Company Registration No. 06002593 (England and Wales)

CAPITA IT SERVICES HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

CAPITA IT SERVICES HOLDINGS LIMITED

COMPANY INFORMATION

Directors	S N Taylor on behalf of Capita Corporate Director Limited N S Dale
Secretary	Capita Group Secretary Limited
Company number	06002593
Registered office	30 Berners Street London United Kingdom W1T 3LR
Auditor	KPMG LLP 15 Canada Square London E14 5GL
Banker	Barclays Bank PLC 1 Churchill Place London E145HP

CAPITA IT SERVICES HOLDINGS LIMITED

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CAPITA IT SERVICES HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present their Strategic report and financial statements for the year ended 31 December 2019.

Review of the business

Capita IT Services Holdings Limited (“the Company”) is a wholly owned subsidiary (indirectly held) of Capita plc. Capita plc along with its subsidiaries are hereafter referred to as “the Group”. The Company operates within the Group’s IT Services division.

The principal activity of the Company is that of a holding company. There have not been any significant changes in the Company's principal activities in the year under review. The Directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

As shown in the Company’s income statement on page 7, the loss before tax was £66,260,675 in 2019, compared to £98,747,661 in 2018. Losses in both years are driven on account of impairment of investments in subsidiaries which amounted to £99,792,631 in 2018 and £71,892,618 in 2019 respectively. During the year 2019, the Company received a dividend of £5,631,830 from Capita IT Services (BSF) Holdings Ltd.

Pursuant to Section 641(1)(a) of Companies Act 2006, the Company on 25 March 2019, reduced the amount of £100,000,000 standing in share capital and credited it to retained deficit, by way of a special resolution.

The balance sheet on page 8 of the financial statements shows the Company's financial position at the year end. Net liabilities have increased from £8,773,351 in 2018 to £75,034,020 in 2019 on account of impairment of investment in subsidiaries. Details of amounts owed by/to its parent Company and fellow subsidiary undertakings are shown in notes 9 and 10 to the financial statements.

The Company has not identified any key performance indicators due to the nature of its operations as a holding company and as described in the business review above.

Principal risks and uncertainties

The Company is subject to various risks and uncertainties during the ordinary course of its business many of which result from factors outside of its control. The Company’s risk governance framework provides assurance that significant risks are identified and addressed. The Company’s risk management framework provides reasonable (but cannot provide absolute) assurance that significant risks are identified and addressed. An active risk management process identifies, assesses, mitigates and reports on financial and compliance risk.

As a holding company, majority of Company’s assets consists of investments in, and loans to, subsidiary undertakings, accordingly principal risks of the Company relate to its inability to recover the carrying value of its investments and loans due to adverse conditions in markets where its subsidiaries operate.

The principal themes of risk for the Company are:

- *Financial*: Significant failures in internal systems of control and lack of corporate stability.
- *Compliance*: non-compliance with laws and regulations. The Company must comply with an extensive range of requirements that govern and regulate its business, and decisions by regulators can affect the Company's business and operations and these effects are often adverse.

To mitigate the effect of these risks and uncertainties, the Company adopts a number of systems and procedures, including:

- Applying procedures and controls to manage compliance and financial risks, including adhering to an internal control framework.

Capita plc, has also implemented appropriate controls and risk governance techniques across all of our businesses which are discussed in the Group’s annual report which does not form part of this report.

Section 172 statement

The Company forms part of the Group's IT Services division and Capita plc's section 172 statement applies to both the Division and the Company to the extent it relates to the Company's activities. Common policies and practices are applied throughout the Group via divisional management teams and a common governance framework. The following disclosure describes how the Directors have had regard to the matters set out in section 172(1a) to (f) and forms the Directors' statement required under section 414CZA of the Companies Act 2006.

Further details of the Group approach to each stakeholder are provided in Capita plc's section 172 statement which can be found on page 39 of Capita plc's Annual Report.

