GPT Special Project Management Limited

Annual report and financial statements

Registered number 2984211

30 December 2019

Contents

Strategic report

Section 172 Statement

In line with the Companies Act requirement for periods commencing on or after 1 January 2019, the Directors set out below their key considerations and steps taken with regard to the 'enlightened shareholder value' requirements of s172 in performing their duties.

The Board continuously reviews which relationships support the generation and preservation of value in the Company. The Directors have identified the following parties who have an interest in, or are impacted by, the decisions taken by the Company: customer (including the ultimate customer), suppliers, employees, pension scheme members, shareholders, tax authorities in the UK and KSA, regulators, Her Majesty's Government and local communities. All strategic decisions take into account these stakeholders' interests and the Directors consider that they have acted in a way that is most likely to promote the success of the Company for the benefit of its members as a whole. In particular, the Directors have considered the following matters:

- Long-term factors affecting the Company - the company aligns its development and production strategy with the order book alongside customer's satisfaction. 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 last 10-year programme expired on 31 December 2019 and the Company has no intention either to bid for new work with the UK Ministry of Defence or seek new business with other customers. The Company is in the process of closing down its operations.
- Interests of the Company's employees were taken into account where they were able to transfer employment to other companies in KSA.
- Business relationships with suppliers - supplier relationships are crucial to the success of the Company and constantly monitored.
- Business relationships with customer - the Company's only customer is the UK Ministry of Defence and the ultimate sole customer was Saudi National Guard.
- Business relationships with others - the Company has a number of other stakeholders with which it has business relationships, notably HMRC and other Government bodies in both KSA and the UK. The Company is an important contributor to the UK economy through tax payments and KSA for job creation. The Company always aims to be transparent, provide information in a timely manner and operate in a collaborative manner.
- Impact of the Company's operations in the community and the environment - Responsible behaviour is an integral part of everyday business decisions. We do this by making safety our priority and integrating high standards of environmental performance at our sites and in our activities. We respect and value our employees, work closely with our suppliers and strive to maintain high standards of ethical conduct. We aim to be a trusted and responsible company and take pride in our reputation to strive for excellence.
- Reputation for high standards of business conduct - Airbus has established a robust internal control framework and actively considers risks and opportunities that might impact in the long or short term.
- Acting fairly between members of the Company - The Company only has one member.

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 period 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 last 10-year programme expired on 31 December 2019 and the Company has no intention either to bid for new work with the UK Ministry of Defence or seek new business with other customers. The Company is in the process of closing down its operations and will eventually (voluntarily) liquidate the entity. As the shareholders and directors of the Company do not intend to acquire a replacement trade they have prepared the financial statements on a non-going concern basis. The effect of this is explained in note 1.

Strategic report (continued)

Future developments and basis of preparation (continued)

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.

In May 2019 the managed services project came to an end and the 10-year capital replacement programme expired at the end of 2019, however, the last project completed delivery in April 2020.

Order intake for the period decreased by 40% compared to last year in line with our expectations as the Company proceeded towards closure in 2020.

The Company's turnover decreased by 6% in comparison to 2018. As mentioned above the capital replacement project came to a close at 30 December 2019, and several key projects were completed during the course of the current period.

The gross profit of the Company increased by 37% as a result of savings made due to the reduction in staff numbers during the period.

The Company made a loss of SAR 56.2m driven by the SFO fine incurred. See below and note 3 for details.

In August 2012, the UK Serious Fraud Office ("SFO") announced that it had opened a formal criminal investigation in relation to the Company.

On 29 July 2020, the SFO requisitioned (required) the Company to appear in court, and a series of hearings have followed. The single charge against the Company relates to alleged historic corruption in the Kingdom of Saudi Arabia between 2007 and 2012.

On 28 April 2021, the Company entered a guilty plea and a sentence was handed down of a fine of SAR 150.1m (GBP 28.1m) plus SAR 11.7m (GBP 2.2m) in costs. For legal reasons the Company cannot comment further on it.

