Company Registration No. 04359665 (England and Wales)

CAPITA LIFE & PENSIONS SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

CAPITA LIFE & PENSIONS SERVICES LIMITED

COMPANY INFORMATION

Directors	S N Taylor on behalf of Capita Corporate Director Limited	
	J D Vincent	
	C Ashburn	
	T F Vanoverschelde	(Appointed 31 March 2020)
Secretary	Capita Group Secretary Limited	
Company number	04359665	
Registered office	30 Berners Street London England W1T 3LR	
Auditor	KPMG LLP 15 Canada Square London E14 5GL	
Banker	Barclays Bank PLC 1 Churchill Place London E14 5HP	

CAPITA LIFE & PENSIONS SERVICES LIMITED

CONTENTS

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

Review of the business

Capita Life & Pensions Services Limited ("the Company") is a wholly owned subsidiary of Capita plc. Capita plc along with its subsidiaries are hereafter referred to as ("the Group") and operates within the Group's Specialist services division.

The principal activity of the Company continued to be that of the provision of administration services to the life and pension industry. This includes the provision of operational and IT administration and support for other Capita companies within the Specialist services division of Capita plc.

The Company adopted IFRS 16 during the year which sets the principles for the recognition, measurement, presentation and disclosure of leases. The Company has applied IFRS 16 using modified retrospective approach, the effect of which is explained in note 6, 8, 12, 19 and 28.

The Company works closely with Capita Life & Pensions Regulated Services Ltd ("CLPRS Ltd") and many of the services provided by the Company are consumed by CLPRS Ltd. In particular the Company holds assets which are used as shared infrastructure across both the Company and CLPRS Ltd. In prior years the depreciation & amortisation for these assets has not been cross charged to CLPRS Ltd. In order to provide additional clarity to the Company's financial position from 2019 the Board has agreed to charge the depreciation and amortisation on these assets, as well as any supporting shared project work, to CLPRS Ltd at cost. Also, in prior years the Company has held some costs on behalf of the wider Specialist Services division. From 2019 the Board has agreed to charge these costs to another Group entity. In addition, the Company has received dividend income of £21,281,000 from its subsidiary companies which has largely contributed to the profit for the year.

As shown in the Company's income statement on page 8, the Company's revenue has decreased from £5,630,820 to £4,675,894 over the year, mainly driven by reducing revenue in the Company's specialist actuarial teams following a client exit during 2018 in CLPRS Ltd.

The Company has reported an operating loss of £2,676,644 in 2019 as compared to an operating loss of £18,777,604 in 2018. This is driven by the change in recharging treatment detailed above and reduction in the employee cost.

The balance sheet on page 9 and 10 of the financial statements shows the Company's financial position at the year end. Net liabilities have decreased from £126,077,957 in 2018 to £106,735,778 in 2019. Details of amounts owed by/to its parent Company and fellow subsidiary undertakings are shown in notes 15 and 17 to the financial statements.

Key performance indicators used by Capita plc are operating margins, free cash flow, capital expenditure and return on capital employed. Capita plc and its subsidiaries manage their operations on a divisional basis and as a consequence, some of these indicators are monitored only at a divisional level. The performance of the Specialist services division of Capita plc is discussed in the Group's annual report 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 governance framework provides assurance that significant risks are identified and addressed. The Company's risk management framework provides reasonable assurance (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 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 and doesn't form part of this report.

Section 172 Statement

The Company forms part of the Specialist Services Division of the Capita plc 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 section 172 statement for Capita plc can be found on page 39 of Capita plc's Annual Report & Accounts 2019.

The following table references our key stakeholders, the strategic issues affecting them and the impact of engagement methods and outcomes.

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 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	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

On behalf of the Board

T F Vanoverschelde
Director
21 September 2020

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Results and dividends
The results for the year are set out on page 8.

No dividends were paid or proposed 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	
J D Vincent	
C Ashburn	
T F Vanoverschelde	(Appointed 31 March 2020)

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

Disabled persons
It is the Company's policy to give full consideration to suitable applications for employment of disabled persons. Disabled employees are eligible to participate in all career development opportunities available to staff. Opportunities also exist for employees of the Company who become disabled to continue in their employment or to be retrained for other positions in the Company or Group.

Employee involvement
The Company participates in the Group's policies and practices to keep employees informed on matters relevant to them as employees through regular meetings, newsletters, email notices and intranet communications. These communication initiatives enable employees to share information within and between business units and employees are encouraged, through an open door policy, to discuss with management matters of interest to the employee and subjects affecting day to day operations of the Company. The Group's share incentive plan is designed to promote employee share ownership and to give employees the opportunity to participate in the future success of the Group.

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 annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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 accounting 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are 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 also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for 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 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

T F Vanoverschelde

Director

21 September 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CAPITA LIFE & PENSIONS SERVICES LIMITED

Opinion

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

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year 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.

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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 4, 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.

Simon Weaver

Simon Weaver (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

21 September 2020

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
Revenue	**3**	4,675,894	5,630,820
Cost of sales		(3,039,331)	(3,730,300)
Gross profit		**1,636,563**	**1,900,520**
Administrative expenses		(4,313,207)	(20,678,124)
Operating loss	**4**	**(2,676,644)**	**(18,777,604)**
Investment income	**5**	21,281,000	-
Other income	**6**	411,552	-
Net finance cost	**7**	(52,918)	(47)
Profit/(loss) before tax		**18,962,990**	**(18,777,651)**
Income tax credit	**9**	647,406	8,786,763
Total comprehensive income/(expense) for the year		**19,610,396**	**(9,990,888)**

The income statement has been 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 accompanying notes and information on page 12 to 37 form an integral part of financial statements.

