



**SITA Advanced Travel Solutions Limited**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 December 2017**

**Company Registration Number**  
01391626



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**for the year ended 31 December 2017**

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**COMPANY INFORMATION**

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**LEGAL FORM**

Private company limited by shares domiciled and incorporated in England

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

Nicolas Husson  
Jeremy Springall

**COMPANY SECRETARY**

Alain Brodeur  
Aileen McEntee

**REGISTERED OFFICE**

SITA Legal,  
Royal Pavilion,  
Wellesley Road,  
Aldershot,  
Hampshire,  
GU11 1PZ

**REGISTERED NUMBER**

01391626

**INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP  
One Kingsway  
Cardiff, CF 10 3PW  
United Kingdom

**BANKER**

JPMorgan Chase Bank, N.A.  
25 Bank Street,  
Canary Wharf  
London, E14 5JP

**SOLICITOR**

Dentons UKMEA LLP  
One Fleet Place  
London  
EC4M 7WS

The directors present their strategic report together with the audited financial statements of SITA Advanced Travel Solutions Limited for the year ended 31 December 2017.

## BUSINESS REVIEW

### Principal activities

The primary activity of SITA Advanced Travel Solutions Limited is the provision of integrated information and solutions to the Air Transport Community essentially in the field of government border management, and passenger solutions. To a lesser extent, the company also delivers IT solutions and services to Airports, and network services to the Air Transport Community.

### Results for the year and dividends

In 2017, the Company generated a turnover for £72,789,863 (2016: £66,274,106), a growth explained essentially by an increase of the inter-company revenues related to the Border management activity.

The result for the year 2017 included additional cost of sales which reduced gross profit margin and therefore negatively impacted the profitability i.e. loss reported of £3,272,005 (2016: £8,961,653).

The net current assets amounted to £1,066,412 (2016: net current liabilities of £11,412,954) and net liabilities amounted to £9,716,148 (2016: £6,444,143).

The directors have recommended that no dividend be paid this year (2016: £ nil).

### Objectives

The company is constantly striving to develop systems and strategies to help the air transport industry to maximise performance and profitability. The company meets this objective with the provision of e-commerce, border management products to both new and existing customers in the industry.

These solutions enable the customer to manage the complete passenger experience, from sales enquiry through to check-in, including all the supporting functions that surround these processes. Through our current product portfolio we aim to help airlines simplify distribution to meet today's industry challenge.

### Principal risks, financial risks and uncertainties

#### (a) Financial risks

The management of financial risks is done in compliance with the SITA Group's Board-approved Financial Risk Management Policy, which stipulates that the company will manage foreign exchange risk arising on expected future cash flows with the objectives of protecting budget and planned results. Currency options, forwards and swaps to hedge future transactions are utilized in addition to natural hedging of cash flows in foreign exchange currencies.

The company diversifies its customer credit risk centrally within the SITA Group. The company falls within the SITA Group's treasury investment policy and limits credit risks from treasury counterparts. The Group manages this risk by requiring minimum credit quality of financial instruments. Risk on the credit worthiness of the customer base is managed through the assessment of the financial strength of new customers through credit checks and the use of the IATA Clearing House.

Liquidity risk is managed by the SITA Group through the maintenance of adequate reserves, banking facilities and reserve borrowing facilities. The company continuously monitors forecast and actual cash flows, matches expected maturities of financial assets and liabilities and monitors the credit worthiness of counterparties of financial arrangements that the company has entered into.

#### (b) Competition

The company operates in a highly competitive market with significant product innovations. Although the company strives to be ahead of its competitors the risk of a competitor developing a unique and more technologically advanced product is ever present. This risk directly affects revenue through reduced sales of existing products and potential reduced interest in new products. The company mitigates this risk by continuing to develop existing products and developing new products for both new and existing customers.

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**(c) Commercial relationships**

The SITA group benefits from close commercial relationships with large global suppliers. Poor relationships with these suppliers can adversely impact existing and future projects creating downtime and delays as well as potential loss of discounts. SITA maintains strong working relationships with all suppliers by ensuring all payments are made by the due date.