The cash position of the Company has decreased by 38% in the period due to ongoing discussion with the customer in relation to final settlement of monies owed. In April 2020, the Company received SAR410 million as partial settlement of these sums. Settlement of the remaining sums are anticipated to be received once the Company concludes an ongoing tax dispute related to various tax assessments issued by the General Authority of Zakat and Tax 'GAZT' which is described further in Note 12. No provision has been made in relation to these tax assessments as the Directors are not able to estimate reliably any amounts which might be payable.

The overall equity decreased in the period by 30% due to the loss made in the period with no dividend being distributed.

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

	2019 **SAR 000**	2018 SAR 000	Change
Order intake	**361,443**	597,875	(40)%
Turnover	**912,471**	971,869	(6)%
Gross profit	**95,836**	69,954	37%
(Loss)/Profit before tax	**(55,855)**	62,632	(189)%
Equity	**128,356**	183,465	(30)%
Cash at bank and in hand	**250,983**	404,652	(38)%

Strategic report (continued)

Principal risks and uncertainties

The 10-year capital replacement programme officially finished at the end of 2019, however, the last project completed delivery on 23 April 2020. As part of the programme, GPT undertook to provide certain warranties for work performed. To date no claims have been raised against GPT in respect of this undertaking. Consequently, the Company believes the likelihood of any claims is remote and no provision or contingent liability disclosure is required.

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.

GPT Special Project Management Limited, a UK registered entity, operates solely through a Branch in the Kingdom of Saudi Arabia. The activities of the branch are regulated by its commercial licence, dated 15 March 1995, which permits it to serve a single customer, the UK Ministry of Defence ("MoD"), for the benefit of the ultimate customer, the Saudi Arabian National Guard. The company is the Prime Contractor to the MoD.

On 9 September 1997, a Saudi Royal Decree was granted in favour of the Company. As the customer's Prime Contractor in the Kingdom of Saudi Arabia, the Company's Branch was exempted from Saudi Arabian taxation rules and exempted from liability for tax in that country.

In September 2019, the Company was issued with a number of tax assessments by the General Authority of Zakat and Tax ("GAZT"), covering the periods from 2004 to 2019. The aggregate value of these tax assessments, including late payment penalties accruing daily, is circa SAR938m.

In light of the Royal Decree exempting the company from tax in Saudi Arabia, the directors believe that the Branch is exempt from all taxes in that country and have no liability for the amounts assessed by the GAZT. An appeal against these assessments has therefore been submitted.

However, despite the directors' belief that the company is exempt from tax, there is nonetheless considerable uncertainty about the likely outcome of the appeal. If the company were found to be liable for tax, there is also considerable uncertainty around the amount of the potential tax charge such that the directors consider that no reliable estimate could be made. In light of this, no liability for the amounts assessed by the GAZT has been recognised in the financial statements

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.

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.

Details relating to the legacy SFO investigation and penalty imposed are outlined on page 1.

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
R S Franklin
Richard Franklin
Director
Date: 2 June 2021

Gunnels Wood Rd,
Stevenage,
SG1 2AS

Directors' report

The Directors present their annual report and financial statements for the period ended 30 December 2019.

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.

The Company has changed its accounting reference date to 30 December.

Results and dividends

The loss for the period amounted to KSAR (56,161) (2018: profit of KSAR 56,058).

No interim dividend was paid (31 December 2018: Nil). The Directors do not recommend the payment of a final dividend (31 December 2018: Nil).

Directors and Directors' interests

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

Richard Franklin
Andrew Forbes (resigned 31 December 2020)
Evan Jones (resigned 20 April 2020)
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 period had any disclosable interest in the shares of the Company.