Stakeholder	Strategic issue	Engagement	Outcome	Principal decision*
Our people	Workforce engagement; organisational culture; employee net promoter score	People surveys; regular all-employee communications	Established managers' commitments; research into future of work	Application of standard Capita plc policies and procedures; refreshed purpose, values and behaviours
Clients and customers	Net promoter score; quality and sustainability; additional value	Client survey; regular meetings with key clients and customers	Receipt of regular detailed feedback summaries; application of standard Capita plc policies and procedures which includes the establishment of Group contract review committee to ensure delivery against contractual obligations	Collaboration with clients and customers on key contracts
Suppliers and partners	Payment practices	Capita plc holds regular meetings with Federation of Small Businesses; account management meetings with large suppliers	Application of Group payment policies including supplier charter; signatory to UK Prompt Payment Code (target 95% of supplier payments within 60 days)	
Society	Operating responsibly	Meetings, memberships and surveys of non-governmental organisations and charities	Group established responsible business strategy and responsible business committee; approval of third-party transaction guidelines; commitment to real living wage in 2020; enhanced family pay policies; Fair Tax Mark accreditation	Approval of new code of conduct

* Principal decisions are those that are material to the Group and/or significant to any of our key stakeholder groups.

On behalf of the Board

S N Taylor on behalf of Capita Corporate Directors Limited
Director
24 September 2020

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present their Directors' report and financial statements for the year ended 31 December 2019.

Results and dividends
The results for the year are set out on page 7.

The Company has not paid or proposed any dividends during the year (2018: £nil).

Directors
The Directors who held office during the year and up to the date of signature of the financial statements were as follows:

S N Taylor on behalf of Capita Corporate Director Limited
N S Dale

Political donations
The Company made no political donations and incurred no political expenditure during the year (2018: £nil).

Auditor
KPMG LLP, having indicated its willingness to continue in office, will be deemed to be reappointed as auditor under section 487(2) of the Companies Act 2006.

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 101 Reduced Disclosure Framework.

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.

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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of disclosure to auditor

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the Company’s auditor is unaware. Having made enquiries of fellow Directors and the Company’s auditor, each Director has taken all the steps that he/she might reasonably be expected to take as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company’s auditor is aware of that information.

Qualifying third party indemnity provisions

The Company has granted an indemnity to the Directors of the Company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' report.

On behalf of the Board

S N Taylor on behalf of Capita Corporate Director Limited

Director

24 September 2020

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CAPITA IT SERVICES HOLDINGS LIMITED

Opinion

We have audited the financial statements of Capita IT Services Holdings Limited ("the Company") for the period ended 31 December 2019 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 1.1 to the financial statements which indicates that the company is reliant on its ultimate parent undertaking, Capita plc, in regard to its ability to continue as a going concern. Under a severe but plausible downside scenario Capita plc may require completion of its planned disposal programme, which requires shareholder approval and approval from the group's lenders. These agreements with third parties constitute a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern.

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 year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 3, 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: http://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.

R Brent

Robert Brent (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
24 September 2020

CAPITA IT SERVICES HOLDINGS LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
Investment income	**4**	5,631,830	-
Administrative income		113	1,044,970
Impairment of investments	**5**	(71,892,618)	(99,792,631)
Loss before tax		**(66,260,675)**	**(98,747,661)**
Income tax credit	**6**	6	6
Total comprehensive expense for the year		**(66,260,669)**	**(98,747,655)**

The income statement is prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those recognised in the income statement.

The notes on pages 10 to 20 form an integral part of these financial statements.

There are no movements in other comprehensive income during the year.