**Performance for the year and key performance indicators**

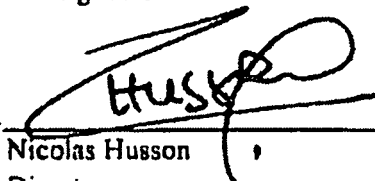
SITA Advanced Travel Solutions Limited provides worldwide services to global customers and is managed globally.

The key performance indicators are also mainly set on the group level and each group entity supports the group business and activities in the respective country. Main performance indicators measured are turnover and profit for the financial year which are provided below:

In 2017, the Company generated a turnover for £72,789,863 (2016: £66,274,106), a growth explained essentially by an increase of the inter-company revenues related to the Border management activity.

The result for the year 2017 included additional cost of sales which reduced gross profit margin and therefore negatively impacted the profitability i.e. loss reported of £3,272,005 (2016: loss of £8,961,653).

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



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Nicolas Husson

Director

Date: 24 September 2018

The directors present their report together with the audited financial statements of SITA Advanced Travel Solutions Limited for the year ended 31 December 2017.

**Directors**

The directors of the company who were in office during the year and up to the date of signing the financial statements are listed on page 3.

René Azoulai (resigned 14 August 2017)

Jeremy Springall (appointed 1 July 2016)

Nicolas Husson (appointed 1 April 2018)

Ilya Gutlin (appointed 14 August 2017, resigned on 31 March 2018)

**Research & Development**

During 2017, SITA Advanced Travel Solutions Limited continued investing and working on several development projects, essentially in the field of government and security business (such as e.g., working on project iBorder to deliver Visitor Information System (VIS) and an eVisa system for processing travellers). Critical success factors that underlie the iBorder business case and the discounted cash flow model are the timely completion of the technical development in line with customer requirements, the retention and the organic growth of our existing customer base and the ability to attract new customers.

**Going concern**

The ultimate parent company SITA SCRL has confirmed in writing continued financial support to the company. Ongoing support will enable the company to continue as a going concern for the foreseeable future and will provide additional funding, as and when required, to the company to meet its financial obligations as they fall due.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future, being a period at least 12 months from the date of signing and approving the financial statements. The company recorded net current assets of £1,066,412 (2016: net current liabilities of £11,412,954) and the directors are of the opinion the company can continue to meet its current obligations as and when they fall due. Accordingly, they continue to adopt the going concern basis in preparing the annual financial statements.

**Post balance sheet events**

There were no events post the balance sheet date that have any significant impact on the financial statements.

**Future developments**

For details of future developments please see the strategic report on page 4.

**Dividends**

For details of dividends please see the strategic report on page 4.

**Financial instruments**

The company's operations expose it to a variety of financial risks that include the effects of foreign exchange risks, credit risk and liquidity risk. For further detail as to how the company manages these risks, refer to the strategic report.

**Employees****(a) Employee involvement**

The company operates in a dynamic environment and recognises the value of high quality staff and their contribution to the success of the company. The company is focused on employing high quality staff with appropriate skill sets to help the company achieve its goals and maintain the competitive advantage. The company has a highly competitive bonus scheme and other financial and non-financial benefits as incentive for the employees to work towards meeting the goals of the company and also to mitigate the risk of losing valued employees.

The company's policy is to consult and discuss with employees on matters likely to affect employees' interests. Information on matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

**(b) Employment of disabled persons**

It is the company's policy that disabled people are given the same consideration as other applicants for all job vacancies for which they offer themselves as suitable candidates. Similarly, the company's policy is to continue to employ and train employees who have become disabled whenever possible.

Every effort has been made to ensure that line managers fully understand that disabled people must have the same prospects and promotional opportunities that are available to other employees. The company makes appropriate modification to procedures and equipment where it is practical and safe to do so.

**Directors' and officers' liability insurance**

The company purchases directors' and officers' liability insurance to cover the directors, and has in place a directors' and officers' indemnity. The insurance operates to protect the directors in circumstances where, by law, SITA Advanced Travel Solutions Limited cannot provide the indemnity.

