Registration number: 10131554

Serco PIK Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2020

Contents

Company Information

Directors	S J Haydon N Gimary
Company secretary	Serco Corporate Services Limited
Registered number	10131554
Registered office	Serco House 16 Bartley Wood Business Park Bartley Way Hook Hampshire RG27 9UY
Auditor	KPMG LLP 15 Canada Square London United Kingdom E14 5GL

Strategic Report
for the Year Ended 31 December 2020

The Directors present their Strategic Report for the year ended 31 December 2020.

Business review
The profit for the financial year, after tax, is £44k (2019: £232k).

Historically, the sole purpose of the Company was the ownership of a third party loan note. During 2020, the Company's only purpose has been to hold the intercompany position that resulted from the repayment of the loan note to Serco Group plc. During the year, the Company accrued interest income of £44k (2019: £232k).

The Directors consider the results for the year to be satisfactory and that given the simplicity of the business model no further key performance indicators are required.

Principal risks and uncertainties
The Company's only financial instrument is the intercompany receivable which, whilst receiving interest at a floating rate, is not considered by the Directors to expose the Company to material risk owing to the presence of a parent company guarantee covering the principal and interest elements.

Risks associated with the coronavirus outbreak
Coronavirus (Covid-19) was originally identified as a disease in China late in 2019. Following global transmission of the disease early in 2020, Europe and other continents began identifying cases which continued to rise in number such that on 12 March 2020 the World Health Organisation characterised the outbreak of Covid-19 as a global pandemic.

Since the Company no longer trades, the ongoing impact of pandemic is expected to be minimal. As disclosed in the Annual Report and Accounts for the year ended 31 December 2020, Serco Group plc has seen a minimal net gain as a result of the pandemic, and has noted no issues in relation to going concern, therefore the Company does not consider there to be a risk to the value of its intercompany receivables.

Brexit
During the year to 31 December 2020, and following the UK's exit from the European Union on that date, the Company has continued to monitor the potential implications of the UK's withdrawal from the European Union ("Brexit") and its impact on the Company. Reiterating the position outlined in the financial statements for the year ended 31 December 2019, it is considered unlikely that Brexit will directly impact the Company to a material extent. The Directors will continue to proactively assess the potential impacts of Brexit as the transition progresses through 2021, noting that impacts could not only be financial, but also require changes to risk mitigation strategies where appropriate.

Approved by the Board on 8 July 2021 and signed by:

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N Girnary
Director

Directors' Report
for the Year Ended 31 December 2020

The Directors present their report and the financial statements for the year ended 31 December 2020.

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

N Crossley (resigned on 14 April 2021)

S J Haydon

N Girnary (appointed on 14 April 2021)

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

Results and dividends
The profit for the financial year, after tax, is £44k (2019: £232k).

The Directors do not recommend the payment of a dividend (2019: £nil).

Political contributions
The Company made no political donations (2019: £nil) and did not incur any political expenditure during the year.

Going concern
The Company's principal financial instruments are its intercompany receivables. The Company is in a net asset position, and given the absence of any liabilities, the Directors have deemed it appropriate to continue to adopt the going concern basis of accounting in preparing the financial statements.The Company's financial forecasts for the period of going concern indicate that the Company has sufficient financial resources to meet its financial obligations as they fall due during the period of assessment, considered to be twelve months from the signing date of these financial statements. The Company is financed and supported by its Parent and from dividend income from its subsidiaries. The level of dividend income is in turn reliant upon the future successful trading of its subsidiaries who, for certain subsidiaries, may rely on the support of Serco Group plc to operate as going concerns.

Due to the uncertainty around dividend income timing and amounts from its subsidiaries, Serco Group plc has indicated its intention to continue to make available such funds as are needed by the Company's relevant subsidiaries for the period of this assessment. The Directors of the Company have been made aware of the going concern assessment which has been performed in respect of the Group. The Directors believe they are able to place reliance on this letter of support, which is not legally binding, for the following reasons.

During the year to 31 December 2020, the Group saw a modest impact on its profitability as a result of Covid-19, with profits being impacted positively by c. 1%. The Group has announced its expectation that profitability will continue to improve through 2021, despite the ongoing impacts of the Covid-19 pandemic, and recent acquisitions only serve to strengthen this assessment.

