**Company Registration No. 03673307 (England and Wales)**

# DEBT SOLUTIONS (HOLDINGS) LIMITED

# ANNUAL REPORT AND UNAUDITED FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 31 DECEMBER 2019

# DEBT SOLUTIONS (HOLDINGS) LIMITED

## COMPANY INFORMATION

| | | |
|---|---|---|
| **Directors** | F A Todd | |
| | R D Tolfts | |
| | S N Taylor on behalf of Capita Corporate Director Limited | |
| | A N Chapple | (Appointed 18 November 2019) |
| **Secretary** | Capita Group Secretary Limited | |
| **Company number** | 03673307 | |
| **Registered office** | 33/34 Winckley Square<br>Preston<br>Lancashire<br>PR1 3EL | |

# DEBT SOLUTIONS (HOLDINGS) LIMITED

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# DEBT SOLUTIONS (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**

Debt Solutions (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 Customer Management division.

The principal activity of the Company continued to be that of an intermediate holding company. There have not been any significant changes in the Company's principal activities in the year under review.

As shown in the income statement on page 5, the Company incurred a loss of £253,000 in 2019 while it earned a profit of £213,000 in 2018. The balance sheet on page 6 of the financial statements shows the Company's financial position at the year end. Net assets at 31 December 2019 were £4,262,000 (2018: £4,515,000). Details of amounts due to and from its parent Company and fellow subsidiary undertakings are shown in notes 5 and 6 to the financial statements.

Key performance indicators used by the Group are operating margins, free cash flow, capital expenditure and return on capital employed. The Group manages its operations on a divisional basis and as a consequence, some of these indicators are monitored only at a divisional level. The performance of the Customer Management division of the Group is discussed in the Group's annual report in 2019 which does not form part of this report.

**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 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 strategic, financial, operational and compliance risk.

The principal themes of risk for the Company are:

- *Strategic*: changes in economic and market conditions such as contract pricing and competition.
- *Financial*: significant failures in internal systems of control and lack of corporate stability.
- *Operational:* including recruitment and retention of staff, maintenance of reputation and strong supplier and customer relationships, operational IT risk, and failures in information security controls.
- *Compliance:* non-compliance with laws and regulations. The Company must comply with an extensive range of requirements that govern and regulate its business.

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

- Regularly reviewing trading conditions to be able to respond quickly to changes in market conditions.
- Applying procedures and controls to manage compliance, financial and operational risks, including adhering to an internal control framework.

Capita plc, has also implemented appropriate controls and risk governance techniques across all of its 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 Customer Management division of the Group 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 Director Limited
**Director**
18 September 2020

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

**Results and dividends**

The results for the year are set out on page 5.

No dividends were proposed or paid by the Company 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:

| | |
|---|---|
| F A Todd | |
| R D Tolfts | |
| S N Taylor on behalf of Capita Corporate Director Limited | |
| A N Chapple | (Appointed 18 November 2019) |

**Political donation**

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

**Statement of Directors' responsibilities in respect of the Strategic report, 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.

# DEBT SOLUTIONS (HOLDINGS) LIMITED

## DIRECTORS' REPORT (CONTINUED)

### *FOR THE YEAR ENDED 31 DECEMBER 2019*

**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**
18 September 2020

33-34, Winckley Square,
Preston,
Lancashire,
PR13EL.

# DEBT SOLUTIONS (HOLDINGS) LIMITED

## INCOME STATEMENT

### *FOR THE YEAR ENDED 31 DECEMBER 2019*

| | Notes | Unaudited 2019 £000 | Unaudited 2018 £000 |
|---|---|---|---|
| Other income | | - | 472 |
| **Operating Profit** | | **-** | **472** |
| **Profit before tax** | | **-** | **472** |
| Income tax charge | **3** | (253) | (259) |
| **Total comprehensive (expense)/income for the year** | | **(253)** | **213** |

The income statement is prepared on the basis that all operations are continuing operations. The tax share is in respect of the Company's share in LLP.

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

The notes on page 8 to 17 form an integral part of financial statements.