CAPITA IT SERVICES HOLDINGS LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £	2018 £
Non-current assets			
Investments in subsidiaries	**7**	145,040,579	216,933,197
		145,040,579	**216,933,197**
Current assets			
Trade and other receivables	**9**	15,183,541	21,214,790
Income tax receivable		12	12
Cash	**8**	53,512	53,914
		15,237,065	**21,268,716**
Total assets		**160,277,644**	**238,201,913**
Current liabilities			
Trade and other payables	**10**	235,311,664	246,975,264
Total liabilities		**235,311,664**	**246,975,264**
Net liabilities		**(75,034,020)**	**(8,773,351)**
Capital and reserves			
Issued share capital	**11**	58,730,844	158,730,844
Retained deficit		(133,764,864)	(167,504,195)
Total deficit		**(75,034,020)**	**(8,773,351)**

The notes on pages 10 to 20 form an integral part of these financial statements.

Approved by the Board and authorised for issue on 24 September 2020

S N Taylor on behalf of Capita Corporate Director Limited
Director

Company Registration No. 06002593

CAPITA IT SERVICES HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Retained deficit	Total equity
	£	**£**	**£**
At 1 January 2018	**158,730,844**	**(68,756,540)**	**89,974,304**
Total comprehensive expense for the year	-	(98,747,655)	(98,747,655)
At 31 December 2018	**158,730,844**	**(167,504,195)**	**(8,773,351)**
Total comprehensive expense for the year	-	(66,260,669)	(66,260,669)
Reduction in share capital	(100,000,000)	100,000,000	-
At 31 December 2019	**58,730,844**	**(133,764,864)**	**(75,034,020)**

The notes on pages 10 to 20 form an integral part of these financial statements.

a) Share capital

The balance classified as share capital is the nominal proceeds on issue of the Company's equity share capital, comprising 58,730,844 ordinary shares of £1 each. Pursuant to Section 641(1)(a) of Companies Act 2006, the Company on 25 March 2019, reduced the amount of £100,000,000 standing in share capital and credited it to retained deficit, by way of a special resolution.

b) Retained deficit

Represents accumulated losses in the Company.

1 Accounting policies

1.1 Basis of preparation

Capita IT Services Holdings Limited is a Company incorporated and domiciled in the United Kingdom.

The financial statements are prepared under the historical cost basis except where stated otherwise and in accordance with applicable accounting standards.

In determining the appropriate basis of preparation for the annual report and financial statements for the year ended 31 December 2019, the Directors are required to consider whether the Company will be able to operate within the level of available facilities and cash for the foreseeable future, being a period of at least 12 months following the approval of these accounts. The Directors have concluded that it is appropriate to adopt the going concern basis, having undertaken a rigorous assessment of the financial forecasts, key uncertainties and sensitivities, including the potential impact of COVID-19 as set out below.

Since late March 2020, the Group and the Company have faced challenges and uncertainties due to the COVID-19 pandemic.

As a holding company, majority of Company’s assets consists of investments in, and receivables from subsidiary undertakings, accordingly, principal risks of the Company relate to its inability to recover the carrying value of its investments and loans due to adverse conditions in markets where its subsidiaries operate.

The Directors expect revenue of its subsidiaries over the rest of the year to remain resilient, given the client base and the long-term nature of the subsidiaries' contracts. Nevertheless, to enable a robust assessment of the medium term forecast financial performance the Directors commissioned an exercise in June 2020 to revisit its subsidiaries' outlook to the end of 2021 ahead of the normal business plan process. The high level of uncertainty as to how the COVID-19 pandemic might evolve over the remainder of 2020 and into 2021, including whether or not there will be a second wave and what impact this may have on their operations, makes precise forecasting challenging. There is a higher degree of uncertainty than would usually be the case in making the key judgements and assumptions that underpin the Company’s financial forecasts.

The bottom-up forecasts have been subject to review and challenge by management and the Directors. The forecasts include overlays for additional financial benefits that are expected to be driven by the Group transformation programme. These include sales growth together with margin improvements and further cost out targets. The Directors have approved the 2021 outlook which, on the assumption that the overlays are successfully delivered, supports the base case and time period assessed as part of the going concern review for these financial statements.

In addition to the base case, the Directors considered severe but plausible downside scenarios, recognising there is execution risk associated with a transformation programme of such magnitude that has been impacted by the broader political and economic uncertainty introduced by COVID-19. Offsetting these risks the Directors have considered available mitigations within the direct control of the Company, including restructuring and limiting variable rewards. Finally, the assessment has considered the extent to which the Company is reliant on the Group.

