in the Statement of Income and Retained Earnings on page 8.

Dividends

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2018 (2017: nil).

SNC-LAVALIN TRANSPORT ADVISORY LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Key performance indicators

The Company uses a range of performance measures to monitor and manage the business. Those that are particularly important in monitoring our progress in generating shareholder value are considered key performance indicators (KPIs).

Our KPIs measure past performance and also provide information and context to anticipate future events and, in conjunction with our detailed knowledge and experience of the segments in which we operate, allow us to act early and manage the business going forward. We track safety, volume, staff turnover, staff engagement, profitability, efficiency, secured workload and capacity.

The following KPIs are currently used:

- Turnover – this has increased by 43.8% between 2018 and 2017.
- Net fee income – this has increased by 39.9% between 2018 and 2017 (net fee income is a measure of the turnover attributable to man hours. It is calculated as turnover less project related purchases).
- Operating Profit – is £748k, an increase of £567k on 2017.

Safety in the workplace and on our project sites is paramount. We track the total recordable incident frequency (TRIF) across the Group. The TRIF is an industry measure of the number of lost time incidents per 100 staff (2018 nil, 2017 nil).

As a people business, staff turnover is an important metric for us and shows the rate at which staff leave the Group through natural turnover. While our staff turnover has increased in the past 12 months, we remain satisfied that there has been no detriment to the business, as we continued to recruit throughout the year.

Brexit

In the UK, a Brexit working group has been created to identify, analyse and mitigate risks associated with UK's exit from the European Union. It has looked at risk to clients, employees and suppliers and determined that the probability of a material impact in any scenario is low. The Company has a diverse client base and we see continuing strong demand for infrastructure through the UK National Infrastructure Plan. In addition, the market is underpinned by well-funded regulatory cycles in rail and there is continuing emphasis by the UK Government on value for money. The Company's highly skilled and diverse workforce is essential to the success of the organisation and we believe the 'settled status' scheme protects these employees from the UK's exit from the European Union.

Corporate Sustainability

The Company is committed to acting responsibly towards all its stakeholders, and the Group is committed to taking a leadership position within its sector. The Group's corporate sustainability strategy and performance is published on its website at www.snc-lavalin.com/en/sustainability.

Approved by the board of directors and signed on its behalf by:



E Nobelen

Company Secretary

27 September 2019

SNC-LAVALIN TRANSPORT ADVISORY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their annual report together with the Financial Statements and the independent auditor's report of SNC-Lavalin Transport Advisory Ltd (the Company), for the year ended 31 December 2018.

As permitted by legislation, the following information and disclosures that are required under company law are included in the Strategic report and are incorporated into this report by reference:

- review of the performance and future development of the Company
- principal risks and uncertainties
- the amount (if any) that the directors recommend by way of a dividend,

The Company is domiciled in England and Wales and is a private limited company.

Post-balance sheet events

There were no significant post-balance sheet events.

Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Throughout the year, the SNC-Lavalin Group Inc's treasury function managed and monitored the external funding and investment requirements and financial risks in support of the Group's corporate objectives (further details are disclosed in the SNC-Lavalin Group Inc. consolidated financial statements for the year ended 31 December 2018).

Market risk

Financial instruments affected by market risk include intercompany loan balances and bank and cash balances.

i) Foreign exchange risk

Foreign exchange risk arises from financial assets and liabilities denominated in currencies other than the local functional currency.

ii) Interest rate risk

The Company's exposure to interest rate risk arises from interest-bearing intercompany loan balances and cash and cash equivalents. The majority of these items are at floating rates of interest, changes in the interest rate result in changes to interest-related cash flows.

iii) Price risk

Price risk is the risk that a decline in the value of assets adversely impacts the profitability of the Company.

Credit Risk

Credit risk is the risk that the company will suffer financial loss as a result of counterparties defaulting on their contractual obligations.

Credit risk arises from cash and deposits with banks, as well as credit exposures to customers, including outstanding receivables and committed transactions, with the maximum exposure to the risk equivalent to 100% of the carrying value disclosed in the Company's Balance Sheet at 31 December. The Company does not hold any collateral as security. The Company's credit risk on bank and cash balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity Risk

The Company funds its activities through cash generated from its operations and intercompany balances. Group Treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs and to meet the Company's commitments as they fall due.