Political and charitable contributions

The Company made no political contributions during the period (31 December 2018: 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

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R J Franklin

Richard Franklin
Director
Date: 2 June 2021

Gunnels Wood Rd,
Stevenage,
SG1 2AS

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 period ended 30 December 2019 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. These financial statements have not been prepared on the going concern basis for the reason set out 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 30 December 2019 and of its loss for the period 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 - uncertain outcome of tax claim

We draw attention to note 12 to the financial statements concerning the uncertain outcome of tax assessments made by the General Authority of Zakat and Tax in respect of periods between 2004 and 2019. The company has lodged appeals against these tax assessments, but the matter remains unresolved. The ultimate outcome of this matter cannot currently be determined, and no provision for any liability which might result has been made in the financial statements. Our opinion is not modified in respect of this matter.

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 period 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.

Independent Auditor's Report to the Members of GPT Special Project Management Limited *(continued)*

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

7 June 2021

Profit and Loss account and Other Comprehensive Income
for the period ended 30 December 2019

	Note	Period ended 30 December 2019 SAR 000	Year ended 31 December 2018 SAR 000
Turnover	2	**912,471**	971,869
Cost of Sales		**(816,635)**	(901,915)
Gross Profit		**95,836**	69,954
Administrative Expenses		**1,112**	(7,383)
Operating Profit		**96,948**	62,571
Fine	10	**(161,826)**	-
Profit on disposals of fixed assets		**9,023**	61
(Loss)/Profit before taxation	2, 3	(55,855)	62.632
Tax on (loss)/profit	6	(306)	(6,574)
(Loss)/Profit for the period and total comprehensive (loss)/income for the period		(56,161)	56,058

The notes on pages 12 to 19 form part of these financial statements.

Balance sheet
at 30 December 2019

	Note	30 December 2019 SAR 000	30 December 2019 SAR 000	31 December 2018 SAR 000	31 December 2018 SAR 000
Fixed assets					
Tangible assets	7		**264**		1,179
Current assets					
Debtors	8	**480.910**		126,768	
Cash at bank and in hand		**250,983**		404,652	
		731,893		531,420	
Creditors: amounts falling due within one year	9	**(441,975)**		(347,458)	
Net current assets			**289,918**		183,962
Total assets less current liabilities			**290,182**		185,141
Provisions for liabilities	10		**(161,826)**		(1,676)
Net assets			**128,356**		183,465
Capital and reserves					
Called up share capital*	11		**-**		-
Profit and loss account			**128,356**		183,465
Equity			**128,356**		183,465

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

The notes on pages 12 to 19 form part of these financial statements.

These financial statements were approved by the board of directors on 2 June 2021 and were signed on its behalf by:

R J Franklin

Richard Franklin
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 2019	-	183,465	183,465
Total comprehensive loss for the period			
Loss for the period	-	(56,161)	(56,161)
Total comprehensive loss for the period	-	(56,161)	(56,161)
Equity-settled share based payment transactions (note 5)	-	1,052	1,052
Total contributions by and distributions to owners	-	1,052	1,052
Balance at 30 December 2019	-	128,356	128,356

	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 for the year	-	56,058	56,058
Total comprehensive income for the year	-	56,058	56,058
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

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 Gunnels Wood Road, Stevenage SG1 2AS

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. The last 10-year programme expired on 31 December 2019 and the Company has no intention either to bid for new work with the UK Ministry of Defence or seek new business with other customers. The Company is in the process of closing down its operations and eventually (voluntarily) liquidating the entity. For these reasons, the Directors believe that the Company is no longer a going concern 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 period 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.

On 9 September 1997, a Royal decree for tax exemption was granted in favour GPT as the customer's Prime Contractor in the Kingdom of Saudi Arabia whereby the GPT's Branch was exempted from Saudi Arabian taxation rules.

At the balance sheet date, the Company had various tax assessments issued by the General Authority of Zakat and Tax 'GAZT' covering the periods from 2004 to 2019. Further details are outlined in note 12.

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 period, certain employees of the Company participated in the Group's Employee Share Ownership Plan (ESOP) and qualifying employees were granted shares of the Company'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 Airbus S.E.'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.