CAPITA LIFE & PENSIONS SERVICES LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £	2018 £
Non-current assets			
Property, plant and equipment	**10**	6,675,642	10,665,537
Intangible assets	**11**	4,007,097	2,239,415
Investments in subsidiaries	**13**	14,414,812	13,937,542
Right of use assets	**12**	1,250,834	-
Financial assets	**14**	374,066	-
Trade and other receivables	**15**	23,872	76,743
Deferred tax	**9**	11,062,339	8,290,030
		37,808,662	**35,209,267**
Current assets			
Financial assets	**14**	185,287	-
Trade and other receivables	**15**	13,895,291	35,398,388
Income tax receivable		2,103,133	8,662,761
Cash	**16**	455	16,754
		16,184,166	**44,077,903**
Total assets		**53,992,828**	**79,287,170**
Current liabilities			
Trade and other payables	**17**	158,011,034	204,715,928
Financial liabilities	**18**	654,290	583,131
Lease liabilities	**19**	549,440	-
Provisions	**20**	-	66,068
		159,214,764	**205,365,127**
Non-current liabilities			
Lease liabilities	**19**	1,513,842	-
		1,513,842	**-**
Total liabilities		**160,728,606**	**205,365,127**
Net liabilities		**(106,735,778)**	**(126,077,957)**

BALANCE SHEET (CONTINUED)

AS AT 31 DECEMBER 2019

	Notes	2019 £	2018 £
Capital and reserves			
Issued share capital	**21**	100	100
Retained deficit		(106,735,878)	(126,078,057)
Total deficit		**(106,735,778)**	**(126,077,957)**

The accompanying notes and information on pages 12 to 37 form an integral part of financial statements.

Approved by Board and authorised for issue on 21 September 2020

T F Vanoverschelde
Director

Company Registration No. 04359665

CAPITA LIFE & PENSIONS SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Retained deficit	Total equity
	£	**£**	**£**
At 1 January 2018	**100**	**(116,087,169)**	**(116,087,069)**
Total comprehensive expense for the year	-	(9,990,888)	(9,990,888)
Equity-settled share based payment	-	37,589	37,589
Settlement of share based payment charged by intercompany	-	(37,589)	(37,589)
At 31 December 2018	**100**	**(126,078,057)**	**(126,077,957)**
Impact of change in accounting standards - IFRS 16 (refer note 28)	-	(268,217)	(268,217)
At 1 January 2019 (post adoption of IFRS 16)	**100**	**(126,346,274)**	**(126,346,174)**
Total comprehensive income for the year	-	19,610,396	19,610,396
Equity-settled share based payment	-	(22,980)	(22,980)
Settlement of share based payment charged to intercompany	-	22,980	22,980
At 31 December 2019	**100**	**(106,735,878)**	**(106,735,778)**

Nature and purpose of reserves:

a) Share Capital
The balance classified as share capital is the proceeds on issue of the Company's equity share capital comprising of 100 Ordinary shares of £1 each.

b) Retained deficit
Represents accumulated losses in the Company.

The accompanying notes and information on pages 12 to 37 form an integral part of the financial statements.

1 Accounting policies

1.1 Basis of preparation

Capita Life & Pensions Services 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.

The Directors expect revenue over the rest of the year to remain resilient, given its revenue is coming from either recharging CLPRS Ltd., which has not been materially impacted by COVID-19, and charges for actuarial services provided which equally have not been affected materially. Nevertheless, to enable a robust assessment of the medium term forecast financial performance the Directors commissioned an exercise in June 2020 to revisit the outlook to the end of 2021 ahead of the normal business plan process. This exercise confirmed that the Directors do not expect any significant risk to the Company's revenues or cost base.

The assessment has also considered the extent to which the Company is reliant on the Group. The Company is reliant on the Group in respect of the following:

- provision of certain services, such as administrative support services and should the Group be unable to deliver these services, the Company may have difficulty in continuing to trade;
- participation in the Group’s notional cash pooling arrangements, of which £2,731,364 was advanced at 31 July 2020. In the event of a default by the Group, the Company may not be able to access this facility;
- recovery of receivables of £11,044,322 from fellow Group undertakings as of 31 July 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
- revenue from other Group entities or key contracts that may be terminated in the event of a default by the Group.

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.

1 Accounting policies **(Continued)**

1.1 Basis of preparation (continued)

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.

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 cause 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 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, property, plant and equipment 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 regarding IFRS 15 Revenue from Contracts with Customers;
- Certain disclosures regarding IFRS 16 Leases;
- 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 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 cumulative effect of initially applying IFRS 16 is recognised in retained earnings at 1 January 2019. 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 accounting policy under IFRS 16 is set out in 1.9.

On adoption of IFRS 16, 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. The Company has applied IFRS 16 using modified retrospective approach, the effect of which is explained in note 6, 8, 12, 19 and 28.

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 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 Revenue recognition

Revenue is earned within the United Kingdom. The Company currently services multiple customers within the Life and Pensions industry.