Operational risk management

The company's exposure to individual trading risks is managed through a number of mitigations:

- diversification of products and services;
- diversification of clients; and
- diversification of countries of operation

SNC-LAVALIN TRANSPORT ADVISORY LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

The company mitigates its risk exposure through detailed contract reviews during all stages of individual projects. The company has access to a dedicated pool of resource that is able to provide the skills required for the large majority of contracts. However, it also has the option of using more specialist resource either within the SNC-Lavalin group, or from external sources, to address specific issues.

Business continuity and disaster recovery plans are in place to mitigate the risk of significant system and environmental issues. These are tested regularly to ensure that they are operational, and also reviewed on an ongoing basis to take account of changes in business operation.

Directors

The directors who served during the year and up to the date of signing these financial statements, unless otherwise stated, are included in the table below;

Name	Appointed	Resigned
M J Grace	-	-
S G Cole	1 August 2019	-
J J Sharp	1 August 2019	-
R T G George	-	31 July 2019
J C Kuiken	-	31 December 2018
J J Wragg	-	28 September 2018

Indemnification of and insurance cover for directors and officers

Directors and officers of the Company benefit from directors' and officers' liability insurance cover in respect of legal actions brought against them. There is one umbrella SNC-Lavalin Group Inc. D&O insurance policy which covers all directors (and employees) within the Group. In addition, directors of the Company are indemnified in accordance with article 83 of the Company's articles of association to the maximum extent permitted by law, such indemnities being qualifying third party indemnities. Neither the insurance nor the indemnities provide cover where the relevant director or officer has acted fraudulently or dishonestly.

Directors' remuneration

Directors' remuneration has been disclosed in note 5 to the Financial Statements.

Directors' statement of responsibility

The directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the Company's Financial Statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 accounting estimates that are reasonable and prudent; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006.

SNC-LAVALIN TRANSPORT ADVISORY LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Directors' statement of responsibility (continued)

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors of the Company consider that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable, and that they provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

Each of the directors, whose names are listed in the Director's report, confirms that, to the best of his/her knowledge:

- the Company's Financial Statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Directors' report contained in the Annual Report and Financial Statements includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

Disclosure of audit information

The directors confirm that, as at the date this report was approved, so far as each director is aware there is no relevant audit information of which the Company's independent auditor is unaware and that he or she has taken all the reasonable steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to ensure that the Company's independent auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing the Financial Statements.

Independent auditor

The Company's auditor, Deloitte LLP, have indicated their willingness to continue in office for a further year.

Approved by the board of directors and signed on its behalf by:



E Nobelen

Company Secretary

27 September 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SNC-LAVALIN TRANSPORT ADVISORY LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of SNC-Lavalin Transport Advisory Limited (the 'Company'):

- 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 United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of income and retained earnings;
- the statement of financial position; and
- the related notes 1 to 14.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SNC-LAVALIN TRANSPORT ADVISORY LIMITED (CONTINUED)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report as been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

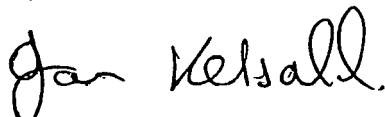
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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 respect of these matters.

Use of our report

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.



Ian Kelsall ACA (Senior statutory auditor) for and on behalf of Deloitte LLP
Statutory Auditor
Newcastle, United Kingdom
27 September 2019

SNC-LAVALIN TRANSPORT ADVISORY LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS

For the year ended 31 December 2018

	Note	2018 £	2017 £
TURNOVER	3	5,708,930	3,969,642
Raw materials and consumables		(2,859)	(867)
Other external expenses		(829,573)	(253,791)
Staff costs	5	(2,533,492)	(2,311,789)
Other operating expenses		(1,595,100)	(1,222,306)
OPERATING PROFIT	4	747,906	180,889
Interest receivable and similar income	6	17,606	15,167
Interest payable and similar expenses	7	(92)	-
PROFIT BEFORE TAXATION		765,420	196,056
Tax on profit	8	43,141	(42,881)
PROFIT FOR THE FINANCIAL YEAR		<u>808,561</u>	<u>153,175</u>
		2018 £	2017 £
Retained earnings at the beginning of the year		805,534	652,359
Profit for the financial year		808,561	153,175
Retained earnings at the end of the year		<u>1,614,095</u>	<u>805,534</u>

All activity arose from continuing operations.

