GPT Special Project Management Limited

Annual report and financial statements

Registered number 2984211

31 December 2018

Contents

Strategic report

Principal activity and review of the business

The Company's principal activity continues to be the prime contractor offering design and build capital replacement projects of communications systems and associated projects, plus associated managed services – operations maintenance and customer training to a single customer (the "MoD") for the benefit of the Saudi Arabian National Guard. There have not been any significant changes in the Company's principal activities in the year under review.

Future developments and basis of preparation

The Company has been serving a single customer since its formation due to its status as prime contractor to the UK Ministry of Defence. The Company has no intention to seek new business with other customers. On expiry of the on-going 10-year programme on 31 December 2019 with no anticipated renewal, the Company is expected to cease business operations. As the directors do not intend to acquire a replacement trade they have not prepared the financial statements on a going concern basis. The effect of this is explained in note 1.

The activities of the Company's branch in the Kingdom of Saudi Arabia are regulated by its commercial licence to operate and, as such, has served a single customer since its formation due to its status as prime contractor to its single customer. Therefore, the Company has no intention to seek new business with other customers.

On 13 May 2019 the managed services project came to an end and the capital replacement project will continue until the end of the 2019.

Order intake for the year decreased by 28% compared to last year in line with our expectations as the Company proceeds towards closure in 2020.

The Company's turnover increased by 74% in comparison to 2017 driven by the management's focus on delivery of the work packages; a large sum of which were secured in 2017. This is a reflection of the different mix of projects and their respective stages of completion in the two years under consideration.

The profitability of the Company increased by 113% from 2017 driven by successfully completing significantly more work packages in the year and implementing cost reduction measures during the year. Administration costs have increased in the year due to the inclusion of provisions for closure costs.

Consistent with the previous year, the cash position of the Company continues to be strong. Owing to the elevated trading levels in the final quarter of the year and the steps taken to expedite cash collection from the customer, the cash position of the Company has further improved in comparison to the previous year.

The overall equity increased in the year by 45% due to the profit made in the year with no dividend being distributed.

The Company's key financial and other performance indicators during the year were as follows:

	2018	2017	Change
	SAR 000	SAR 000	
Order intake	**597,875**	831,038	(28)%
Turnover	**971,869**	557,114	74%
Profit before tax	**62,632**	29,364	113%
Equity	**183,465**	126,126	45%
Cash at bank and in hand	**404,652**	261,178	55%

Strategic report (continued)

Future developments and basis of preparation

The Company has been serving a single customer since its formation due to its status as prime contractor to the UK Ministry of Defence. The Company has no intention to seek new business with other customers. On expiry of the on-going 10-year programme on 31 December 2019 with no anticipated renewal, the Company is expected to cease business operations.

Principal risks and uncertainties

The Company remains the sole provider of communication systems and associated projects and services to its customer.

The Company retains its exclusive arrangement with its customer by providing efficient and cost-effective services in addition to maintaining a strong relationship with the UK Ministry of Defence both in the Kingdom of Saudi Arabia and the UK.

On expiry of the current 10-year programme in December 2019, the Company will cease operations. The risks associated with the closure will continue to be monitored.

The Company has no loan arrangements and sufficient working capital for its needs, therefore the Company has no interest rate exposure.

The Company has immaterial exposure to Foreign Exchange risk as its cash inflows and outflows are primarily in Saudi Arabian Riyals.

Certain allegations have been made in connection with the Company's dealings with a subcontractor group. These matters are the subject of investigation by the UK authorities and were previously the subject of a claim for damages by the subcontractor group. More details are set out in note 12 to the financial statements. No provision has been made in respect of these claims as the Directors are of the opinion that due to uncertainty over the outcome they are unable to estimate an appropriate value.

Employees

Considerable importance is placed on communication, involvement and motivation of the employees of the Company. Two-way communication ensure that employees are kept informed of the performance of the Company and of any key initiatives or projects, through regular briefings and bulletins.

Disclosure of information to auditor

The Directors who held office at the date of approval of this annual report confirm that, as far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Managing Environmental Impact

The Company applies Airbus Group's environmental policy which aims to continuously improve performance in the following areas: Energy efficiency, Air pollutants emissions, Noise and Substances of Concern. This is undertaken by promoting and implementing principles of industrial ecology, encouraging suppliers to act responsibly and constantly engaging with regulatory bodies.