The revenue and profits recognised in any period are based on the delivery of performance obligations and an assessment of when control is transferred to the customer.

Revenue is recognised either when the performance obligation in the contract has been performed ‘point in time' recognition’ or 'over time' as control of the performance obligation is transferred to the customer.

1 Accounting policies **(Continued)**

1.4 Revenue recognition (continued)

Contract types

The Company disaggregates revenue from contracts with customers by contract type, as management believe this best depicts how the nature, amount, timing and uncertainty of the Company's revenue and cash flows are affected by economic factors. Categories are: 'long-term contractual – greater than two years'; and 'short-term contractual – less than two years'. Years based from service commencement date.

Long term contractual - greater than two years

For long term contracts, the total transaction price is estimated at the inception of the contract, being the amount to which the Company expects to be entitled and has rights to under the present contract. The transaction price does not include estimates of consideration resulting from change orders for additional goods and services unless these are agreed. Once the total transaction price is determined, the Company allocates this to the identified performance obligations in proportion to their relative stand-alone selling prices and recognises revenue when (or as) those performance obligations are satisfied.

For each performance obligation, the Company determines if revenue will be recognised over time or at a point in time. Where the Company recognises revenue over time for long term contracts, this is in general due to the Company performing and the customer simultaneously receiving and consuming the benefits provided over the life of the contract.

As at 31 December 2019, the Company has one long term contract which ran until 31st March 2024, however this customer has served notice in February 2020 with a view to exit the contract by mid-April 2020.

Short term contractual - less than two years

For short term contracts, the revenue is recognised on a Time & Materials basis in the month the activity takes place. The transaction price is agreed in advance with the client on a Day Rate basis. The total transaction price is driven by the above transaction price multiplied by the hours worked by the resource.

Transactional (point in time) contracts

The Company delivers transactional services for which revenue is recognised at the point in time when control of the goods or services has transferred to the customer. This may be at the point of physical delivery of goods and acceptance by a customer or when the customer obtains control of an asset or service in a contract with customer-specified acceptance criteria.

Deferred and accrued income

The Company's customer contracts include a diverse range of payment schedules dependent upon the nature and type of goods and services being provided. This can include performance-based payments or progress payments as well as regular monthly or quarterly payments for ongoing service delivery. Payments for transactional goods and services may be at delivery date, in arrears or part payment in advance.

Where payments made to date are greater than the revenue recognised to date at the period end date, the Company recognises a deferred income contract liability for this difference. Where payments made are less than the revenue recognised at the period end date, the Company recognises an accrued income contract asset for this difference.

At each reporting date, the Company assesses whether there is any indication that accrued income assets may be impaired by considering whether the revenue remains highly probable that no revenue reversal will occur. Where an indicator of impairment exists, the Company makes a formal estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

1 Accounting policies **(Continued)**

1.5 Intangible assets

Intangible assets acquired separately are capitalised at cost and those identified in a business acquisition are capitalised at fair value as at the date of acquisition. Following initial recognition, the carrying amount of an intangible asset is its cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Amortisation is charged on assets with finite lives, this expense is taken to the profit and loss account through the administrative expenses line item.

Intangible assets are tested for impairment, either individually or at the cash-generating unit level, where there is an indicator of impairment.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account when the asset is de-recognised.

The Company currently only has software and licences as intangibles. Software and licences are amortised over their useful economic lives of 5-10 years from the date they are brought into use.

1.6 Property, plant and equipment

Property,plant and equipment are stated at cost less depreciation. Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures, fittings & equipment	5 years
Computer equipment	3-5 years

Regular computer equipment is depreciated over 3-5 years in line with the standard Group policy. In addition the Company holds shared infrastructure assets which support the deployment of desktop and laptop devices across the business; this platform is depreciated over a period of 10 years, representing the expected useful life of this specific asset.

1.7 Investments in subsidiaries

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

1.8 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. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1 Accounting policies **(Continued)**

1.9 Leasing

The Company leases various assets, comprising land and buildings, equipment and motor vehicles.

The determination whether an arrangement is, or contains, a lease is based on whether the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The following sets out the Company's lease accounting policy for all leases with the exception of leases with low value and term of 12 months or less which we have taken the exemption in the standard. These are expensed to the income statement.

At the inception of the lease, the Company recognises a right-of-use asset and a lease liability. A right-of-use asset is capitalised in the balance sheet at cost, which comprises the present value of minimum lease payments determined at the inception of the lease. A lease liability of equivalent value is also recognised. Right-of-use assets are depreciated using the straight-line method over the shorter of estimated life or the lease term. Depreciation is included within the line item administrative expenses in the income statement.

The Company as a lessee - Right-of-use assets and lease liabilities

Right-of-use assets are measured at cost, which comprised the initial amount of the lease liability adjusted for any lease payments made at or before the adoption date, less any lease incentives received at or before the adoption date and less any onerous lease provisions (reclassified on the opening balance sheet).Depreciation is included within administrative expenses in the income statement. Right-of-use assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be fully recoverable. Right-of-uses assets exclude leases with a low value and term of 12 months or less. These leases are expensed to the income statement as incurred.

Lease liabilities are measured at amortised cost using the effective interest rate method. Lease payments are apportioned between a finance charge and a reduction of the lease liability based on the constant interest rate applied to the remaining balance of the liability. Interest expense is included within the line item net finance costs in the consolidated income statement.