	30 December 2019 SAR 000	31 December 2018 SAR 000
Capital replacement projects	831,852	802,852
Managed services project	80,619	169,017
	912,471	971,869

3 Expenses and auditor's remuneration

	Period ended 30 December 2019	Year ended 31 December 2018
	SAR 000	SAR 000
Included in the profit and loss account are the following:		
Depreciation	915	4,375
Fine	,161,826	-
Profit on sale of fixed assets	(9,023)	(61)
Operating lease cost	16,366	23,859

Notes *(continued)*

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

	Period ended 30 December 2019	Year ended 31 December 2018
	SAR 000	SAR 000
Auditor's remuneration:		
Audit of these financial statements	976	907

4 Remuneration of Directors

	30 December 2019	31 December 2018
	SAR 000	SAR 000
Directors Remuneration	**2,167**	2,342
	2,167	2,342

Of all the directors who held office during the period only two were paid by the Company.

Directors' emoluments include expenses of KSAR 17 (2018: KSAR 16) 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 were KSAR 1,265 (2018: KSAR 1,087).

5 Staff numbers and costs

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

	Period ended 30 December 2019	Year ended 31 December 2018
Managed services project staff	**155**	345
Capital replacement project staff	**150**	190
	305	535

	Period ended 30 December 2019	Year ended 31 December 2018
	SAR 000	SAR 000
Wages and salaries	**85,054**	140,878
Social security costs	**2,517**	4,882
	87,571	145,760

Wages and salaries include expenses of KSAR 1,052 (2018: KSAR 1,281) 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

	Period ended 30 December 2019 SAR 000	Year ended 31 December 2018 SAR 000
UK Corporation tax		
Current tax for the year	**4,995**	12,701
Adjustments for prior periods	**(6,400)**	(5,934)
Total current tax charge	**(1,405)**	6,767
UK deferred tax		
Origination and reversal of timing differences	**1,711**	(193)
Deferred tax charge (note 8)	**1,711**	(193)
Total tax expense	**306**	6,574

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2018 and the deferred tax asset at 31 December 2019 has been calculated based on this rate.

The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantially enacted on 17 March 2020. This will increase the company's future current tax charge accordingly and had the rate applied at the balance sheet date an increase in the deferred tax asset of KSAR327.

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%. The differences are explained below:

	Period ended 30 December 2019 SAR 000	Year ended 31 December 2018 SAR 000
(Loss)/Profit before tax	**(55,855)**	62,632
Tax charge at the standard rate of tax of 19% (2018: 19%)	**(10,612)**	11,900
Effects of:		
Expenses not allowable for tax purposes	**30,766**	3
Adjustments for prior periods	**(6,400)**	(2,601)
Group partial tax relief	**(4,995)**	(3,333)
Difference in tax rates	**(1,058)**	84
Deferred tax not recognised	**(7,395)**	521
Total tax expense	**306**	6,574

Notes *(continued)*

7 Tangible fixed assets

	Motor Vehicles	IT Equipment	Fixtures & fittings	Total SAR 000
Cost:				
Balance at 1 January	33,416	10,030	2,173	45,619
Additions	-	-	-	-
Disposals	(27,858)	-	-	(27,858)
Balance at 30 December	5,558	10,030	2,173	17,761
Depreciation:				
Balance at 1 January	32,599	9,741	2,100	44,440
Charge for period	659	183	73	915
Disposals	(27,858)	-	-	(27,858)
Balance at 30 December	5,400	9,924	2,173	17,497
Net book value:				
At 1 January 2019	817	289	73	1,179
At 30 December 2019	158	106	-	264

8 Debtors

	30 December 2019 SAR000	31 December 2018 SAR000
Trade debtors	453,471	60,680
Amounts recoverable on contracts	11,369	21,347
Corporation tax recoverable	6,084	-
Prepayments and accrued income	7,221	40,265
Deferred tax asset (see note below)	2,765	4,476
	480,910	126,768

