

Company Registration No. 06957593 (England and Wales)

**UPDATA INFRASTRUCTURE (UK) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

# UPDATA INFRASTRUCTURE (UK) LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	N S Dale S M Frewing S N Taylor on behalf of Capita Corporate Director Limited M Cook	(Appointed 1 January 2020)
<b>Secretary</b>	Capita Group Secretary Limited	
<b>Company number</b>	06957593	
<b>Registered office</b>	30 Berners Street London England W1T 3LR	
<b>Auditor</b>	KPMG LLP 15 Canada Square London E14 5GL	

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# UPDATA INFRASTRUCTURE (UK) LIMITED

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# UPDATA INFRASTRUCTURE (UK) LIMITED

## STRATEGIC REPORT

*FOR THE YEAR ENDED 31 DECEMBER 2019*

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

### Review of the business

Update Infrastructure (UK) 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 Technology Solutions division.

The Company’s principal activity remains the provision of managed wide area networks and associated services to public sector and local authority organisations. The Directors are not aware, at the date of this report, of any likely major changes in the company’s activities in the next year.

As shown in the Company’s income statement on page 7, the Company’s revenue decreased from £61,437,896 to £55,520,713 in 2019, while operating profit of £1,385,322 decreased to operating loss of £2,085,332 over the same period. The decrease in revenue and profit is primarily due to the transfer of the “Cyber” business to another Group company, Capita IT Services Limited, which was historically reported through Update Infrastructure (UK) Limited and also due to the completion of customer contracts and projects.

The Company adopted IFRS 16 during the year which sets out 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 no. 6, 10, 19 and 26.

The balance sheet on pages 8-9 of the financial statements shows the Company’s financial position at the year end. Net liabilities have increased from £715,573 to £2,524,004 in 2019. This is due to the decrease in amounts owed by parent company and fellow subsidiary undertakings and increase in bank overdrafts. Details of amounts owed by/to its parent company and fellow subsidiary undertakings are shown in notes 13, 16 and 25 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 IT Services division 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 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.
- *Compliance*: non-compliance with laws and regulations. The Company must comply with an extensive range of requirements that govern and regulate its business, and decisions by regulators that affect the Company’s business and operations and these effects are often adverse.
- *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.

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

- Regularly reviewing operating/business 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 our businesses which are discussed in the Group’s annual report which doesn’t form part of this report.

# UPDATA INFRASTRUCTURE (UK) LIMITED

## STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### Section 172 Statement

The Company forms part of the Technology Solutions 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(1)(a) 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*
<b>Our people</b>	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
<b>Clients and customers</b>	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
<b>Suppliers and partners</b>	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)	
<b>Society</b>	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**

21 September 2020

# UPDATA INFRASTRUCTURE (UK) LIMITED

## DIRECTORS' REPORT

*FOR THE YEAR ENDED 31 DECEMBER 2019*

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

### Results and dividends

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

No interim or final dividend was paid or proposed during the year (2018: £nil).

### Environment

Capita plc recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the Group's activities. The Company operates in accordance with Group policies, which are described in the Group's annual report which does not form part of this report. Initiatives designed to minimise the Company's impact on the environment include safe disposal of waste, recycling and reducing energy consumption.

### Employees

Details of the numbers of employees and related costs be found in note 22 to the financial statements.

### Directors

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

N S Dale

S M Frewing

J J Hemming

(Resigned 1 January 2020)

S N Taylor on behalf of Capita Corporate Director Limited

M Cook

(Appointed 1 January 2020)

### Employee involvement

The Company is committed to involving all employees in the performance and development of the company. Employees are distributed with frequent newsletters and internal notice board statements. The Company maintains a strong communication network and employees are encouraged to discuss with management matters of interest to the employee and subjects affecting the day to day operations of the Company.

### Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company's continues and that the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

### Political donations

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

### Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

# UPDATA INFRASTRUCTURE (UK) LIMITED

## DIRECTORS' REPORT (CONTINUED)

*FOR THE YEAR ENDED 31 DECEMBER 2019*

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### **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 EU-IFRS have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

### **Statement of disclosure to auditor**

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

### **Qualifying third party indemnity provisions**

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

On behalf of the board



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

30 Berners Street  
London  
England  
W1T 3LR  
21 September 2020

# UPDATA INFRASTRUCTURE (UK) LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF UPDATA INFRASTRUCTURE (UK) LIMITED

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#### **Opinion**

We have audited the financial statements of Updata Infrastructure UK Limited (“the company”) for the year ended 31 December 2019 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

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

#### **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.



# UPDATA INFRASTRUCTURE (UK) LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF UPDATA INFRASTRUCTURE (UK) LIMITED

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#### **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](http://www.frc.org.uk/auditorsresponsibilities).

#### **The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



**Robert Brent (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

15 Canada Square

London

E14 5GL

21 September 2020

# UPDATA INFRASTRUCTURE (UK) LIMITED

## INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

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	Notes	2019 £	2018 £
Revenue	3	55,520,713	61,437,896
Cost of sales		(49,279,258)	(52,502,833)
<b>Gross profit</b>		<b>6,241,455</b>	<b>8,935,063</b>
Administrative expenses		(8,326,787)	(7,549,741)
<b>Operating (loss)/profit</b>	4	<b>(2,085,332)</b>	<b>1,385,322</b>
Net finance cost	5	(34,344)	-
<b>(Loss)/profit before tax</b>		<b>(2,119,676)</b>	<b>1,385,322</b>
Income tax credit/(charge)	7	311,245	(177,554)
<b>Total comprehensive (expense)/income for the year</b>		<b>(1,808,431)</b>	<b>1,207,768</b>

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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 passing through the income statement.