# DEBT SOLUTIONS (HOLDINGS) LIMITED

## BALANCE SHEET

### *AS AT 31 DECEMBER 2019*

| | Notes | Unaudited 2019 £000 | Unaudited 2018 £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investments in subsidiaries | **4** | 19,159 | 19,159 |
| | | **19,159** | **19,159** |
| **Current assets** | | | |
| Trade and other receivables | **5** | - | 453 |
| **Total assets** | | **19,159** | **19,612** |
| **Current liabilities** | | | |
| Trade and other payables | **6** | 14,297 | 12,980 |
| Financial liabilities | **7** | - | 1,770 |
| Income tax payable | | 600 | 347 |
| | | **14,897** | **15,097** |
| **Total liabilities** | | **14,897** | **15,097** |
| **Net assets** | | **4,262** | **4,515** |
| **Capital and reserves** | | | |
| Issued share capital | **8** | 13,502 | 13,502 |
| Retained deficit | | (9,240) | (8,987) |
| **Total equity** | | **4,262** | **4,515** |

The notes on pages 8 to 17 form an integral part of financial statements.

For the year ended 31 December 2019, the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006.

The Directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and for the preparation of accounts.

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

Approved by Board and authorised for issue on 18 September 2020

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

Company Registration No. 03673307

# DEBT SOLUTIONS (HOLDINGS) LIMITED

## STATEMENT OF CHANGES IN EQUITY

### *FOR THE YEAR ENDED 31 DECEMBER 2019*

| | Share capital | Retained deficit | Total equity |
|---|---|---|---|
| | **£000** | **£000** | **£000** |
| **At 1 January 2018 (unaudited)** | 13,502 | (9,200) | 4,302 |
| Total comprehensive income for the year (unaudited) | - | 213 | 213 |
| **At 31 December 2018 (unaudited)** | **13,502** | **(8,987)** | **4,515** |
| Total comprehensive expense for the year (unaudited) | - | (253) | (253) |
| **At 31 December 2019 (unaudited)** | **13,502** | **(9,240)** | **4,262** |

The notes on pages 8 to 17 form an integral part of these financial statements.

**a) Share capital**
The nominal proceeds on issue of the Company's equity share capital, comprising £1 ordinary shares.

**b) Retained deficit**
The balance in retained earnings pertains to net losses accumulated in the Company.

### 1 Accounting policies

### 1.1 Basis of preparation

Debt Solutions (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 receivable 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 COVID-19 outbreak is an indicator of impairment and therefore Directors commissioned an exercise in June 2020 to revisit the outlook to the end of 2021 ahead of the normal business plan process to enable a robust assessment of the medium term forecast financial performance of its subsidiaries. The Directors have considered the fair value of its investments in its subsidiaries assuming the COVID-19 outbreak continues for approximately six months with an extended impact due to continued social distancing measures throughout 2021.

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 the operation of the business, makes precise forecasting challenging for some of the entities subsidiaries. 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 subsidiaries financial forecasts.

Nonetheless, the subsidiaries' bottom-up forecasts have been subject to review and challenge by respective management and the Directors. Some of 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. Certain subsidiary's 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, some Directors have considered severe but plausible downside scenarios, recognising execution risks associated with transformation programme of such magnitude that has been impacted by the broader political and economic uncertainty introduced by COVID-19. Offsetting these risks some Directors have considered available mitigations within the direct control of their respective Companies, including restructuring, and limiting variable rewards.

The Companies' subsidiaries also assessed the extent to which they are reliant on the Group as part of their respective overall going concern assessment.

**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; and
- additional funding that may be required if the Company suffers potential/continuing future losses.

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 as at 30 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 their liabilities as they fall due over the period to 31 December 2021.

***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 Accounting policies** **(Continued)**

### 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 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 capital management;
- The effects of new but not yet effective IFRSs;
- Certain disclosures as required by IFRS 16 Leases;
- Disclosures in respect of the compensation of key management personnel; and
- Disclosures in respect of transactions with wholly owned subsidiaries.

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 disclosure:

- 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
- Disclosures required by IFRS 7 Financial Instrument Disclosures and the disclosures required by IFRS 7 Financials 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

**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 right of use asset has been recognised which is equal to 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. The adoption of the above changes has had no impact on the financial statements of the Company as there are no leases.

**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 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 Investment in subsidiaries

All investments 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 the 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.

### 1.6 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 fully exempt from the requirement to do so by 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.

**1 Accounting policies** **(Continued)**

### 1.7 Financial instruments

(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.

(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.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the income statement as applicable.

(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, see note 11 for further details.

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, and trade and other payables.