1 Accounting policies **(Continued)**

1.1 Basis of preparation (Continued)

The Company is reliant on the Group in respect of the following:

- provision of administrative support services. If the Group were to be unable to deliver such services, then the Company would have difficulty in continuing to trade;
- participation in the Group's notional cash pooling arrangements, of which £53,482 was held at 31 August 2020. In the event of a default by the Group, the Company may not be able to access its cash balance within the pooling arrangement;
- recovery of receivables of £15,183,541 from fellow Group undertakings as of 31 August 2020. If these receivables are not able to be recovered when forecast by the Company, then the Company may have difficulty in continuing to trade;
- additional funding that may be required if the company suffers potential/continuing future losses; and

Despite the Company being in a net liability position, the ultimate parent undertaking has stated that it will provide continuing financial support as necessary and to the extent it is able to do so. Given the reliance the Company has on the Group, the Directors have considered the financial position of the ultimate parent undertaking as disclosed in its most recent financial statements, being for the six months ended 30 June 2020.

Ultimate parent undertaking – Capita plc

The Capita plc Board ('the Board') concluded that it was appropriate to adopt the going concern basis, having undertaken a rigorous assessment of the financial forecasts, key uncertainties and sensitivities, including the potential impact of COVID-19, when preparing the Group's consolidated financial statements for the six months to 30 June 2020. These financial statements were approved by the Board on 17 August 2020 and are available on the Group's website (www.capita.com/investors).

To address the medium-term resilience of the Group, the Board have announced the planned disposal of the Education Software Services business ('ESS'). It is the Board's expectation that these funds will provide the necessary liquidity headroom to address any potential shortfalls arising in the downside scenarios evaluated, albeit with potentially limited covenant headroom as at 30 June 2021. It is also the Board's expectation that these funds will provide for compliance with all covenants although in certain circumstances this headroom is potentially limited at June 2021. The Board has confidence in the robustness of its primary mitigation (the ESS disposal) against the downside scenarios considered. The Board has several other options which are being actively pursued to provide further resilience in the event of a downside scenario. These include additional disposals and a refinancing of short-term maturities.

Material uncertainty

The disposal of ESS is subject to shareholder and lender approval, both of which are outside the control of the Company. Accordingly, this gives rise to material uncertainty, as defined in auditing and accounting standards, relating to events and circumstances which may cast significant doubt about the Group's ability to continue as a going concern.

The Board is confident that the ESS disposal will be approved by shareholders and lenders, and based on this expectation believes that, even in a plausible but severe downside scenario, the Group will continue to have adequate financial resources to realise its assets and discharge its liabilities as they fall due over the period to 31 December 2021.

1 Accounting policies **(Continued)**

1.1 Basis of preparation (Continued)

Conclusion

Although the Company has a reliance on the Group detailed above, even in a severe but plausible downside for both the Company and the Group, the Directors are confident the Company will continue to have adequate financial resources to realise its assets and discharge its liabilities as they fall due over the period to 31 December 2021. Consequently, the annual report and financial statements have been prepared on the going concern basis and do not include any adjustments which would be required if the going concern basis of preparation were to be deemed inappropriate.

However, as the Group's disposal of ESS is subject to shareholder and lender approval, both of which are outside the control of the Group, this gives rise to a material uncertainty relating to events and circumstances which may cast significant doubt about the Group and therefore also the Company's ability to continue as a going concern.

1.2 Compliance with accounting standards

The Company has applied FRS 101 – Reduced Disclosure Framework in the preparation of its financial statements. The Company has prepared and presented these financial statements by applying the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("EU-IFRSs"), but made amendments, where necessary, in order to comply with The Companies Act 2006.

The Company's ultimate parent undertaking, Capita plc, includes the Company in its consolidated statements. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU (EU-IFRS) and are available to the public and may be obtained from Capita plc's website on http://investors.capita.com.