Strategic report (continued)

Respect for Human Rights

Modern slavery, including servitude, forced labour and human trafficking is a global issue and affects every country, sector and industry. It represents some of the gravest forms of human rights abuse in society. The Company has a zero-tolerance approach to modern slavery within its business, its operations and its supply chain.

Everyone within the Company has a responsibility to be alert to the issues around modern slavery. As such, the Company has held awareness-raising sessions with key people working in its Commercial and Procurement teams on Modern Slavery. Those sessions included information, guidance and advice on identifying potential risks in the supply chain. More training sessions are planned to take place during 2019 to include key teams in high risk areas, information bulletins and news articles bringing this important subject to the attention of its wider workforce.

Anti-bribery and Corruption Compliance

The Company is committed to ensuring it meets its legal obligations and prevents, detects and eliminates corrupt practices, and cooperates to reduce opportunities for bribery and corruption.
Staff are always required to act honestly and with integrity and to safeguard the resources for which they are responsible. Bribery is an ever-present threat to these resources and therefore must be a concern to all members of staff.
The Company does not tolerate any form of corruption (including the giving and receiving of bribes) within the organization and takes the most serious view of any attempt to commit corrupt practices by members of staff, contractors, agents and business partners. Cases of suspected corruption will be properly investigated, and appropriate action taken, including reporting to the appropriate authorities, disciplinary action, prosecution and active pursuit of recovery.
Any breach of this policy will be regarded as a serious matter and is likely to result in disciplinary action.

Health and Safety at Work

The health and safety of the Company's employees and supply chain remains a top priority. To meet the requirements of the Health and Safety at Work Act 1974, the Company created a Health Safety & Environment Committee for applying and enforcing health, safety and environmental regulations on all sites where the Company had an ongoing activity. The Company has in place its policy on how Health and Safety is to be managed within the workplace, to ensure, so far as is reasonably practicable, the health, safety and welfare of all its employees and supply chain personnel. Regular performance reports are provided to senior management by the committee. The Company's in-house Health and Safety team manages all appropriate health surveillance and any work-related health issues are followed up and reported appropriately.

By order of the board

A. Forbes

Andrew Forbes
Managing Director
Date: ....03........JUNE...... 2019

21 Holborn Viaduct,
London,
EC1A 2FG

Directors' report

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

The Company is a wholly owned subsidiary of Paradigm Services Limited and operates exclusively in the Kingdom of Saudi Arabia through its branch and sole trading office.

Results and dividends

The profit for the year amounted to KSAR 56,058 (2017: KSAR 24,289).

No interim dividend was paid (31 December 2017: Nil). The Directors do not recommend the payment of a final dividend (31 December 2017: Nil).

Directors and Directors' interests

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

Richard Franklin
Andrew Forbes (appointed 11 January 2018)
Evan Jones
Simon Shadbolt (resigned 10 January 2018)
Muhammad Atif Mirza
Nigel Ede

As the Company is a wholly owned subsidiary of Airbus S.E., the Directors of the Company are covered under the Directors and Officers Liability insurance policy.

None of the Directors who held office at the end of the financial year had any disclosable interest in the shares of the Company.

Political and charitable contributions

The Company made no political contributions during the year (31 December 2017: Nil).

Disclosure of information to auditor

The Directors who held office at the date of approval of this annual report confirm that, as far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will therefore continue in office.

By order of the board

A. Forbes

Andrew Forbes
Managing Director
Date: ....03 JUNE.... 2019

21 Holborn Viaduct,
London,
EC1A 2FG

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 UK accounting standards and applicable law (UK 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 estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so. As explained in note 1, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis.

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 GPT Special Project Management Limited

Opinion

We have audited the financial statements of GPT Special Project Management Limited ("the company") for the year ended 31 December 2018 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 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.

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.

Emphasis of matter - non-going concern basis of preparation

We draw attention to the disclosure made in note 1 to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reason set out in that note. Our opinion is not modified in respect of this matter.

Emphasis of matter - uncertain outcome of investigation

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 12, which explains that it is not practicable for the Directors to state the impact on the financial statements, if any, of the investigation by the UK authorities referred to. As the ultimate outcome of this matter cannot presently be determined, no provision for any liability which might result has been made in the financial statements.