**Disclosure of information to auditors**

Each of the persons who is a director at the date of approval of this report confirms that:

1. so far as the director is aware, there is no relevant information of which the company's auditors are unaware; and
2. the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s 418 of the Companies Act 2006.

**Independent auditors**

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

**Directors' responsibilities statement**

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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

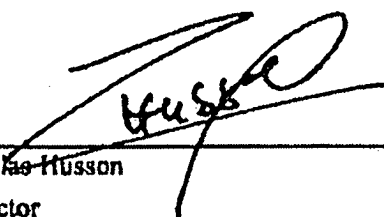
In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; 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 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 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.

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



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Nicolas Husson

Director

Date: 24 September 2018



## ***Independent auditors' report to the members of SITA Advanced Travel Solutions Limited***

### **Report on the financial statements**

#### **Opinion**

In our opinion, SITA Advanced Travel Solutions Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2017; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

#### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

## ***Independent auditors' report to the members of SITA Advanced Travel Solutions Limited***

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

## **Responsibilities for the financial statements and the audit**

### *Responsibilities of the directors for the financial statements*

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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.

### *Auditors' 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 auditors' 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

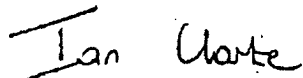
## **Other required reporting**

### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.



Ian Clarke (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cardiff  
24 September 2018

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	2017 £	2016 £
<b>Turnover</b>		72,789,863	66,274,106
Cost of sales		(75,843,176)	(76,790,570)
<b>Gross loss</b>		(3,053,313)	(10,516,464)
Distribution costs		(48,807)	(23,439)
Administrative expenses		(716,891)	(1,582,018)
Other operating income		493,773	3,076,540
<b>Operating loss</b>	6	(3,325,238)	(9,045,381)
Net finance cost	8	(238,214)	(371,103)
<b>Loss before taxation</b>		(3,563,452)	(9,416,484)
Tax on loss	9	291,447	454,831
<b>Loss for the financial year</b>		(3,272,005)	(8,961,653)
<b>Total comprehensive expense for the financial year</b>		(3,272,005)	(8,961,653)

All results derive from continuing operations.

The accompanying notes on pages 14 to 24 form an integral part of the financial statements.

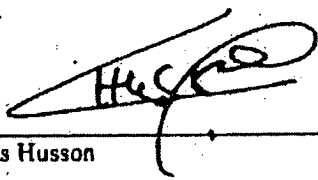
**BALANCE SHEET**

As at 31 December 2017

	Note	2017 £	2016 £
<b>Fixed assets</b>			
Intangible assets	10	9,385,033	6,223,933
Tangible assets	11	2,897,138	3,163,423
		<u>12,282,171</u>	<u>9,387,356</u>
<b>Current assets</b>			
Debtors	12	15,727,960	14,398,119
Cash at bank and in hand		3,615	51,571
		<u>15,731,575</u>	<u>14,449,690</u>
<b>Creditors: Amounts falling due within one year</b>	13	(16,797,987)	(25,862,644)
<b>Net current assets/(liabilities)</b>		<u>(1,066,412)</u>	<u>(11,412,954)</u>
Provisions for liabilities	14	(20,931,907)	(4,418,545)
<b>Net liabilities</b>		<u>(9,716,148)</u>	<u>(6,444,143)</u>
<b>Capital and reserves</b>			
Called up share capital	16	4,227,185	4,227,185
Accumulated losses		(13,943,333)	(10,671,328)
<b>Total equity</b>		<u>(9,716,148)</u>	<u>(6,444,143)</u>

The accompanying notes on pages 14 to 24 form an integral part of the financial statements.

The financial statements on pages 11 to 24 of SITA Advanced Travel Solutions Limited (company registration number 01391626) were approved by the Board of Directors and authorised for issue on 24 September 2018 and signed on its behalf.