In these financial statements, the Company has applied the disclosure exemptions available under FRS 101 in respect of the following disclosures:

- A cash flow statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Certain disclosures as required by IFRS 16; and
- Disclosures in respect of the compensation of key management personnel.

As the consolidated financial statements of Capita plc include equivalent disclosures, the Company has also taken the disclosure exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 2 Share Based Payments in respect of Group settled share based payments;
- Certain disclosures required by IAS 36 Impairments of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company, in the current and prior periods including the comparative period reconciliation for goodwill; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures

1 Accounting policies **(Continued)**

1.3 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of IFRS 16 Leases. In addition, the Company has adopted a new IFRIC as detailed below

Initial adoption of IFRS 16 Leases

IFRS 16 (effective 1 January 2019) replaces IAS 17 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. The Company applied IFRS 16 using the modified retrospective approach, under which the Company immediately recognised right of use asset representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported under IAS 17 and related interpretations.

As company does not have any leases, the adoption of the above changes has had no impact on the financial statements of the Company.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 (effective 1 January 2019) addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. The Company has initially applied IFRIC 23 Uncertainty over Income Tax Treatments at 1 January 2019. The Company applies judgement in quantifying uncertainties over income tax treatments and has considered whether it should adjust its uncertain tax provisions in line with this new criteria.
There is no impact on the Company’s financial statements due to the application of IFRIC 23 (2018: £nil).

In addition, the Company has adopted the new amendments to standards detailed below but they do not have a material effect on the Company’s financial statements.

New amendments or interpretation	**Effective date**
Prepayment features with negative compensation (Amendments to IFRS 9)	1 January 2019
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	1 January 2019
Plan amendment, curtailment or settlement (Amendments to IAS 19)	1 January 2019
Annual improvements to IFRS Standards 2015-2017 cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23)	1 January 2019

1.4 Investments in subsidiaries

All investments in subsidiaries are initially recorded at their cost. Subsequently they are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

1 Accounting policies **(Continued)**

1.5 Taxation

Tax on the profit or loss for year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of goodwill;
- except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised, except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

1 Accounting policies **(Continued)**

1.6 Financial instruments

Investments and other financial assets

(i) Classification
The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

(ii) Recognition and derecognition
Regular way purchases and sales of financial assets are recognised on trade date (that is, the date on which the Company commits to purchase or sell the asset). Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(iii) Measurement
At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

(iv) Impairment
The Company assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Trade and other receivables
The Company assesses on a forward-looking basis the expected credit losses associated with its receivables carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach permitted by IFRS 9, resulting in trade receivables recognised and carried at original invoice amount less an allowance for any uncollectible amounts based on expected credit losses.

Trade and other payables
Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents
Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within current financial liabilities.

1 Accounting policies **(Continued)**

1.7 Group accounts

The financial statements present information about the Company as an individual undertaking and not about its group. The Company has not prepared group accounts as it is exempt from the requirement to do so in section 400 of the Companies Act 2006 as it is a subsidiary undertaking of Capita plc, a company incorporated in England and Wales and is included in the consolidated accounts of that company.

2 Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires the Directors to make judgements and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported income and expense during the reported periods. Although these judgements and assumptions are based on the Directors' best knowledge of the amount, events or actions, actual results may differ.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

- The Company determines whether investments are impaired based on any impairment indicators. This involves estimation of the enterprise value of the investee which is determined based on the greater of discounted future cash flows at a suitable discount rate or through the recoverable value of investments held by the investee Company.

3 Loss for the year

	Note	2019	2018
		£	£
Loss for the year is stated after (crediting)/charging:			
Investment income	4	(5,631,830)	-
Impairment of investments	5	71,892,618	99,792,631

Audit fees are borne by the ultimate parent undertaking, Capita plc. The audit fee for the current year was £7,056 (2018: £7,050). The Company has taken advantage of the exemption provided by regulations 6(2)(b) of the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 not to provide information in respect of fees for other (non-audit) services as this information is required to be given in the company financial statement of the ultimate parent undertaking, which it is required to prepare in accordance with the Companies Act, 2006.