Directors' Report
for the Year Ended 31 December 2020 (continued)

Going concern (continued)
In their assessment of the Group's ability to continue as a going concern, the Directors of the Group considered various downside scenarios, including the anticipated impact of Covid-19 on the Group's operations. The downside scenarios include a range of lower passenger volumes on the Group's train operating contracts, higher costs within the Health portfolio and a slower recovery in the use of leisure centres in the UK through to the end of 2021. These downside scenarios also exclude any positive impacts to profitability from the pandemic. In the most severe downside scenario, the Group's Directors modelled the negative impact of Covid-19 as experienced during the year to 31 December 2020 through another two three-month lockdowns during the assessment period. In all of these downside scenarios, the Group continues to have sufficient liquidity and covenant headroom.

The Group's Directors also performed reverse stress testing on the Group's win rates for new business and rebids and reductions in the Group's profitability. The reverse stress tests show that, even after assuming that the US private placement loan notes of $152m due to mature before 30 June 2022 are repaid, and that no additional refinancing occurs, the Group can afford to be unsuccessful on 50% of its target new business and rebid wins, combined with a profit margin 50 basis points below the Group's forecast, and still retain sufficient liquidity to meet all liabilities as they fall due and remain compliant with the Group's financial covenants.

After considering these severe but plausible scenarios and with the mitigations available to the Group, the forecasts indicate sufficient capacity in the Group's financing facilities and associated covenants. In order to satisfy themselves that they have adequate resources for the future, the Group has reviewed its existing debt levels, the committed funding and liquidity positions under its debt covenants, and its ability to generate cash from trading activities and working capital requirements. The Group's current principal debt facilities as at 31 May 2021 comprised a £250m revolving credit facility, acquisition facilities of £45m, £75m and £288m of US private placement notes. As at 31 May 2021, the Group had £681m of committed credit facilities and committed headroom of £318m. In undertaking this review the Group has considered the business plans which provide financial projections for the foreseeable future. For the purposes of this review for the Group, the assessment period is considered that to be the period ending 31 July 2022.

As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue, although at the date of approval of these financial statements, they have no reason to believe that it will not do so. Consequently, the Directors are confident that the Company's subsidiaries will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Other information
An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 2.

Disclosure of information to the auditor
The Directors have taken steps that they ought to have taken as Directors 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.

Directors' Report
for the Year Ended 31 December 2020 (continued)

Reappointment of auditor
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 8 July 2021 and signed by:

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N Girnary
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 United Kingdom Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101').

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. 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, relevant and reliable;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of Serco PIK Limited

Opinion

We have audited the financial statements of Serco PIK Limited ("the Company") for the year ended 31 December 2020, which comprise the Profit and Loss Account, 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 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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 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.

Fraud and breaches of laws and regulations

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, and internal legal counsel as to the Company's high-level policies and procedures to prevent and detect fraud as well as whether they have knowledge of any actual, suspected, or alleged fraud
- Reading Board minutes; and
- Using analytical procedures to identify any usual or unexpected relationships.

Independent Auditor's Report to the Members of Serco PIK Limited (continued)

We communicated identified fraud risks throughout the audit and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there are no revenue transactions. We did not identify any additional fraud risks.

We performed procedures including agreeing all accounting entries in the period to supporting documentation.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations and remained alert to any indications of non-compliance throughout the audit. The potential effect of these laws and regulations on the financial statements varies considerably.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

This company, as a non-trading company, is not subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Independent Auditor's Report to the Members of Serco PIK Limited (continued)

Strategic Report and Directors' Report

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

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, 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.

Independent Auditor's Report to the Members of Serco PIK Limited (continued)

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.

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John Luke (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
London United Kingdom
E14 5GL

Date:.....15 July 2021........................

Profit and Loss Account

for the Year Ended 31 December

	Note	2020 £ 000	2019 £ 000
Interest receivable and similar income	4	44	232
Profit before tax		44	232
Tax on profit on ordinary activities	8	-	-
Profit for the financial year		44	232

The above results were derived from continuing operations.