SNC-LAVALIN TRANSPORT ADVISORY LIMITED

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	£	2018 £	£	2017 £
CURRENT ASSETS					
Debtors	9	3,372,395		2,554,386	
Cash at bank and in hand		129,439		299,545	
		<u>3,501,834</u>		<u>2,853,931</u>	
CREDITORS: amounts falling due within one year	10	<u>(1,886,739)</u>		<u>(2,047,397)</u>	
NET CURRENT ASSETS			<u>1,615,095</u>		<u>806,534</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,615,095</u>		<u>806,534</u>
NET ASSETS			<u>1,615,095</u>		<u>806,534</u>
CAPITAL AND RESERVES					
Called-up share capital	11		1,000		1,000
Profit and loss account	12		1,614,095		805,534
SHAREHOLDERS' FUNDS			<u>1,615,095</u>		<u>806,534</u>

These financial statements were approved by the Board of Directors and authorised for issue on 27 September 2019.

Signed on behalf of the Board of Directors



S G Cole

Director

Company Registration No. 07577610

SNC-LAVALIN TRANSPORT ADVISORY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

General information and basis of accounting

SNC-Lavalin Transport Advisory Limited (the Company) is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is domiciled in England and Wales. The address of the registered office is Woodcote Grove, Ashley Road, Epsom, Surrey, KT18 5BW, United Kingdom.

The Company provides management consultancy services in the transport sector to clients in the UK and overseas.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. Foreign operations are included in accordance with the policies set out below.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Exemptions have been taken in relation to financial instruments, related parties, presentation of a cash flow statement and remuneration of key management personnel.

Going concern

The directors have considered in their assessment of principal risks and uncertainties going concern. The directors believe that the company will be able to maintain current levels of profitability, which in conjunction with the company's existing financial resources and the financial support of the company's parent company, means that the directors have a reasonable expectation that the company will continue in operational existence for the foreseeable future. The financial statements have therefore been prepared on a going concern basis.

A letter of support has been received from SNC-Lavalin Group Inc. stating that they will ensure that the company is at all times in a position to fulfil its obligations for 12 months from the approval of these financial statements

Foreign currency

Transactions in foreign currency are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the exchange rate ruling at the balance sheet date. Any exchange gain or loss is included in the profit and loss account.

Long-term contracts and Turnover

The amount of profit attributable to the stage of completion of a long-term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Turnover comprises the amounts (excluding value added tax) derived from the provision of engineering consultancy services to customers in the railway industry during the year.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits and other short-term, highly liquid investments that are readily converted to known amounts of cash and which are subject to an insignificant risk of changes in value.

SNC-LAVALIN TRANSPORT ADVISORY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

1. ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Interest income

Interest income is recognised on a time apportionment basis using the effective interest rate method.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements and key sources of estimation uncertainty in applying the Company's accounting policies

Revenue Recognition

Assignments are reviewed monthly and revenue is recognised according to percentage complete. Payments received in advance of revenue recognition are recorded as deferred income. These calculations require an

SNC-LAVALIN TRANSPORT ADVISORY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

element of management judgement, but these judgements are based on the company's business practice and historical experiences.

3. TURNOVER

The analysis of turnover by geographical area is as follows:

	2018 £	2017 £
United Kingdom	5,023,858	2,792,050
Rest of the world	685,072	1,177,592
	<u>5,708,930</u>	<u>3,969,642</u>

The turnover for year was derived from the company's principal business activity, to provide management consulting to the transport sector.

4. OPERATING PROFIT

Operating profit is stated after charging:

	2018 £	2017 £
Net foreign exchange (gains)/losses	(1,006)	6,794
Auditor's remuneration:		
- Statutory audit of the financial statements	7,895	6,670
	<u>7,895</u>	<u>6,670</u>

No non-audit fees have been paid to the company's auditor in either year.

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The directors received no emoluments during the year for their services to this company. The directors were remunerated by other group companies.