**Trade and other receivables** - Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

**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.

**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 is impairment of investments in subsidiaries. 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 Taxation**

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

| | Unaudited 2019 £000 | Unaudited 2018 £000 |
|---|---:|---:|
| **Current tax** | | |
| UK corporation tax | 249 | 267 |
| Adjustments in respect of prior periods | 4 | (8) |
| **Total tax charge reported in the income statement** | **253** | **259** |

| | Unaudited 2019 £000 | Unaudited 2018 £000 |
|---|---:|---:|
| **Profit before tax** | - | 472 |
| Profit before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%) | - | 89 |
| Adjustments in respect of current income tax of prior periods | 4 | (8) |
| Expenses not deductible for tax purposes | 249 | (89) |
| Taxable partnership apportionment | - | 267 |
| **Total adjustments** | **253** | **170** |
| **Total tax charge reported in the income statement** | **253** | **259** |

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. This will have no impact on the company's future tax charge.

### 4 Investment in subsidiaries

| **At 1 January 2019 and 31 December 2019** | **Unaudited £'000** |
|---|---|
| Cost | 19,159 |
| Impairment | - |
| **Net book value** | **19,159** |

**Holdings of ordinary share capital**

Details of the Company's subsidiaries at 31 December 2019 are as follows:

| **Company** | **Registered office** | **Ordinary shares held (%)** | **Principal activity** |
|---|---|---|---|
| Akinika Limited | 33-34 Winckley Square, Preston, Lancashire, PR1 3EL | 100 | Holding company |
| Stirling Park LLP | 24 Blythswood Square, Glasgow, United Kingdom, G2 4BG | 99.99* | Management and enforcement services |

*Represents the Company's proporation of capital contibution.

Details of all indirect subsidiaries as required by section 409 of the Companies Act 2016 are as follows:

| | | | |
|---|---|---|---|
| Akinika UK Limited | 33-34 Winckley Square, Preston, Lancashire, PR1 3EL | 100 | Trading company |
| Akinika Debt Recovery Limited | 33-34 Winckley Square, Preston, Lancashire, PR1 3EL | 100 | Trading company |
| Legal & Trade Collections Limited | 33-34 Winckley Square, Preston, Lancashire, PR1 3EL | 100 | Non-trading company |

### 4 Investment in subsidiaries (continued)

| Company | Registered office | Ordinary shares held (%) | Principal activity |
|---|---|---|---|
| SP Collect Limited | 24 Blythswood Square, Glasgow, United Kingdom, G2 4BG | 100 | Trading company |

### 5 Trade and other receivables

| | Unaudited 2019 £000 | Unaudited 2018 £000 |
|---|---|---|
| Amounts due from parent and fellow subsidiary undertaking | - | 453 |
| | **-** | **453** |

### 6 Trade and other payables

| | Unaudited 2019 £000 | Unaudited 2018 £000 |
|---|---|---|
| Amounts due to parent and fellow subsidiary undertaking | 14,297 | 12,980 |
| | **14,297** | **12,980** |

### 7 Financial liabilities

| **Current** | Unaudited 2019 £000 | Unaudited 2018 £000 |
|---|---|---|
| Overdrafts | - | 1,770 |
| | **-** | **1,770** |

### 8 Issued share capital

| | Unaudited 2019 Numbers | Unaudited 2018 Numbers | Unaudited 2019 £000 | Unaudited 2018 £000 |
|---|---|---|---|---|
| **Allotted, called up and fully paid** | | | | |
| Ordinary of £1 each | | | | |
| At 1 January | 13,501,708 | 13,501,708 | 13,502 | 13,502 |
| **At 31 December** | **13,501,708** | **13,501,708** | **13,502** | **13,502** |

### 9 Post balance sheet event

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. There is no material impact on the recognition and measurement of assets and liabilities due to economic uncertainty associated with COVID-19.

### 10 Employees

There were no employees during the year apart from the Directors.

The Directors remuneration, including reimbursement of expenses incurred by them, were paid by another subsidiary of Capita plc. As no significant amount of time was spent by the Directors on the Company's affairs, no Directors remuneration has been allocated to the Company.

### 11 Controlling party

The Company's immediate parent undertaking is Capita Holdings Limited, a company incorporated in England and Wales.

The Company's ultimate parent undertaking is Capita plc, a company in 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.