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 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Huw Brown (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

66 Queen Square

Bristol

BS1 4BE

5 June 2019

Profit and Loss account and Other Comprehensive Income
for the year ended 31 December 2018

	Note	**Year ended 31 December 2018**	Year ended 31 December 2017
		SAR 000	SAR 000
Turnover	*2*	**971,869**	557,114
Cost of sales		**(901,915)**	(525,143)
Gross profit		**69,954**	31,971
Administrative expenses		**(7,322)**	(2,607)
Profit before taxation	2,3	**62,632**	29,364
Tax on profit	6	**(6,574)**	(5,075)
Profit for the year and total comprehensive income for the year		**56,058**	24,289

The notes on pages 11 to 18 form part of these financial statements.

Balance sheet
at 31 December 2018

	Note	**31 December 2018 SAR 000**	**31 December 2018 SAR 000**	31 December 2017 SAR 000	31 December 2017 SAR 000
Fixed assets					
Tangible assets	7		**1,179**		5,299
Current assets					
Debtors	8	**126,768**		128,306	
Cash at bank and in hand		**404,652**		261,178	
		531,420		389,484	
Creditors: amounts falling due within one year	9	**(347,458)**		(264,133)	
Net current assets			**183,962**		125,351
Total assets less current liabilities			**185,141**		130,650
Provisions for liabilities	10		**(1,676)**		(4,524)
Net assets			**183,465**		126,126
Capital and reserves					
Called up share capital*	11		**-**		-
Profit and loss account			**183,465**		126,126
Equity			**183,465**		126,126

*The called up share capital of the Company is SAR 14.

The notes on pages 11 to 18 form part of these financial statements.

These financial statements were approved by the board of directors on ....03..........JUNE.................... 2019 and were signed on its behalf by:

Andrew Forbes
Managing Director
Registered number - 2984211

Statement of changes in equity

	Called up share capital	Profit and loss account	Total equity
	SAR 000	**SAR 000**	**SAR 000**
Balance at 1 January 2018	**-**	**126,126**	**126,126**
Total comprehensive income for the year			
Profit	**-**	**56,058**	**56,058**
Total comprehensive income for the year	**-**	**182,184**	**182,184**
Equity-settled share based payment transactions (note 5)	**-**	**1,281**	**1,281**
Total contributions by and distributions to owners	**-**	**1,281**	**1,281**
Balance at 31 December 2018	**-**	**183,465**	**183,465**

	Called up share capital	Profit and loss account	Total equity
	SAR 000	**SAR 000**	**SAR 000**
Balance at 1 January 2017	**-**	**101,198**	**101,198**
Total comprehensive income for the year			
Profit	-	24,289	24,289
Total comprehensive income for the year	**-**	**24,289**	**24,289**
Equity-settled share based payment transactions (note 5)	-	639	639
Total contributions by and distributions to owners	**-**	**639**	**639**
Balance at 31 December 2017	**-**	**126,126**	**126,126**

The called up share capital of SAR 14 has remained unchanged for the above periods.

Notes

(forming part of the financial statements)

1 Accounting policies

GPT Special Project Management Ltd (the "Company") is a private company incorporated and registered in England in the UK. The registered number is 2984211 and the registered address is 21 Holborn Viaduct, London, EC1A 2FG.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard' applicable in the UK and Republic of Ireland ("FRS 102"). The presentation currency of these financial statements is Saudi Arabian Riyal (SAR). All amounts in the financial statements have been rounded to the nearest thousand (SAR 000 or KSAR).

The Company's ultimate parent undertaking, Airbus S.E. (formerly, Airbus Group S.E.) includes the Company in its consolidated financial statements. The consolidated financial statements of Airbus S.E. (formerly, Airbus Group S.E.) are prepared in accordance with International Financial Reporting Standards as adopted by the EU. In these financial statements, the Company is considered to be a qualifying entity for the purposes of this FRS and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Airbus S.E. (formerly, Airbus Group S.E.) include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 Share Based Payments; and,
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The Company proposes to continue to adopt these exemptions under FRS 102 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Non-Going Concern

The Directors have adopted a non-going concern basis for preparing the financial statements. In so doing, they have considered the business activities as well as the Company's principal risks and uncertainties.