Employee costs	2018 £	2017 £
Aggregate payroll costs:		
Wages and salaries	2,056,201	1,920,093
Social security costs	258,465	220,647
Other pension costs	218,826	171,049
	<u>2,533,492</u>	<u>2,311,789</u>

The company has no employees (2017: none). SNC-Lavalin Rail & Transit Limited (RTUK) staff costs are recharged to the Company by RTUK. A group of resources in the other group company have been permanently allocated as resources for this entity. Other pension costs includes the defined contribution scheme charge of £153k.

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2018 £	2017 £
Intra-group interest receivable	<u>17,606</u>	<u>15,167</u>

SNC-LAVALIN TRANSPORT ADVISORY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2018 £'	2017 £'
Interest payable to Group undertakings	92	-

8. TAX ON PROFIT

a) Analysis of (credit)/charge in the year	2018 £	2017 £
Current tax		
UK Corporation tax at 19% (2017:19.25%)	-	42,881
Adjustment in respect of prior years	(43,141)	-
Total tax (credit)/charge for year	(43,141)	42,881

b) Factors affecting the tax (credit)/charge for the year

The tax assessed for the year is lower (2017:higher) than the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained below:

	2018 £	2017 £
Profit before taxation	765,420	196,056
Tax on profit at standard UK corporation tax rate	145,430	37,740
Effects of:		
Permanent differences	736	848
Other short term timing differences	(3,568)	4,293
Group relief claimed for nil payment	(142,598)	-
Adjustment in respect of prior years	(43,141)	-
Current tax charge for the year	(43,141)	42,881

c) Factors that may affect the future tax charge

The standard rate of tax applied to reported profit is 19% (2017:19.25%). In recent years the UK Government has steadily reduced the rate of UK corporation tax, with a rate of 20% applying from 1 April 2015, 19% applying from 1 April 2017 and 17% applying from 1 April 2020. All these rates have been substantively enacted at the year end and therefore taken into account when calculating the tax position of the company, and the deferred tax assets and liabilities included within these financial statements have been calculated using these rates based on when the deferred tax timing differences are expected to materially reverse.

SNC-LAVALIN TRANSPORT ADVISORY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

9. DEBTORS

	2018	2017
	£	£
Amounts falling due within one year:		
Trade debtors	839,656	409,539
Amounts recoverable on contracts	870,776	660,028
Amounts owed by parent company	1,284,018	1,127,246
Amounts owed by other group companies	373,190	340,658
Prepayments	4,715	5,764
Other debtors	40	11,151
	<u>3,372,395</u>	<u>2,554,386</u>

Payment terms of 30 days apply to intercompany invoices across the group. Intercompany balances are unsecured and to be settled in cash.

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£	£
Trade creditors	36,834	25,069
Payments received on account	13,000	32,028
Amounts owed to parent company	0	103,164
Amounts owed to other group companies	1,757,014	1,723,130
Other creditors including other taxes and social security:		
Corporation tax	-	42,881
Other taxes and social security	-	68,805
Other creditors	14,051	21,990
Accruals	65,840	30,330
	<u>1,886,739</u>	<u>2,047,397</u>

Payment terms of 30 days apply to intercompany invoices across the group. Intercompany balances are unsecured and to be settled in cash.

11. CALLED-UP SHARE CAPITAL

	2018	2017
	£	£
Called-up, allotted and fully paid		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

12. RESERVES

Profit and loss account - This reserve records retained earnings and accumulated losses.

13. DIVIDEND

The holders of ordinary shares are entitled to receive dividends as declared from time to time. No dividend was declared in 2018 (2017: £nil).

SNC-LAVALIN TRANSPORT ADVISORY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

14. ULTIMATE HOLDING COMPANY AND CONTROLLING PARTY

The Company's immediate parent is Interfleet Holdings Limited. The ultimate holding and controlling company is SNC-Lavalin Group Inc., which is incorporated in Canada and listed on the Toronto stock exchange.

The smallest and largest group in which the results of the Company are consolidated is that headed by SNC-Lavalin Group Inc. registered at 455 Boul. René-Lévesque West, Montreal, Quebec, H2Z 1Z3, Canada. Copies of the SNC-Lavalin Group Inc. financial statements may be obtained from www.sncclavalin.com/en/investors.