The lease payments comprise fixed payments, including in-substance fixed payments such as service charges and variable lease payments that depend on an index or a rate, initially measured using the minimum index or rate at inception date. The payments also include any lease incentives and any penalty payments for terminating the lease, if the lease term reflects the lessee exercising that option. Lease liability is adjusted for any prepayment.

The lease term determined comprises the non-cancellable period of the lease contract. Periods covered by an option to extend the lease are included if the Company has reasonable certainty that the option will be exercised and periods covered by the option to terminate are included if it is reasonably certain that this will not be exercised.

The lease liability is subsequently remeasured (with a corresponding adjustment to the related right-of-use asset) when there is a change in future lease payments due to a renegotiation or market rent review, a change of an index or rate or a reassessment of the lease term. Payments associated with leases that have a term of less than 12 months or are of low value are recognised as an expense in the income statement as incurred.

The Company as a lessor

The Company acts as an intermediate lessor of property assets and equipment. When the Company acts as a lessor, it determines at lease commencement whether the lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership in relation to the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. The Company recognises lessor payments under operating leases as income on a straight-line basis over the lease term. The Company accounts for finance leases as finance lease receivables, using the effective interest rate method.

1 Accounting policies **(Continued)**

1.10 Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

1.11 Financial instruments

Investments and other financial assets

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 Company's business model for managing the financial assets and the contractual terms of the cash flows.

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.

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.

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, 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 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.

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 an original maturity of 3 months or less. Bank overdrafts are shown within current liabilities.

1 Accounting policies **(Continued)**

1.12 Impairment of non-financial assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.13 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 income 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)**

1.14 Employee benefits

The Company participates in a number of defined contribution schemes and contributions are charged to the profit and loss account in the year in which they are due. These schemes are funded and contributions are paid to separately administered funds. The assets of these schemes are held separately from the Company. The Company remits monthly pension contributions to Capita Business Services Limited, a fellow subsidiary undertaking, which pays the group liability centrally. Any unpaid contributions at the year-end have been accrued in the accounts of Capita Business Services Limited.

The Company also has employees who were members of a defined benefit scheme operated by the Group – the Capita Pension & Life Assurance Scheme (the “Capita DB Scheme”).

The Capita DB Scheme closed to future accrual of benefit on 30 November 2017 for the majority of active members. Consequently, all of the Company’s employees who had been active members of the Capita DB Scheme on 30 November 2017 were offered membership of the Group’s principal defined contribution scheme. As the Company ceased to employ any active members in the Capita DB Scheme a section 75 debt fell due.

However, the Trustee of the Capita DB Scheme agreed that the pension liabilities attributable to the Company would be transferred to Capita Business Services Limited, a fellow subsidiary undertaking, which removed the section 75 debt due from the Company. This Flexible Apportionment Arrangement was agreed in early 2018. As a result of the arrangement, the Company is no longer a formal participating employer in the Capita DB Scheme. In return for the Trustee granting this Flexible Apportionment Arrangement, the Company has provided a guarantee to the Capita DB Scheme that puts the Company into the same position as if it had remained a participating employer. However, the probability of any liability crystallising on the guarantee has been assessed as remote.

As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the Capita DB Scheme to any participating entities, the net defined benefit cost of the Capita DB Scheme is recognised fully by the Principal Employer (Capita Business Services Limited, a fellow subsidiary undertaking). During the period that the Company was a formal participating employer in the Capita DB scheme, the Company then recognise d a cost equal to its contribution payable for the period. The contributions payable by the participating entities were determined on the following basis:

-The Capita DB Scheme provides benefits on a defined benefit basis funded from assets held in a separate trustee-administered fund.

-The Capita DB Scheme is a non-segregated scheme but there are around 200 different sections in the scheme where each section provides benefits on a particular basis (some based on final salary, some based on career average earnings) to particular groups of employees.

-At each funding assessment of the Capita DB Scheme (carried out triennially), the contribution rates for those sections containing active members are calculated. These are then rationalised such that sections with similar employer contribution rates (when expressed as a percentage of pensionable pay) are grouped together and an average employer contribution rate for each of the rationalised groups calculated.

-The Company's contribution was consequently calculated by applying the appropriate average employer contribution rates to the pensionable pay of its employees participating in the Capita DB Scheme.

A full actuarial valuation of the Capita DB Scheme is carried out every three years by an independent actuary for the Trustee, with the last full valuation carried out at 31 March 2017. The next scheme funding assessment is expected to be carried out with an effective date of 31 March 2020.

1 Accounting policies **(Continued)**

1.15 Share-based payments

The Company participates in various share option and sharesave schemes operated by Capita plc, the ultimate parent undertaking. Details of these schemes are contained in the Group's annual report.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined using an option pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over the fair value being treated as an expense in the income statement.

1.16 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 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.

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 the impairment of property plant & equipment, revenue and profit recognition on certain contractual arrangements.

The measurement of revenue and resulting profit recognition – due to size and complexity of the Company's contract, there are judgements to be applied, including the measurement and timing of revenue recognition and the recognition of assets and liabilities that result from the performance of the contract.