The Company has served a single customer, UK Ministry of Defence, since its formation and enjoys an exclusive right as prime contractor. As the current 10-year programme is drawing to its expiry and with no anticipated renewal nor the Company's intentions to explore business outside of the current single customer relationship, the Company is expected to ceased trading on 31 December 2019. The Company is expected to be solvent (with adequate funds and equity) throughout the remaining trading period and upon its expected closure in December 2019, other than the uncertainty outlined in note 12. For these reasons, the Directors believe that the Company is no longer a going concern (but solvent) and in line with this the Company has adopted a non-going concern basis for the purpose of preparation these financial statements. No adjustments have been made to the financial statements as a consequence of the change in the basis of preparation

Notes *(continued)*

1 Accounting policies *(continued)*

Basic financial instruments

Trade and other debtors / creditors
Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Tangible fixed assets and depreciation

Tangible fixed assets are recorded at cost less accumulated depreciation. Provision is made for impairment. Depreciation is provided over the estimated useful economic life of each of the assets using the straight line method at the following annual rates:

Motor vehicles	- over 2 to 4 years
IT equipment	- over 3 years
Fixtures and fittings	- over 4 years.

Taxation

The charge for taxation is based upon the profit/loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by the applicable provisions of FRS 102.

GPT is tax exempt from Saudi Arabian Government taxes on profits arising from its customer contracts.

Revenue and Profit Recognition

Revenue represents sales made by the Company under its customer contracts.

The Company's long-term contract arrangements are accounted for under the provisions of FRS 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland'.

Capital replacement project contract revenue is recognised using the output method to estimate the stage of completion. Revenue is recognised based upon completion of contractual milestones which the directors believe best represent stage of completion.

Service contract revenue is recognised using the input method to measure the stage of completion based upon costs incurred and the allowable margins per the contract.

Attributable profit is recognised on long-term contracts, including service contracts, as appropriate to their stage of completion. Profit is calculated by reference to estimates of contract revenue and forecast costs after making suitable allowances for risks related to performance milestones yet to be achieved.

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

Notes *(continued)*

1 Accounting policies *(continued)*

Share-based payment transactions
Equity-settled share-based payment transaction

During the year, certain employees of the Company participated in the Group's Employee Share Ownership Plan (ESOP) and qualifying employees were granted shares of the Group's ultimate parent company, Airbus S.E. (formerly, Airbus Group S.E.).

The fair value of the share-based payments awards at the grant date less total value of the payments made by employees as exercise price (net gain) is recognised as employee expense in the profit and loss account, with a corresponding increase in equity (Statement of changes in equity), over the period in which the employees become unconditionally entitled to the awards. Further details of this scheme are available in the Group's consolidated financial statements.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. There is no discount factor included in the provision.

Provisions for Warranties

The Company has an obligation under its customer contracts to provide defects warranties to the UK Ministry of Defence in respect of project works carried out in relation to systems and civils (construction) based work included within the scope of the respective project.

GPT Management regularly monitors the potential exposure under such projects in relation to the warranty provisions within the contracts.

2 Analysis of turnover

All turnover originates in the Kingdom of Saudi Arabia and is derived from the Company's principal activity.

	31 December 2018 SAR 000	31 December 2017 SAR 000
Capital replacement projects	**802,852**	392,625
Managed services project	**169,017**	164,489
	971,869	557,114

3 Expenses and auditor's remuneration

	Year ended 31 December 2018 SAR 000	Year ended 31 December 2017 SAR 000
Included in the profit and loss account are the following:		
Depreciation	**4,375**	3,702
Profit on sale of tangible fixed assets	**(61)**	-
Operating lease cost	**23,859**	25,668

Notes *(continued)*

3 Expenses and auditor's remuneration (*continued*)

	Year ended 31 December 2018	Year ended 31 December 2017
	SAR 000	SAR 000
Auditor's remuneration:		
Audit of these financial statements	907	706

4 Remuneration of Directors

	Year ended 31 December 2018	Year ended 31 December 2017
	SAR 000	SAR 000
Directors' emoluments	2,342	1,868
	2,342	1,868

Of all the directors who held office during the year only three were paid by the Company.

Directors' emoluments include expense of KSAR 16 (2017: KSAR 8) in respect of equity-settled share-based payment transaction. Three directors were eligible and one applied under the Group's Employee Share Ownership Plan (ESOP).

The emoluments of the highest paid Director was KSAR 1,087 (2017: KSAR 1,035).