There were no items of other comprehensive income, and accordingly no statement of comprehensive income is shown.

The notes on pages 14 to 19 form an integral part of these financial statements.

Balance Sheet

as at 31 December

Registration Number: 10131554

	Note	2020 £ 000	2019 £ 000
Non current asset			
Intercompany receivable	9	36,494	36,450
Capital and reserves			
Called up share capital	10	-	-
Share premium reserve		20,421	20,421
Profit and loss account		16,073	16,029
Shareholder's funds		36,494	36,450

The financial statements were approved by the Board on 8 July 2021 and signed by:

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N Girnary
Director

The notes on pages 14 to 19 form an integral part of these financial statements.

Statement of Changes in Equity
for the Year Ended 31 December

	Called up share capital *£ 000*	*Share premium reserve* *£ 000*	*Profit and loss account* *£ 000*	*Total* *£ 000*
At 1 January 2019	-	20,421	15,797	36,218
Profit for the year	-	-	232	232
At 31 December 2019	-	20,421	16,029	36,450
At 1 January 2020	-	20,421	16,029	36,450
Profit for the year	-	-	44	44
At 31 December 2020	-	20,421	16,073	36,494

The notes on pages 14 to 19 form an integral part of these financial statements.

Notes to the Financial Statements
for the Year Ended 31 December

1 General information

The Company is a private company limited by share capital, incorporated and domiciled in the United Kingdom.

The address of its registered office is:
Serco House
16 Bartley Wood Business Park
Bartley Way
Hook
Hampshire
RG27 9UY

The registered company number is 10131554. 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 ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Summary of disclosure exemptions
As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share based payments, 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.

2 Accounting policies (continued)

Summary of disclosure exemptions (continued)

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 which are on a fair value basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

New and amended standards and interpretations

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020.

• Amendments to IFRS 3: Definition of a Business
• Amendments to IFRS 16: Covid-19 Related Rent Concessions
• Amendments to IAS 8: Definition of material

These amendments had no impact on the financial statements of the Company.

Going concern

The Company's principal financial instruments are its intercompany receivables. The Company is in a net asset position, and given the absence of any liabilities, the Directors have deemed it appropriate to continue to adopt the going concern basis of accounting in preparing the financial statements.The Company's financial forecasts for the period of going concern indicate that the Company has sufficient financial resources to meet its financial obligations as they fall due during the period of assessment, considered to be twelve months from the signing date of these financial statements. The Company is financed and supported by its Parent and from dividend income from its subsidiaries. The level of dividend income is in turn reliant upon the future successful trading of its subsidiaries who, for certain subsidiaries, may rely on the support of Serco Group plc to operate as going concerns.

Due to the uncertainty around dividend income timing and amounts from its subsidiaries, Serco Group plc has indicated its intention to continue to make available such funds as are needed by the Company's relevant subsidiaries for the period of this assessment. The Directors of the Company have been made aware of the going concern assessment which has been performed in respect of the Group. The Directors believe they are able to place reliance on this letter of support, which is not legally binding, for the following reasons.

During the year to 31 December 2020, the Group saw a modest impact on its profitability as a result of Covid-19, with profits being impacted positively by c. 1%. The Group has announced its expectation that profitability will continue to improve through 2021, despite the ongoing impacts of the Covid-19 pandemic, and recent acquisitions only serve to strengthen this assessment.

In their assessment of the Group's ability to continue as a going concern, the Directors of the Group considered various downside scenarios, including the anticipated impact of Covid-19 on the Group's operations. The downside scenarios include a range of lower passenger volumes on the Group's train operating contracts, higher costs within the Health portfolio and a slower recovery in the use of leisure centres in the UK through to the end of 2021. These downside scenarios also exclude any positive impacts to profitability from the pandemic. In the most severe downside scenario, the Group's Directors modelled the negative impact of Covid-19 as experienced during the year to 31 December 2020 through another two three-month lockdowns during the assessment period. In all of these downside scenarios, the Group continues to have sufficient liquidity and covenant headroom.