3 Revenue

The total revenue of the Company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

4 Operating profit/(loss) for the year

	2019	2018
	£	£
Operating loss for the year is stated after (crediting)/charging:		
Net foreign exchange (losses)/gains	33,933	(1,022)
Depreciation of property, plant and equipment	3,505,380	4,729,380
Loss on disposal of property, plant and equipment	177,395	2,014,134
Recharge of employment cost	(9,756,338)	(11,105,999)
Recharge of depreciation and net project cost	(4,585,402)	-
Recharge of divisional overheads	(3,166,858)	-
Amortisation of intangible assets	524,655	824,885
Depreciation of right of use asset: property	341,136	-
Operating lease rentals - plant and machinery	261,204	69,217
Operating lease rentals - other assets	820,099	1,431,743

Recharge of depreciation and net project cost: the Company holds assets which are used as shared infrastructure. In order to provide additional clarity to the Company's financial position from 2019 the Board has agreed to charge the depreciation and amortisation on these assets, as well as any supporting shared project work, to CLPRS Ltd at cost.

Recharge of divisional overheads: various divisional functional support teams cater to a wide selection of businesses across the Specialist Services division. From 2019 the Board has agreed to charge these costs to another Group entity, Capita Business Services Limited.

Audit fees are borne by the ultimate parent undertaking, Capita plc. The audit fee for the current period was £29,716 (2018: £29,550). 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 accounts of the ultimate parent undertaking, which it is required to prepare in accordance with the Companies Act 2006.

5 Investment income

	2019	2018
	£	£
Dividend income	21,281,000	-
	21,281,000	**-**

During the year, the Company has received dividend from Capita Life and Pensions International Limited (£71,453 in cash and £21,209,547 in specie)

6 Other income

	2019	2018
	£	£
Rental income from leased properties	411,552	-
	411,552	**-**

7 Net finance costs

	2019	2018
	£	£
Interest on bank overdrafts and loans	808	47
Interest on lease liabilities	76,132	-
Interest income on finance lease	(24,022)	-
	52,918	**47**

8 Leases under IFRS 16

	2019
	£
Interest expense on lease liabilities	76,132
Expenses relating to short-term leases	261,204
Income from subleasing right-of-use assets presented in ‘other income’	411,552

9 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	318,176	(3,937,180)
Adjustments in respect of prior periods	1,751,791	(2,436,954)
	2,069,967	**(6,374,134)**
Deferred tax		
Origination and reversal of temporary differences	(681,891)	185,916
Adjustment in respect of prior periods	(2,035,482)	(2,598,545)
	(2,717,373)	**(2,412,629)**
Total tax credit reported in the income statement	**(647,406)**	**(8,786,763)**

9 Income tax **(Continued)**

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

	2019	2018
	£	£
Profit/(loss) before taxation	**18,962,990**	**(18,777,651)**
Profit/(loss) before taxation multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	3,602,968	(3,567,754)
Taxation impact of factors affecting tax charge		
Adjustments in respect of current income tax of prior periods	1,751,791	(2,436,954)
Adjustments in respect of deferred income tax of prior periods	(2,035,482)	(2,598,545)
Expenses not deductible for tax purposes	851	9,362
Non taxable income	(4,047,757)	(171,000)
Impact of changes in statutory tax rates	80,223	(21,872)
Total adjustments	**(4,250,374)**	**(5,219,009)**
Total tax credit reported in the income statement	**(647,406)**	**(8,786,763)**

	Balance sheet		Income statement	
	2019	2018	2019	2018
	£	£	£	£
Deferred tax liabilities/(assets)				
Accelerated/(decelerated) capital allowances	(10,946,537)	(8,222,777)	(2,723,760)	(2,550,282)
Other short term timing differences	(115,802)	(67,253)	6,387	137,653
Net deferred tax liabilities/(assets)	**(11,062,339)**	**(8,290,030)**		
Deferred tax charge/(credit)			**(2,717,373)**	**(2,412,629)**

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 a consequential effect on the company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax asset would have increased by £1,301,452.

10 Property, plant and equipment

	Fixtures, fittings & equipment	Computer equipment	Total
	£	£	£
Cost			
At 1 January 2019	3,595	35,177,370	35,180,965
Additions	-	67,621	67,621
Intragroup transfer	-	(407,579)	(407,579)
Disposals	-	(267,590)	(267,590)
Reclass to intangibles	-	(327,821)	(327,821)
Asset retirement	(2,345)	(23,294,312)	(23,296,657)
At 31 December 2019	**1,250**	**10,947,689**	**10,948,939**
Depreciation and impairment			
At 1 January 2019	2,817	24,512,611	24,515,428
Intragroup transfer	-	(171,610)	(171,610)
Reclass to intangibles	-	(24,171)	(24,171)
Disposals	-	(255,073)	(255,073)
Depreciation	743	3,504,637	3,505,380
Asset retirement	(2,345)	(23,294,312)	(23,296,657)
At 31 December 2019	**1,215**	**4,272,082**	**4,273,297**
Net book value			
At 31 December 2018	**778**	**10,664,759**	**10,665,537**
At 31 December 2019	**35**	**6,675,607**	**6,675,642**

Of the depreciation incurred in the year, £3,334,373 has been recharged to Capita Life & Pensions Regulated Services Limited in line with the new policy to recharge asset depreciation to the entity using those assets.