5 Staff numbers and costs

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

	Year ended 31 December 2018	Year ended 31 December 2017
Managed services project staff	345	342
Capital replacement project staff	190	186
	535	528

	Year ended 31 December 2018 SAR 000	Year ended 31 December 2017 SAR 000
Wages and salaries	140,878	129,067
Social security costs	4,882	4,842
	145,760	133,909

Wages and salaries include expenses of KSAR 1,281 (2017: KSAR 639) in respect of equity-settled share-based payment transactions.

Notes *(continued)*

6 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	Year ended 31 December 2018	Year ended 31 December 2017
	SAR 000	SAR 000
UK corporation tax		
Current tax for the year	**12,701**	4,595
Adjustment to prior periods	**(5,934)**	-
Total current tax charge	**6,767**	4,595
Deferred tax		
Origination and reversal of timing differences	**(193)**	480
Total deferred tax charge (note 8)	**(193)**	480
Total tax expense	**6,574**	5,075

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2017. This change will reduce the Company's future tax charge accordingly. The Company measures its deferred tax asset (or liability) using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference. The deferred tax asset at 31 December 2018 has been calculated based on the rate of 17.0% substantively enacted at the balance sheet date.

Reconciliation of effective tax rate

The total tax charge for the period is higher than the standard rate of corporation tax in the UK of 19.00%. The differences are explained below:

	Year ended 31 December 2018	Year ended 31 December 2017
	SAR 000	SAR 000
Profit before tax	**62,632**	29,364
Tax charge at standard rate of tax of 19.00% (2017: 19.25%)	**11,900**	5,653
Effects of:		
Expenses not allowable for tax purposes	**3**	172
Adjustment to prior periods	**(2,601)**	-
Current tax exchange differences	**-**	314
Group partial tax relief for prior periods *	**(3,333)**	(2,482)
Difference in tax rates	**84**	(222)
Deferred tax not recognised on employee end-of-service accrual	**521**	1,609
Other difference	**-**	31
Total tax expense	**6,574**	5,075

* Group partial tax relief for prior periods arises due to Airbus Group only determining the overall group tax position and relief available once the tax position for all relevant subsidiaries is finalised. As a result the Directors are unable to identify if group relief is available to be offset against the tax charge with any certainty at the point the financial statements are approved. As group relief received is partially paid for where claimed this creates a corresponding reduction in tax charge in the following period.

Notes *(continued)*

7 Tangible fixed assets

	Motor Vehicles	IT Equipment	Fixtures & fittings	Total SAR 000
Cost:				
Balance at 1 January	33,557	9,775	2,173	45,505
Additions	-	255	-	255
Disposals	(141)	-	-	(141)
Balance at 31 December	33,416	10,030	2,173	45,619
Depreciation:				
Balance at 1 January	29,121	9,191	1,894	40,206
Charge for year	3,619	550	206	4,375
Disposals	(141)	-	-	(141)
Balance at 31 December	32,599	9,741	2,100	44,440
Net book value:				
At 1 January 2018	4,436	584	279	5,299
At 31 December 2018	**817**	**289**	**73**	**1,179**

8 Debtors

	31 December 2018 SAR000	31 December 2017 SAR000
Trade debtors	60,680	50,607
Amounts owed by group undertakings	-	9,670
Amounts recoverable on contracts	21,347	25,513
Prepayments and accrued income	40,265	38,232
Deferred tax asset (see note below)	4,476	4,284
	126,768	128,306

	Deferred taxation SAR000
At 1 January 2018	4,284
Credit for the year	192
At 31 December 2018	4,476

The elements of deferred taxation are as follows:	2018 SAR 000	2017 SAR 000
Difference between accumulated depreciation and amortisation and capital allowances	4,476	4,284
Deferred tax asset	4,476	4,284

There is an unrecognised deferred tax asset on employees' end-of-service accrual of KSAR 8,506 at 31 December 2018 (2017: KSAR 7,984). This treatment is consistent with prior years. This is not recognised as it is not anticipated that there will be sufficient suitable future profits to realise the asset.

Notes *(continued)*

9 Creditors: amounts falling due within one year

	31 December 2018 SAR 000	31 December 2017 SAR 000
Trade creditors	**65,953**	42,483
Amounts owed to group undertakings	**3,378**	13,170
Taxation and social security	**3,165**	651
Corporation Tax	**10,296**	4,235
Accruals and Deferred income	**264,666**	203,594
	347,458	264,133

Included within the accruals and deferred income above, is KSAR 49,108 (2017: KSAR 46,423) of employee end-of-service accrual.