4 Investment income	2019	2018
	£	£
Dividend income	5,631,830	-
	5,631,830	**-**

5 Impairment of investments

	2019	2018
	£	£
Impairment of investments	71,892,618	99,792,631
	71,892,618	**99,792,631**

6 Income tax

The major components of income tax expense for the years ended 31 December 2019 and 2018 are:

	2019	2018
	£	£
Current tax		
UK Corporation tax	(6)	(6)
Total tax credit reported in the income statement	**(6)**	**(6)**

The reconciliation between tax credit and the accounting loss multiplied by the UK corporation tax rate for the years ended 31 December 2019 and 2018 is as follows:

	2019	2018
	£	£
Loss before tax	**(66,260,675)**	**(98,747,661)**
Loss before taxation multiplied by standard rate of UK corporation tax of 19% (2018: 19%)	(12,589,528)	(18,762,056)
Taxation impact of factors affecting tax credit:		
Expenses not deductible for tax purposes	13,659,597	18,960,600
Non taxable income	(1,070,075)	(198,550)
Total adjustments	**12,589,522**	**18,762,050**
Total tax credit reported in the income statement	**(6)**	**(6)**

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset/(liability) as at 31 December 2019 has been calculated based on this rate. On the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020.

7 Investment in subsidiaries

	2019 £
Cost	
At 1 January 2019 and 31 December 2019	410,478,557
Provision for diminution in value	
As at 1 January 2019	(193,545,360)
Impairment (Refer note 'a' below)	(71,892,618)
At 31 December 2019	(265,437,978)
Net book value	
At 31 December 2019	**145,040,579**
At 31 December 2018	**216,933,197**

a) As at 31 December 2019, the Company tested the impairment of its investments by comparing the recoverable value against the carrying value. Accordingly, there is an impairment of £61,735k in Capita IT Services Limited, £10,114k in Electra-Net Holdings Limited and £43k in Computerland UK Limited.

2019 impairment test compares carrying value of investments in subsidiaries held by the Company with their recoverable amount, which were assessed on a discounted cash flow basis. Pre COVID-19 business plan for 2020-2022 was used to derive the respective cash flow forecasts for the purpose of the impairment test, including an allocation of the costs of central functions. For the Company's 31 December 2019 financial statements, the COVID-19 outbreak and the related impacts are considered non-adjusting events and therefore no additional impairment has been booked due to economic uncertainty associated with COVID-19.

Details of the Company's subsidiaries are as follows:

Direct investments	Country of incorporation	Ownership (%)	Registered office
Computerland UK Limited	United Kingdom	100	30 Berners Street, London, England, W1T 3LR
Capita IT Services Limited	United Kingdom	100	Pavilion Building Ellismuir Way, Tannochside Park, Uddingston, Glasgow, G71 5PW
Capita IT Services (BSF) Limited	United Kingdom	100	30 Berners Street, London, England, W1T 3LR
Capita IT Services (BSF) Holdings Limited- in liquidation	United Kingdom	100	1 More London Place London SE1 2AF
Capita Managed IT Solutions Limited	United Kingdom	100	Hillview House, 61 Church Road, Newtownabbey, Co Antrim, BT36 7LQ
Updata Infrastructure (UK) Limited	United Kingdom	100	30 Berners Street, London, England, W1T 3LR
Pervasive Limited	United Kingdom	100	30 Berners Street, London, England, W1T 3LR
Electra-Net Holdings Limited	United Kingdom	100	30 Berners Street, London, England, W1T 3LR
Capita Intelligent Building Infrastructure Services Limited*	United Kingdom	100	30 Berners Street, London, England, W1T 3LR