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Nicolas Husson  
Director

**STATEMENT OF CHANGES IN EQUITY****For the year ended 31 December 2017**

	<b>Called up share capital £</b>	<b>Accumulated losses £</b>	<b>Total equity £</b>
<b>At 1 January 2016</b>	4,227,185	(1,709,675)	2,517,510
<b>Total comprehensive expense for the financial year</b>			
Loss for the financial year	-	(8,961,653)	(8,961,653)
<b>At 31 December 2016</b>	<u>4,227,185</u>	<u>(10,671,328)</u>	<u>(6,444,143)</u>
<b>At 1 January 2017</b>	4,227,185	(10,671,328)	(6,444,143)
<b>Total comprehensive expense for the financial year</b>			
Loss for the financial year	-	(3,272,005)	(3,272,005)
<b>At 31 December 2017</b>	<u>4,227,185</u>	<u>(13,943,333)</u>	<u>(9,716,148)</u>

The accompanying notes on pages 14 to 24 form an integral part of the financial statements.

**1 GENERAL INFORMATION**

The primary activity of SITA Advanced Travel Solutions Limited ("the company") is the provision of integrated information and solutions to the Air Transport Community essentially in the field of government border management, and passenger solutions. To a lesser extent, the company also delivers IT solutions and services to Airports, and network services to the Air Transport Community.

The company is a private company limited by shares and is incorporated and domiciled in United Kingdom and registered in England. The address of its registered office is Sita Legal, Royal Pavilion Wellesley Road, Aldershot, Hampshire, GU11 1PZ, UK.

**2 STATEMENT OF COMPLIANCE**

The individual financial statements of the company have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

**3 BASIS OF PREPARATION**

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The principal accounting policies are summarised below. They have all been applied consistently throughout the current year and in the preceding year.

These financial statements are prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving higher degree of judgement and complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

**4 ACCOUNTING POLICIES**

**Exemptions for qualifying entities under FRS 102**

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders.

The Company has taken advantage of the following exemptions:

- from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in the consolidated financial statements of the group in which the entity is consolidated, includes the Company's cash flows;
- from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7;
- from the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statement disclosures; and
- the requirement of Section 33 Related Party Disclosures paragraph 33.9 to disclose related party transactions within other members of the SITA Group.

**Going concern**

The ultimate parent company SITA SCRL has confirmed in writing continued financial support to the company. Ongoing support will enable the company to continue as a going concern for the foreseeable future and will provide additional funding, as and when required, to the company to meet its financial obligations as they fall due.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future, being a period at least 12 months from the date of signing and approving the financial statements. The company recorded net current assets of £1,066,412 (2016: net current liabilities of £11,412,954) and the directors are of the opinion the company can continue to meet its current obligations as and when they fall due. Accordingly, they continue to adopt the going concern basis in preparing the annual financial statements.

#### 4 ACCOUNTING POLICIES (continued)

##### Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. Turnover from the sale of goods is recognised when the goods are physically delivered to the customer. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded as the service is provided at the value of the consideration due.

Where amounts are invoiced or where cash is received in advance of the work being performed such amounts are deferred as liabilities until the revenue is earned. Where work is performed but un-invoiced such amounts are recognised within the profit and loss account with a corresponding asset recognised within accrued income.

The analysis of turnover and profit before taxation by class of business and the analysis of turnover by geographical market have not been disclosed, since the directors consider that disclosure would be seriously prejudicial to the interests of the company.

##### Intangible fixed assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to Cost of sales in the Statement of comprehensive income. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

Development costs	3-12 years
Software applications	3-5 years
Goodwill	5 years

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Costs associated with maintaining computer software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

##### Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment. Cost includes the original purchase price and costs directly attributable to bringing the asset to its working condition for its intended life. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Leasehold improvements	Duration of lease
Fixtures and fittings	3-10 years
Computer equipment	3-5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

##### Contract assets and contract liabilities

Contract assets are composed of the deferred contract costs and contract accrued income.

Deferred contract costs comprise certain eligible, non-recurring costs incurred in the initial phases of service contracts that are deferred and subsequently amortised. These costs consist of fulfilment and setup costs related to the installation of applications and solutions and are amortized on a straight-line basis over the term of the specific contract it relates to, consistent with the pattern of recognition of the associated revenue. The current part becomes due in the coming 12 months period.