10 Provisions

	Warranty SAR 000
At 1 January 2018	4,524
Provision released	(2,848)
At 31 December 2018	1,676

At the balance sheet date, the Company had total specific provisions of KSAR 1,676 which is in relation to potential exposure under project warranty period obligations. The Company has not made any payments in the prior years in respect of this provision and the level and timing of any potential future payments is uncertain.

11 Called up share capital

	31 December 2018 SAR	31 December 2017 SAR
Allotted, called up and fully paid		
2 Ordinary shares of £1 each	**14**	14

12 Contingencies

Certain allegations have been made in connection with the Company's dealings with a subcontractor group. These allegations have been notified to the UK authorities and in August 2012 the UK Serious Fraud Office announced that it had decided to open an investigation into these allegations. The Directors are not in a position to assess the potential outcome of the investigation, nor are they in a position to assess the financial implications, if any, and it is not practicable for the Directors to state the impact, if any, of this matter on the financial statements.

The investigation is now with the UK Attorney General Office for a decision in respect of any further proceedings. The contracts with the subcontractor group were terminated in prior periods. This termination led to a claim from the subcontractor group for damages, as referred to in the previous years' financial statements. The subcontractor's claims in respect of repudiatory breach and misrepresentation were determined in 2013 with no liability to GPT.

Notes *(continued)*

12 Contingencies *(continued)*

The Company's customer, the UK Ministry of Defence, has the ability to levy financial penalties and/or require remedial action in the event that performance standards are not achieved. Certain contracts of the Company are exposed to this risk; however, the outflow of resources is not probable at the balance sheet date. The Company's management monitors actual performance against anticipated performance on a regular basis. The Company recognises the financial penalties as reduction in contract revenue in the period in which the change in probability occurs.

13 Related party disclosures

The Company has taken advantage of the exemption in accordance with section 33.1A of FRS 102 and has therefore not disclosed transactions or balances with entities which form part of the Group.

14 Operating leases

The value of non-cancellable operating lease property rental commitments is follows:

	31 December 2018 SAR 000	31 December 2017 SAR 000
Less than one year	**8,337**	14,012
Between one and five years	**-**	5,227
	8,337	19,239

15 Accounting estimates and judgements

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

- Revenue on capital replacement projects is recognised on the completion of individual performance milestones set out in the contracts. The Directors are of the opinion that the milestones set out in the contracts are the most appropriate measure of progress on the contract and are the best measure of stage of completion as sufficient milestones are included within the contracts to reflect the work required at each stage. Profit is calculated by reference to the estimates of contract revenue and forecast costs after making suitable allowances for risk related to performance milestones yet to be achieved. In some cases where the completion of milestones is not the most appropriate basis for recognition of revenue, the percentage of completion method is applied.
- The Company monitors the potential exposure to risks and recognise provisions, where applicable and material to the Company, in accordance with the accounting policy in place. The current level of provision (note 10) as at 31 December 2018 represents the potential exposure under its customer contracts (civils element of the project) to provide defects warranties to the UK Ministry of Defence. The Directors are of the opinion that the current level of provision remains necessary despite no claims in current year to reflect the increased risk of subcontractor default (subcontractors are past the warranty obligation for works performed), and also due to the fact that there is a heightened risk of claims as a result of the closure of the business on 31 December 2019.
- The assessment of the potential outcome of the SFO investigation and other contingencies is described in note 12. Due to inherent uncertainties regarding the outcome of this investigation, management is unable to estimate an appropriate provision.

16 Ultimate parent undertaking and parent undertaking of larger group of which the Company is a member

The Company's immediate parent company is Paradigm Services Limited which is registered in the United Kingdom. The registered office of the immediate parent company is Gunnels Wood Road, Stevenage, Hertfordshire, SG1 2AS.

The Company's ultimate parent company and controlling party is considered by the Directors to be Airbus S.E. (formerly, Airbus Group S.E.) which is registered in The Netherlands. Airbus S.E. (formerly, Airbus Group S.E.) is the parent undertaking of the largest and the smallest group of undertakings of which the Company is a subsidiary undertaking for which group financial statements are prepared.