11 Intangible assets

	Software and licenses
	£
Cost	
At 1 January 2019	2,326,088
Additions	2,305,752
Intragroup transfer	(205,378)
Disposals	(164,882)
Re-class from property, plant and equipment	327,821
Asset retirement	(197,521)
At 31 December 2019	**4,391,880**
Amortisation and impairment	
At 1 January 2019	86,673
Amortisation	524,655
Disposals	(3)
Re-class from property, plant and equipment	24,171
Asset retirement	(197,521)
Intragroup transfer	(53,192)
At 31 December 2019	**384,783**
Net book value	
At 31 December 2018	**2,239,415**
At 31 December 2019	**4,007,097**

Of the amortisation incurred in the year, £499,060 has been recharged to Capita Life & Pensions Regulated Services Limited in line with the new policy to recharge asset amortisation to the entity using those assets.

12 Right of Use Assets

	Property
	£
Net book value	
Impact on adoption of IFRS 16 (refer Note 28)	1,591,970
Depreciation during the year	(341,136)
At 31 December 2019	**1,250,834**

13 Investment in subsidiaries	Shares in subsidiary undertakings £
Cost	
At 1 January 2019	13,937,542
Additions*	477,270
At 31 December 2019	**14,414,812**
Impairment	
At 1 January 2019 and 31 December 2019	-
Net book value	
At 31 December 2018	**13,937,542**
At 31 December 2019	**14,414,812**

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

Company	Registered office address	Ordinary shares held (%)	Nature of business
Capita Life & Pensions Services (Ireland) Limited	Montague House, Adelaide Road, Dublin 2, Ireland	100.00	Actuarial pension consultancy
Gissings Trustee Limited	30 Berners Street, London, W1T 3LR, United Kingdom	100.00	Dormant
Capita Life and Pensions International Limited	30 Berners Street, London, W1T 3LR, United Kingdom	100.00	Dormant

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

Capita Life and Pensions Services (Isle of Man) Limited	Clinch's House, Lord Street, Douglas, IM99 1RZ, Isle of Man	100.00	Policy administration
Capita Services (Isle of Man) Limited	Clinch's House, Lord Street, Douglas, IM99 1RZ, Isle of Man	100.00	Policy administration
Capita (Dubai FZ) Limited	Level No. 3, Gate Village 7, Dubai International Finance Centre, Dubai, PO BOX 50654, United Arab Emirates	100.00	Policy administration
Capita Dubai Limited	30 Berners Street, London, W1T 3LR, United Kingdom	100.00	Trading

*During the year, the Company acquired Capita Life and Pensions International Limited by way of a Share purchase agreement.

14 Financial assets

Current	2019	2018
	£	£
Finance lease receivable	185,287	-
	185,287	**-**

Non-current	2019	2018
	£	£
Finance lease receivable	374,066	-
	374,066	**-**

15 Trade and other receivables

Current	2019	2018
	£	£
Trade receivables	428,253	323,254
Accrued income	168,020	292,559
Prepayments	1,147,955	1,590,982
VAT recoverable	-	31,813
Amounts due from parent and fellow subsidiary undertaking	12,151,063	33,159,780
	13,895,291	**35,398,388**

Non-current	2019	2018
	£	£
Prepayments	23,872	76,743
	23,872	**76,743**

16 Cash

	2019	2018
	£	£
Cash at bank and in hand	455	16,754
	455	**16,754**

17 Trade and other payables

Current	2019 £	2018 £
Trade payables	137,616	166,693
Other payables	6,937	476
Other taxes and social security	1,142,017	-
Accruals	1,051,922	7,321,062
Amounts due to parent and fellow subsidiary undertaking	155,672,542	197,227,697
	158,011,034	**204,715,928**

Trade payables are non-interest bearing and are settled within terms agreed with suppliers.

18 Financial liabilities

	2019 £	2018 £
Current		
Bank overdraft	654,290	583,131
	654,290	**583,131**

19 Lease liabilities

	2019 £	2018 £
Current	549,440	-
Non-current	1,513,842	-
	2,063,282	**-**

In calculating the lease liability to be recognised on adoption, the Company used a weighted average incremental borrowing rate at 1 January 2019 of 3.36%

Lease liabilities recognised	**1 January 2019**
Operating lease commitments at 31 December 2018 disclosed under IAS 17	2,836,964
Operating lease commitment restated at 1 January 2019	(21,060)
Discounted using the incremental borrowing rate at 1 January 2019	(214,378)
	2,601,526
out of which	
Current	538,244
Non-current	2,063,282
	2,601,526

19 Lease liabilities **(Continued)**

	2019	At 1 January 2019
Maturity analysis - Contractual undiscounted cash flows	**£**	**£**
Less than one year	614,379	614,379
One to two years	614,379	614,379
More than two years	972,767	1,587,146
Total undiscounted lease liabilities at 31 December	**2,201,525**	**2,815,904**

20 Provisions

Current	**Restructuring provision**
	£
As at 1 January 2019	66,068
Provided in the year	6,663
Released in the year	(72,731)
At 31 December 2019	**-**

The restructuring provision is in respect of the cost of the major restructuring activities undertaken by the Company. It represents the cost of reducing role count where there is a constructive obligation created through communication to affected employees which has crystallised a valid expectation that roles are at risk. Additionally it reflects the onerous nature of property lease provisions (net of any sub-letting opportunity). The entire provision has been released during the year as there is no legal or constructive obligation as at 31 December 2019.