#### **4 ACCOUNTING POLICIES (continued)**

##### **Contract assets and contract liabilities (continued)**

Accrued income include amounts that are eligible for revenue recognition for which the related cash has not been collected from the customer at reporting date. The current part becomes due in the coming 12 months period.

Contract liabilities are composed of contract deferred revenue and contract payables.

Contract deferred revenue include cash amounts received from the customer for which the related performance obligation is unsatisfied by the Company at closing date.

They include cash amounts paid by the customer at the initial phase of managed service contracts that are amortized as revenue as the Company satisfies the related performance obligations. The current part corresponds to amounts that are expected to be released as revenue in the coming 12 month period.

Contract payables are cash amounts that have to be reimbursed to the customer. This could be the case if the Company collects cash from third parties on behalf of a customer.

##### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are included in the statement of comprehensive income. The company's functional and presentational currency is the pound sterling.

##### **Leased assets**

Assets obtained under hire purchase and finance lease are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of finance charges allocated to future periods. The finance element of the rental payments is charged to the statement of comprehensive income so as to produce a fixed charge spread evenly over the period of each lease. Although this does not produce a constant periodic rate of charge relative to the net obligation outstanding in each period, there is no material difference to the charge to revenue between the two methods. This method of finance charge allocation has been consistently applied.

Operating leases are leases which do not transfer substantially all the risks and rewards of ownership to the company. Operating lease expenses are recognised on a straight-line basis over the term of the lease. Incentives received to enter into an operating lease are recognised as a reduction of the operating lease expense on a straight-line basis over the term of the lease.

##### **Pension scheme**

The company is part of the group defined benefit scheme and is unable to identify its share of assets and liabilities on a consistent and reasonable basis. As a result the company accounts for the scheme as a defined contribution scheme. The amount charged to the statement of comprehensive income in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown either as accruals or prepayments in the balance sheet.

##### **Taxation**

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

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is measured at the rates that are expected to apply in the periods in which the timing differences are expected to reverse based on the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.



#### **4 ACCOUNTING POLICIES (continued)**

##### **Impairment of non-financial assets**

At each balance sheet date, non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

##### **Related party transactions**

The company has taken advantage of the exemption granted under FRS 102 not to disclose transactions the company entered into with its parent or with members of the same group that are wholly owned.

##### **Provisions**

Provisions are recognized when the company has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably. The amount recognized as a provision is the best estimate of the expenditure to settle the present obligation at the balance sheet date. Any reimbursement that is virtually certain to be received from another party is recognized as a separate asset.

##### **Stocks**

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

An impairment loss for old or obsolete inventory is charged to the income statement where appropriate. Any reversal of impairment is recognized as a reduction in the amount of inventories recognized as cost of sales in the period in which the reversal occurs.

##### **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

##### **Financial instruments**

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities such as trade and other accounts receivable and payable; loans from banks and other third parties; and loans to and from related parties. Debtors and creditors are subsequently measured at amortised cost.

The company initially recognises all financial assets and liabilities on the trade date at which the company becomes a party to the contractual provisions of the instruments. Purchases and sales of financial assets and financial liabilities are recognised using trade date accounting. From trade date, any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded in the statement of comprehensive income.

An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

**5 JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial year in which the estimate is revised and in any future financial years affected. In preparing these financial statements, the directors have had to make the following judgements, estimates and assumptions:

**Revenue recognition**

In making their judgment, management considered the detailed criteria for the recognition of revenue from the sale of goods and rendering of services, in particular, whether the company had transferred to the buyer the significant risks and rewards of ownership of the goods. Moreover, for those contracts that are longer term in nature, management considered the detailed criteria for the recognition of revenue defined in FRS 102.

The carrying value of internally-generated assets is assessed by management for recoverability using value-in-use discounted cash flow calculations. The important estimates and assumptions underlying the discounted cash flow calculation are the expected cash flows to be derived from the asset and the discount rate applied.

**Impairment testing for intangible assets and property plant and equipment**

The estimates and judgments with regard to impairment testing are applied consistently year over year. The expected cash flows relating to the cash generating units (CGU), or individual assets, are principally based on the three year business plan. The discount rate applied in the impairment testing is derived from market data for relevant sectors or similar companies.