	Deferred taxation SAR000
At 1 January 2019	4,476
Movement in the period	(1,711)
At 30 December 2019	2,765

The elements of deferred taxation are as follows:	2019 SAR 000	2018 SAR 000
Difference between accumulated depreciation and amortisation and capital allowances	2,765	4,476
Deferred tax asset	2,765	4,476

There is an unrecognised deferred tax asset on employees' end-of-service accrual of KSAR 1,110 at 30 December 2019 (2018: KSAR 8,506). 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

	30 December 2019 SAR000	31 December 2018 SAR000
Trade creditors	**196,657**	65,953
Amounts owed to group undertakings	**13,507**	3,378
Taxation and social security	**2,227**	3,165
Corporation tax	**-**	10,296
Accruals and deferred income	**229,584**	264,666
	441,975	347,458

Included within accruals and deferred income are KSAR 6,441 (2018: KSAR 49,108) relating to employee end of service accrual.

10 Provisions

	SAR 000 Fine	SAR 000 Warranty	SAR 000 Total
At 1 January 2019	-	1,676	**1,676**
Provision released	-	(1,676)	**(1,676)**
Provision made	161,826	-	**161,826**
At 30 December 2019	161,826	-	**161,826**

KSAR 1,676 related to a warranty provision which has now been released as it was no longer considered necessary following the end of the contract on 31 December. As part of the 10-year capital replacement programme, GPT undertook to provide certain warranties for work performed. To date no claims have been raised against GPT in respect of this undertaking. Consequently, the Company believes the likelihood of any claims is remote and no provision or contingent liability disclosure is required.

A provision for the fine and costs in respect of the court judgment reached in April 2021 in respect of the SFO investigation has been made. This fine was settled during May 2021.

11 Called up share capital

	30 December 2019 SAR	31 December 2018 SAR
Allotted, called up and fully paid		
2 Ordinary shares of £1 each	**14**	14

12 Contingencies

GPT Special Project Management Limited, a UK registered entity, operates solely through a Branch in the Kingdom of Saudi Arabia. The activities of the branch are regulated by its commercial licence, dated 15 March 1995, which permits it to serve a single customer, the UK Ministry of Defence ("MoD"), for the benefit of the ultimate customer, the Saudi Arabian National Guard. The company is the Prime Contractor to the MoD.

On 9 September 1997, a Saudi Royal Decree was granted in favour of the Company. As the customer's Prime Contractor in the Kingdom of Saudi Arabia, the Company's Branch was exempted from Saudi Arabian taxation rules and exempted from liability for tax in that country.

Notes *(continued)*

12 Contingencies (continued)

In July 2019 and February 2020, the Company was issued with a number of tax assessments by the General Authority of Zakat and Tax ("GAZT"), covering the periods from 2004 to 2019. The aggregate value of these tax assessments, including late payment penalties accruing daily, is circa SAR938m.

In light of the Royal Decree exempting the company from tax in Saudi Arabia, the directors believe that the Branch is exempt from all taxes in that country and have no liability for the amounts assessed by the GAZT. An appeal against these assessments has therefore been submitted.

However, despite the directors' belief that the company is exempt from tax, there is nonetheless considerable uncertainty about the likely outcome of the appeal. If the company were found to be liable for tax, there is also considerable uncertainty around the amount of the potential tax charge such that the directors consider that no reliable estimate could be made. In light of this, no liability for the amounts assessed by the GAZT has been recognised in the financial statements

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:

	30 December 2019 SAR 000	31 December 2018 SAR 000
Less than one year	-	8,337
Between one and five years	-	-
	-	8,337

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:

- The assessment of the potential outcome of the Tax assessments by GAZT is described in note 12. Due to the inherent uncertainties regarding the outcome of the appeals process, management have exercised judgement in determining that this is a contingent liability rather than recognising a 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. which is registered in The Netherlands. Airbus 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.