21 Issued share capital

	2019	2018	2019	2018
	Numbers	**Numbers**	**£**	**£**
Allotted, called up and fully paid				
Ordinary shares of £1 each				
At 1 January 2019	100	100	100	100
At 31 December 2019	**100**	**100**	**100**	**100**

Share capital

The nominal proceeds on issue of the Company's equity share capital, comprising 100 ordinary shares of £1 each.

22 Employee benefits

The Company participates in both defined benefit and defined contribution pension schemes.

Contributions in respect of defined contribution schemes payable by the Company during the year amounted to £1,880,163 (2018: £1,866,967).

The Company has current and former employees who were members of the Capita Pension and Life Assurance Scheme (the "Capita DB Scheme"), a defined benefit scheme.

The Capita DB Scheme is a non-segregated scheme but there are around 200 different sections in the scheme where each section provides benefits on a particular basis (some based on final salary, some based on career average earnings) to particular groups of employees.

The Capita DB Scheme closed to future accrual of benefit on 30 November 2017 for the majority of active members. Consequently, all of the Company's employees who had been active members of the Capita DB Scheme on 30 November 2017 were offered membership of the Group's principal defined contribution scheme. As the Company ceased to employ any active members in the Capita DB Scheme a section 75 debt fell due.

However, the trustee of the Capita DB Scheme agreed that the pension liabilities attributable to the Company would be transferred to Capita Business Services Limited, a fellow subsidiary undertaking, which removed the section 75 debt due from the Company. This flexible apportionment arrangement was agreed in early 2018. As a result of the arrangement, the Company is no longer a formal participating employer in the Capita DB Scheme. In return for the trustee granting this flexible apportionment arrangement, the Company has provided a guarantee to the Capita DB Scheme that puts the Company into the same position as if it had remained a participating employer. However, the probability of any liability crystallising on the guarantee has been assessed as remote.

The pension charge for the Company in relation to the Capita DB Scheme for the year was £nil (2018: £nil).

A full actuarial valuation of the Capita DB Scheme is carried out every three years by an independent actuary for the Trustee, with the last full valuation carried out at 31 March 2017. Amongst the main purposes of the valuation is to agree a contribution plan such that the pension scheme has sufficient assets available to meet future benefit payments, based on assumptions agreed between the Trustee and the Principal Employer. The 31 March 2017 valuation showed a funding deficit of £185m (31 March 2014: £1.4m). This equates to a funding level of 86.1% (31 March 2014: 99.8%).

As a result of the funding valuation, the Principal Employer and the Trustee agreed the payment of additional contributions totaling £176m between November 2018 and 2021 with the intention of removing the deficit calculated as at 31 March 2017 by 2021.

In addition, the Principal Employer agreed an average employer contribution rate of 28.1% (excluding employee contributions made as part of a salary sacrifice arrangement) towards the expected cost of benefits accruing.

The next scheme funding assessment will be carried out with an effective date of 31 March 2020.

For the purpose of the consolidated accounts of Capita Plc, an independent qualified actuary projected the results of the 31 March 2017 funding valuation to 31 December 2019 on the relevant accounting requirements.

The major assumptions for the valuations at 31 December 2019 were as follows: rate of price inflation RPI/CPI 3.0% pa/2.0% pa (2018: 3.2% pa/2.2% pa); rate of the salary increase - 3.0% pa (2018: 3.2% pa); rate of increase for pensions in payment (where RPI inflation capped at 5% pa applies) – 2.95% pa (2018: 3.1% pa); discount rate - 2.05% pa (2018: 2.85% pa). The Capita DB Scheme assets at fair value at 31 December 2019 totalled £1,353.1m (2018: £1,136.0m). The actuarially assessed value of Capita DB Scheme liabilities at 31 December 2019 was £1,585.9m (2018: £1,342.7m) indicating that the Capita DB Scheme had a net liability of £232.8m (2018: net liability of £206.7m). These figures are quoted gross of deferred tax. The full disclosure is available in the consolidated accounts of Capita plc.

23 Employees

The average monthly number of employees (including non-executive Directors) were:

	2019 Number	2018 Number
Operations	387	338
Administration	53	119
Sales	-	29
	440	**486**

Their aggregate remuneration comprised:

Employee costs	2019 £	2018 £
Wages and salaries	17,381,248	20,448,262
Social security costs	1,993,152	2,426,961
Pension costs	1,880,163	1,866,967
Shared based payments (charged by intercompany)	(22,980)	37,589
	21,231,583	**24,779,779**

Of the costs above, £9,756,338 (2018: £11,105,999) was recharged to other Group companies in respect of various services delivered throughout the year by staff employed by the Company. In addition £3,166,858 was recharged covering divisional overheads incurred on behalf of the entire Specialist Service division.

24 Directors' remuneration

The Directors' were paid by another subsidiary company. As no significant time was spent by the Directors on the Company's affairs, no Directors' remuneration has been allocated to this Company.