**Useful life and residual values of assets**

The estimated useful lives require an estimate by type of asset. The basis for the estimated useful lives follows the underlying use of the asset and the expected economic time of use.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about the carrying values of the assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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.

**Provisions**

The company is required to use estimates in measuring the provisions. The principal assumptions relate to the expected cash outflows. For legal cases in which the company is involved, an assessment is made by management following appropriate legal advice.

<b>6 OPERATING LOSS</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
This is stated after charging/(crediting):		
Depreciation of tangible assets	1,440,033	1,333,648
Amortisation of intangible assets	1,531,602	1,602,418
Loss on disposal of tangible assets	6,281	86,880
(Reversal of impairment)/Impairment of trade debtors	(99,270)	243,691
Operating lease rentals	501,845	373,830
Inventory recognised as an expense	199,908	66,731
(Gain) on foreign exchange	(493,773)	(3,076,540)

The audit fee of £25,000 (2016: £25,000) is borne by the Group without recharge.

In 2017 and 2016, SITA Advanced Travel Solutions Limited incurred research and development costs related to Government portfolio which were capitalized in the amount of £4,320,852 and £1,447,328, respectively. In addition, research and development costs related to the following Solution Lines: Passenger, Airline, Airport, and Baggage processing portfolios were recharged to respective Group entities. Hence, in these two years, there were no research and development costs that were charged to the profit and loss account.

**7A INFORMATION REGARDING EMPLOYEES**

	2017 No.	2016 No.
Monthly average number of persons employed (including directors):		
Service delivery	90	99
Sales and distribution	1	1
	<u>91</u>	<u>100</u>
	2017 £	2016 £
Staff costs for the above persons:		
Wages and salaries	4,372,196	6,738,338
Social security costs	980,847	816,809
Other pension costs	509,199	620,325
	<u>5,862,242</u>	<u>8,175,472</u>

**7B DIRECTORS' REMUNERATION**

All directors were paid by other group companies in 2017 and 2016 and received no remuneration in respect of their services to the company in each year.

**8 NET FINANCE COST**

	2017 £	2016 £
Interest payable and similar expenses:		
Intercompany interest	176,367	363,785
Bank charges	65,550	7,134
Late interest charges	172,664	184
	<u>414,581</u>	<u>371,103</u>

**9 TAX ON LOSS**

The tax credit comprises:	2017 £	2016 £
<b>Current tax</b>		
UK corporation tax at standard tax rate of 19.25% (2016: 20.00%)	-	(269,057)
Adjustments in respect of prior years	-	(10,614)
	-	<u>(279,671)</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(281,710)	(256,712)
Adjustments in respect of prior years	(42,664)	41,945
Effect of tax rate change on opening balance	32,927	39,607
	<u>(291,447)</u>	<u>(175,160)</u>
<b>Tax credit for the year</b>	<u>(291,447)</u>	<u>(454,831)</u>

The differences between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before taxation is as follows:

**9 TAX ON LOSS (continued)**

	2017 £	2016 £
<b>Loss before taxation</b>	(3,563,452)	(9,416,484)
Tax on loss profit at standard UK corporation tax rate of 19.25% (2016: 20.00%)	(685,965)	(1,883,297)
Factors affecting the charge for the year:		
Expenses not deductible for tax purposes	56,395	85,591
Adjustments in respect of prior years	(34,033)	18,079
Change in tax rates	32,971	36,331
Unrecognised deferred tax	339,185	1,288,465
<b>Tax credited for the year</b>	<b>(291,447)</b>	<b>(454,831)</b>

Such asset has not been recognized due to the extent it is not probable that sufficient taxable profit will be available to utilize the asset.