Notes to the Financial Statements (continued)
for the Year Ended 31 December

2 Accounting policies (continued)

Going concern (continued)
The Group's Directors also performed reverse stress testing on the Group's win rates for new business and rebids and reductions in the Group's profitability. The reverse stress tests show that, even after assuming that the US private placement loan notes of $152m due to mature before 30 June 2022 are repaid, and that no additional refinancing occurs, the Group can afford to be unsuccessful on 50% of its target new business and rebid wins, combined with a profit margin 50 basis points below the Group's forecast, and still retain sufficient liquidity to meet all liabilities as they fall due and remain compliant with the Group's financial covenants.

After considering these severe but plausible scenarios and with the mitigations available to the Group, the forecasts indicate sufficient capacity in the Group's financing facilities and associated covenants. In order to satisfy themselves that they have adequate resources for the future, the Group has reviewed its existing debt levels, the committed funding and liquidity positions under its debt covenants, and its ability to generate cash from trading activities and working capital requirements. The Group's current principal debt facilities as at 31 May 2021 comprised a £250m revolving credit facility, acquisition facilities of £45m, £75m and £288m of US private placement notes. As at 31 May 2021, the Group had £681m of committed credit facilities and committed headroom of £318m. In undertaking this review the Group has considered the business plans which provide financial projections for the foreseeable future. For the purposes of this review for the Group, the assessment period is considered that to be the period ending 31 July 2022.

As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue, although at the date of approval of these financial statements, they have no reason to believe that it will not do so. Consequently, the Directors are confident that the Company's subsidiaries will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Interest income
Interest income is accrued for on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Tax
The tax expense represents the sum of current tax expense and deferred tax expense.

Current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for accounting purposes.

Deferred tax assets are generally recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which these items can be utilised.

Notes to the Financial Statements (continued)
for the Year Ended 31 December

2 Accounting policies (continued)

Tax (continued)
Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of an asset and liability in a transaction other than a business combination and, at the time of the transaction, affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based upon tax rates and legislation that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also recognised in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority where the Company intends to settle its current tax assets and liabilities on a net basis.

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.

3 Critical accounting judgements and key sources of estimation uncertainty

The Company's only balance is an intercompany receivable and as a result the only critical accounting judgement is in relation to the recoverability of the balance. In assessing recoverability, the Directors note that the balance, including interest which accrues on it, is covered by the existence of a parent company guarantee, and they are therefore able to conclude that the risk associated with the recoverability of the balance is minimal. The carrying value of the intercompany receivable is £36m at the balance sheet date.

4 Interest receivable and similar income

	2020 *£ 000*	*2019* *£ 000*
Interest receivable from group undertakings	44	232

Interest is charged at LIBOR minus 0.2% on the intercompany loan. No interest is charged when a negative interest rate arises.

Notes to the Financial Statements (continued)
for the Year Ended 31 December

5 Staff costs

The Company had no employees during the current year (2019: £nil).

6 Directors' remuneration

The Company considers that there is no practicable method to accurately allocate a portion of the emoluments the Directors receive from the respective Group company employer to the qualifying services they provide to the Company.

7 Auditor's remuneration

Auditor's remuneration of £2k (2019: £2k) for the audit of the Company's annual accounts was borne by another group company in the current year. There have been no non-audit fees incurred by the Company and payable during the financial year.

8 Tax

Tax recognised in the profit and loss account:

	2020 *£ 000*	*2019* *£ 000*
Total current income tax	-	-

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK of 19% (2019: lower than the standard rate of corporation tax in the UK of 19%).

The differences are reconciled below:

	2020 *£ 000*	*2019* *£ 000*
Profit before tax	44	232
Corporation tax at standard rate	8	44
Group relief received for nil consideration	(8)	(44)
Total tax charge	-	-

Notes to the Financial Statements (continued)

for the Year Ended 31 December

8 Tax (continued)

Factors affecting future tax rate

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020.

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future tax charge accordingly.

9 Intercompany receivable

	2020 £ 000	2019 £ 000
Non-current financial assets		
Intercompany receivable	36,494	36,450

Amounts owed by group companies bear interest based on one month LIBOR minus 0.2%.

10 Share capital

Allotted, called up and fully paid shares

		2020		2019
	No.	*£*	*No.*	*£*
Ordinary share capital of £1 each	101	101	101	101

11 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.