25 Related party transactions

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

Nature of Transaction	Name of Company	Year	Fellow Subsidiary
Purchase of Goods/ Services			
	Axelos Limited	December 31, 2019	13,745
		December 31, 2018	-
Sales of Goods			
	Axelos Limited	December 31, 2019	36,538
		December 31, 2018	-
	Capita Southampton Limited	December 31, 2019	-
		December 31, 2018	6,900
	Total		
		December 31, 2019	**36,538**
		December 31, 2018	**6,900**
Trade Receivables			
	Axelos Limited	December 31, 2019	8,024
		December 31, 2018	-

26 Post balance sheet events

In the last quarter of 2019, the Company became aware that one of the clients, the Bank of Scotland PLC, was considering exiting its contract with the Company which would likely mean the contract with the Company would be terminated in 2020. This was confirmed formally on 12 February 2020 when notice was served to end its contract with the Company. As such the termination event already existed at the year end which forms an adjusting event and accordingly, the contractual price step up was not accounted for and the related accrued income was written off in 2019. The revenue recognised in 2019 for this contract was £2,460,933 with operating profit of £1,217,809.

During the review of the financial impact of the above exit, the Company also reviewed its use of the VAT recovery rates which have been in place since 2017. This review, completed in April 2020, indicated that the Company has applied a VAT recovery rate which was too high. This was declared in the Group's VAT return and therefore an adjustment of £1,104,914 has been included in 2019.

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 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 the economic uncertainty associated with COVID-19.

26 Post balance sheet events **(Continued)**

Further, the Company received a dividend of £20,968,757 from its subsidiary, Capita Life & Pensions Services (Ireland) Ltd. on 2 April 2020. The value of the dividend received exceeds the value held as an investment in the subsidiary as at 31 December 2019 and as such the investment value is concluded as fully recoverable on the balance sheet date. However, it is expected that the value of the investment held by the Company in this subsidiary could be fully impaired in 2020 as a result of the dividend distribution since the subsidiary's net assets were reduced by £20,968,757 accordingly.

As of 30 June 2020, the MetLife contract has been classified as Held for Sale and the related assets have been impaired in the half year ended 30 June 2020. This is not an adjusting event as the criteria for Held for Sale was not met at year ended 31 December 2019. There are no other post balance sheet events that have an adjusting effect on the financial statements.

27 Controlling party

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

28 Reconciliation of opening balance as at 1 January 2019

The following is a reconciliation of the extract of the balance sheet line items from IAS 17 to IFRS 16 at 1 January 2019:

	Notes	Carrying amount - 31 December 2018	Impact on adoption of IFRS 16	Remeasured carrying amount as at 1 January 2019
		£	£	£
Non-current assets				
Right-of-use assets	A	-	1,591,970	1,591,970
Financial assets	B	-	559,353	559,353
Current assets				
Trade and other receivables	D	35,398,388	(51,755)	35,346,633
Financial assets	B	-	178,805	178,805
Deferred tax asset	C	8,290,030	54,936	8,344,966
		43,688,418	**2,333,309**	**46,021,727**
Non-current liabilities				
Lease liabilities	E	-	2,063,282	2,063,282
Current liabilities				
Lease liabilities	E	-	538,244	538,244
Capital and reserves				
Retained deficit	F	(126,078,057)	(268,217)	(126,346,274)
		(126,078,057)	**2,333,309**	**(123,744,748)**

28 Reconciliation of opening balance as at 1 January 2019 **(Continued)**

Footnotes:

A) Right-of-use assets: non-current assets have been impacted due to recognition of right-of-use assets on 1 January 2019. The right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the adoption date less any lease incentives received at or before the adoption date (reclassified on the opening balance sheet).

B) Finance lease receivable: Financial assets have been impacted by recognition of finance lease receivables where the Company acts as an intermediate lessor and has classified the sub lease as a finance lease because the sub-lease is for a substantial amount of the remaining term of the head lease. The finance lease receivables have been classified between current and non-current.

C) Deferred tax asset: Under IFRS 16, a lease liability was recognised on the balance sheet from 1 January 2019, which will be recognised through the income statement in subsequent periods. Right-of-use assets were also recognised on the balance sheet from 1 January 2019, which will be charged to the income statement in subsequent periods. Under IAS 12, the tax base of the net liability is the amount that will be deductible for tax purposes. A temporary difference is therefore created in relation to the net liability. The impact of these changes is recognised for tax purposes via a tax adjustment which spreads over the weighted average lease period at 1 January 2019. Under the principles of IAS 12, a net movement of £54,936 is reflected as a transitional adjustment, arising from an increase in deferred tax assets as a result of the transition to IFRS 16.

D) Reclassification of balance sheet items: As noted above in point (A), the right-of-use asset is initially measured at cost plus lease payments made at or before the adoption date (prepayments), less any lease incentives received (rent free accruals) and less onerous provisions existing at the adoption date. These balances have been reclassified to right-of-use asset on adoption.

E) Lease liabilities: Financial liabilities have been impacted due to the recognition of lease liabilities. This liability is initially measured at the present value of the lease payments that are not paid at the adoption date, discounted using the Company's incremental borrowing rate. The lease payments comprise fixed payments, including in-substance fixed payments such as service charges and variable lease payments that depend on an index or a rate, initially measured using the minimum index or rate at commencement date. The lease liabilities have been classified between current and non-current.

F) Retained deficit: For a selection of material long-term leases, the Group applied the modified retrospective method one approach, where the right-of-use asset is calculated from the lease inception and depreciated - resulting in a charge to retained deficit representing the different between the right-of-use asset and the finance lease liability.