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19.25% from 1 April 2017 and to 17.00% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

**10 INTANGIBLE FIXED ASSETS**

	Development costs £	Goodwill £	Software applications £	Total £
<b>Cost</b>				
At 1 January 2017	12,093,291	93,980	441,717	12,628,988
Additions	4,320,852	-	371,850	4,692,702
Disposals	-	(93,980)	-	(93,980)
At 31 December 2017	16,414,143	-	813,567	17,227,710
<b>Accumulated amortisation</b>				
At 1 January 2017	6,073,195	93,980	237,880	6,405,055
Charge for the year	1,397,826	-	133,776	1,531,602
Disposals	-	(93,980)	-	-
At 31 December 2017	7,471,021	-	371,657	7,842,678
<b>Net book amount</b>				
At 31 December 2017	8,943,122	-	441,910	9,385,033
At 31 December 2016	6,020,096	-	203,837	6,223,933

An impairment test has been performed on the internally developed systems. The test uses a discounted cash flow model. The forecast period applied to the review is five years. The weighted average cost of capital applied in the impairment test is 9.60%. The average annual revenue growth anticipated for the forecast period is 2.50%. This growth rate is based on SITA's ability to achieve the organic growth with existing customers and to attract new ones. Based on the discounted cash flow model for the system, forecasted revenues, costs and non-cash items, as well as the sensitivity analysis, management concluded that no impairment charge needed to be recorded.

Critical success factors for iBorder that underlie the business case and the discounted cash flow model are the timely completion of the technical development, the pace of migration of customers from the legacy system on to the new technology, the ability to attract new customers and the organic growth of our existing customer base.

<b>11 TANGIBLE ASSETS</b>	<b>Leasehold improvements</b>	<b>Computer equipment</b>	<b>Fixtures and fittings</b>	<b>Total</b>
<b>Cost</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 1 January 2017	446,672	10,210,788	2,013,403	12,670,863
Additions	-	1,091,112	88,917	1,180,029
Disposals	-	(259,049)	-	(259,049)
At 31 December 2017	446,672	11,042,851	2,102,320	13,591,843
<b>Accumulated depreciation</b>				
At 1 January 2017	446,672	7,913,984	1,146,784	9,507,440
Charge for the year	-	1,283,423	156,610	1,440,033
Disposals	-	(252,768)	-	(252,768)
At 31 December 2017	446,672	8,944,639	1,303,394	10,694,705
<b>Net book amount</b>				
At 31 December 2017	-	2,098,212	798,926	2,897,139
At 31 December 2016	-	2,296,804	866,619	3,163,423

<b>12 DEBTORS</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Trade debtors	1,297,518	1,095,146
Social security and other taxes	1,517,312	749,633
Corporation tax recoverable	2,045,582	2,045,582
Deferred tax asset	528,361	236,914
Prepayments and accrued income	10,339,187	10,270,844
	<u>15,727,960</u>	<u>14,398,119</u>

The amounts presented in the trade debtors are net of allowances for doubtful receivables of £309,474 (2016: £414,369).

<b>13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Trade creditors	2,897,478	4,087,097
Amounts owed to group undertakings	3,744,665	11,829,089
Taxation and social security	207,846	171,416
Other creditors	47,699	51,188
Accruals and deferred income	9,900,299	9,723,854
	<u>16,797,987</u>	<u>25,862,644</u>

With effect from 1 January 2016, the amounts payable to the group undertaking is interest bearing. A promissory note has been issued by the Company to represent this debt (applicable interest rate is 3M LIBOR + 1.25%, the promissory note amount is unsecured and repayable on demand).

**14 PROVISIONS FOR LIABILITIES**

	Onerous contract £
At 1 January 2017	4,418,545
Increase in provision	16,513,362
At 31 December 2017	<u>20,931,907</u>
Analysed as:	
Amounts falling due within one year	20,931,907
Amounts falling due after one year	-
	<u>20,931,907</u>

The company reviewed all incurred and expected costs for project Oman iBorder, which is considered to be loss making. In 2017, the company further increased the provision for onerous contract.

**15 DEFERRED TAXATION**

A deferred tax asset of £ 528,361 (2016: £236,914) has been recognised in respect of timing differences (see note 12). The directors are of the opinion that it is probable that future taxable profit will be available against which the unused timing differences can be utilised.

	Fixed assets £
At 1 January 2017	(236,914)
Charged to the income statement on ordinary activities	(291,447)
At 31 December 2017	<u>(528,361)</u>

The deferred tax asset has been calculated at 17.00% (2016: 17.00%), see note 9.