7 Investment in subsidiaries (Continued)

Indirect investments	Country of incorporation	Ownership (%)	Registered office
Updata Infrastructure 2012 Limited	United Kingdom	100	30 Berners Street, London, England, W1T 3LR
Daisy Updata Communications Limited	United Kingdom	50	Lindred House, 20 Lindred Road, Brierfield, Nelson, BB9 5SR
Electra-Net Group Limited	United Kingdom	100	30 Berners Street, London, England, W1T 3LR
Electra-Net (UK) Limited	United Kingdom	100	30 Berners Street, London, England, W1T 3LR
Pervasive Networks Limited	United Kingdom	100	30 Berners Street, London, England, W1T 3LR
Beovax Computer Services Limited - in liquidation	United Kingdom	100	1 More London Place London SE1 2AF
Synetrix (Holdings) Limited - in liquidation	United Kingdom	100	1 More London Place London SE1 2AF
Synetrix Limited - in liquidation	United Kingdom	100	1 More London Place London SE1 2AF
G2G3 Digital Limited*	United Kingdom	100	1 More London Place London SE1 2AF
Call Centre Technology Limited - in liquidation	United Kingdom	100	1 More London Place London SE1 2AF
Network Technology Solutions (UK) Limited*	United Kingdom	100	1 More London Place London SE1 2AF
S3dc Limited*	United Kingdom	100	1 More London Place, London, SE1 2AF
Magnos (Holdings) Limited*	United Kingdom	100	1 More London Place, London, SE1 2AF
Solid State Solutions Limited*	United Kingdom	100	1 More London Place, London, SE1 2AF
Smartpoint Limited*	United Kingdom	100	1 More London Place, London, SE1 2AF
Westpoint Limited - in liquidation	United Kingdom	100	1 More London Place, London, SE1 2AF

*These subsidiary undertakings have now been dissolved in 2020.

8 Cash

	2019	2018
	£	£
Cash at bank and in hand	53,512	53,914
	53,512	**53,914**

9 Trade and other receivables

	2019	2018
	£	£
Amounts due from fellow subsidiary undertakings	15,183,541	21,214,790
	15,183,541	**21,214,790**

10 Trade and other payables

	2019 £	2018 £
Amount due to parent and fellow subsidiary undertakings	235,311,664	246,975,264
	235,311,664	**246,975,264**

11 Issued share capital

	2019 Numbers	2018 Numbers	2019 £	2018 £
Allotted, called up and fully paid				
Ordinary shares of £1 each				
At 1 January	158,730,844	158,730,844	158,730,844	158,730,844
Reduction in shares of £1 each	(100,000,000)	-	(100,000,000)	-
At 31 December	**58,730,844**	**158,730,844**	**58,730,844**	**158,730,844**

Pursuant to Section 641(1)(a) of Companies Act 2006, the Company on 25 March 2019, reduced the amount of £100,000,000 standing in share capital and credited it to retained deficit, by way of a special resolution.

12 Employees

There were no employees during the year apart from the Directors (2018: none).

13 Directors' remuneration

The Directors have not provided qualifying services to the Company and are paid by other companies within the Capita Group. Such remuneration has not been allocated to the Company.
In addition to the above, the Directors of the Company were reimbursed for the expenses incurred by them whilst performing business responsibilities.

14 Controlling party

The Company is a wholly owned subsidiary undertaking of Capita Holdings Limited, a company in incorporated in England and Wales. The Company's ultimate undertaking is Capita plc, a company is incorporated in England and Wales. The financial statements of Capita plc are available from the registered office at 30 Berners Street, London, United Kingdom, W1T 3LR.

15 Post balance sheet events

On 11 March 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. Many governments are taking increasingly stringent steps to help contain or delay the spread of the virus. Currently, there is a significant increase in economic uncertainty which the Directors have assessed in considering the going concern assumption.

For the Company’s 31 December 2019 financial statements, the Coronavirus outbreak and the related impacts are considered as non-adjusting events. The Directors have assessed that there is no material impact on the recognition and measurement of assets and liabilities due to economic uncertainty associated with Covid-19.