Deferred tax assets of £1,325,499 (2016: £1,083,931) relating to trading losses have not been recognised due to uncertainty over their future recoverability.

**16 CALLED UP SHARE CAPITAL**

	2017		2016	
	Number of	£	Number of	£
Authorised:				
Ordinary shares of 25p each	22,000,000	5,500,000	22,000,000	5,500,000
Called up, allotted and fully paid:				
Ordinary shares of 25p each	16,908,740	4,227,185	16,908,740	4,227,185

**17 OPERATING LEASE COMMITMENTS**

At 31 December the company was committed to making the following payments during the next years in respect of non-cancellable operating leases:

	2017 £	2016 £
Land and buildings		
Amounts due within one year	582,000	582,000
Amounts due within 2nd to 5th year inclusive	2,328,000	2,328,000
Amounts due after 5th year	1,156,026	1,738,026
	<u>4,066,026</u>	<u>4,648,026</u>

## 18 PENSIONS

The company participates in the SITA Defined Benefit Pension Scheme ("the Scheme"). The Scheme is a multi-employer scheme and was closed to new entrants on 31 December 2004.

The Scheme is a funded pension scheme providing defined benefits based on final pensionable salary. The assets of the Scheme are held separately from those of the company.

The company is unable to identify its share of the underlying assets and liabilities of the Scheme, because the underlying contribution rate is set at a common level and does not reflect the underlying characteristics of the work force of the company.

Therefore, in accordance with the provisions of FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", the pension cost charged to the statement of comprehensive income has been determined as the actual contributions paid over the financial year, i.e. on a "defined contribution" basis.

The estimated deficit in the Scheme as at 31 December 2017, calculated using assumptions consistent with the requirements of FRS 102, was £12.9 million (2016: £46.4 million).

The market value of the Scheme's assets at 31 December 2017 was £34.0 million (2016: 118.0 million), while the actuarial value of the Scheme's liabilities totalled £46.9 million (2016: £164.4 million).

The assumptions which have the most significant effect on the FRS 102-consistent valuation as of 31 December 2017 were:

	2017	2016
Discount rate	2.60%	3.85%
Inflation	1.90%	1.90%
Salary increases	1.90%	2.40%
Increases to pensions in payment	3.10%	3.20%
Deferred pensions increases	1.90%	1.90%

Weighted average life expectancy for mortality liability tables used to determine the liabilities:

	Males	Females
Member aged 65 (current life expectancy)	23 yrs	25 yrs
Member aged 40 (life expectancy at age 65)	24 yrs	27 yrs

As set out above the pension cost charged to the statement of comprehensive income has been determined as the actual contributions paid over the financial year, on a defined contribution basis. The pension charge for 2017 was £59,598 (2016: £46,979).

**18 PENSIONS (CONTINUED)**

From 1 January 2015, the company contributes 14.00% of pensionable salaries to the Scheme to meet the cost of future benefit accrual, and contributes a further 8.00% of pensionable salaries on behalf of those members who participate in the company's salary sacrifice arrangement. In addition, the company pays its share from payments to meet the funding shortfall, to meet the expenses of administering the Scheme, and its share of the Scheme's PPF levies.

**19 PARENT COMPANY**

The Company's immediate parent Company and controlling entity is SITA NV, a Company incorporated in the Netherlands and registered at Heathrowstraat 10, 1043 CH Amsterdam (Sloterdijk), the Netherlands.

SITA NV is the parent company of the smallest group which prepares consolidated financial statements and includes the results of SITA Advanced Travel Solutions Limited. Copies of the financial statements of SITA NV can be obtained from the Company Secretary at Heathrowstraat 10 (Sloterdijk), 1043CH Amsterdam, The Netherlands.

SITA SCRL, a company incorporated in Belgium, is the ultimate parent company and ultimate controlling party and its registered address is Avenue des Olympiades 2, B-1140 Brussels, Belgium. SITA SCRL is the parent company of the largest group which prepares consolidated financial statements and includes the results of SITA Advanced Travel Solutions Limited.