The notes on page 11 to 39 form an integral part of financial statements.

# UPDATA INFRASTRUCTURE (UK) LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £	2018 £
<b>Non-current assets</b>			
Property, plant and equipment	8	4,015,173	3,790,642
Intangible assets	9	7,583,676	7,733,546
Right of use asset	10	690,466	-
Contract fulfilment assets	11	7,244,328	6,698,043
Trade and other receivables	13	479,157	994,676
Deferred tax	7	1,761,959	1,078,773
		<u>21,774,759</u>	<u>20,295,680</u>
<b>Current assets</b>			
Trade and other receivables	13	14,327,314	20,172,305
Inventories	14	208,497	214,449
Cash	15	-	351,096
		<u>14,535,811</u>	<u>20,737,850</u>
<b>Total assets</b>		<u><u>36,310,570</u></u>	<u><u>41,033,530</u></u>
<b>Current liabilities</b>			
Trade and other payables	16	21,437,193	24,209,315
Deferred income	17	6,698,350	14,732,890
Financial liabilities	18	4,799,183	-
Lease liabilities	19	583,103	-
Provisions	20	130,000	-
Income tax payable		629,975	622,248
		<u>34,277,804</u>	<u>39,564,453</u>
<b>Non-current liabilities</b>			
Deferred income	17	4,514,817	2,184,650
Lease liabilities	19	41,953	-
		<u>4,556,770</u>	<u>2,184,650</u>
<b>Total liabilities</b>		<u>38,834,574</u>	<u>41,749,103</u>
<b>Net liabilities</b>		<u><u>(2,524,004)</u></u>	<u><u>(715,573)</u></u>

# UPDATA INFRASTRUCTURE (UK) LIMITED

## BALANCE SHEET (CONTINUED)

AS AT 31 DECEMBER 2019

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	Notes	2019 £	2018 £
<b>Capital and reserves</b>			
Issued share capital	21	72,536	72,536
Share premium		652,005	652,005
Retained deficit		(3,248,545)	(1,440,114)
<b>Total equity</b>		<b>(2,524,004)</b>	<b>(715,573)</b>

The notes on pages 11 to 39 form an integral part of financial statements.

Approved by Board and authorised for issue on 21 September 2020



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

**Company Registration No. 06957593**

# UPDATA INFRASTRUCTURE (UK) LIMITED

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

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	Share capital	Share premium	Retained deficit	Total equity
	£	£	£	£
<b>At 1 January 2018</b>	72,536	652,005	(2,647,882)	(1,923,341)
Total comprehensive income for the year	-	-	1,207,768	1,207,768
Contribution in respect of share based payment charge	-	-	931	931
Settlement of share based payment charge by intercompany	-	-	(931)	(931)
<b>At 31 December 2018</b>	<b>72,536</b>	<b>652,005</b>	<b>(1,440,114)</b>	<b>(715,573)</b>
Total comprehensive expense for the year	-	-	(1,808,431)	(1,808,431)
Contribution in respect of share based payment charge	-	-	(2,903)	(2,903)
Settlement of share based payment charge by intercompany	-	-	2,903	2,903
<b>At 31 December 2019</b>	<b>72,536</b>	<b>652,005</b>	<b>(3,248,545)</b>	<b>(2,524,004)</b>

**Share capital** — The balance classified as share capital are the nominal proceeds on issue of the Company's equity share capital, comprising 72,536 ordinary shares of £1 each.

**Share premium** — The amount paid to the Company by shareholders, in cash or other consideration, over and above the nominal value of shares issued to them.

**Retained deficit** — The balance in retained deficit pertains to net losses accumulated in the Company.

The notes on pages 11 to 39 form an integral part of financial statements.

# UPDATA INFRASTRUCTURE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

*FOR THE YEAR ENDED 31 DECEMBER 2019*

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### 1 Accounting policies

#### 1.1 Basis of preparation

Udata Infrastructure (UK) 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 the client base and the long-term nature of our contracts. 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. 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. There is a higher degree of uncertainty than would usually be the case in making the key judgements and assumptions that underpin the Company's financial forecasts.

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

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

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

- provision of administrative support services and should the Group be unable to deliver these services, the Company would have difficulty in continuing to trade;
- participation in the Group's notional cash pooling arrangements, of which £1,887,490 was overdrawn at 31 August 2020. In the event of a default by the Group, the Company may not be able to access this facility;
- recovery of receivables of £954,461 from fellow Group undertakings as of 31 August 2020. If these receivables are not able to be recovered when forecast by the Company, then the Company may have difficulty in continuing to trade;
- revenue from other Group entities or key contracts that may be terminated in the event of a default by the Group; and
- additional funding that may be required if the Company suffers potential/continuing future losses.

# UPDATA INFRASTRUCTURE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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### 1 Accounting policies

(Continued)

#### 1.1 Basis of preparation (continued)

Despite the Company being in a net liability position, the ultimate parent has undertaken to 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](http://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 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.

# UPDATA INFRASTRUCTURE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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### 1 Accounting policies

(Continued)

#### 1.2 Compliance with accounting standards

The Company has applied FRS101 – 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 transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- An additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy;
- Certain disclosures as required by IFRS 15 - Revenue from contracts;
- Certain disclosures in respect of IFRS 16 - Leases; and
- Disclosures in respect of the compensation of key management personnel.

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



# UPDATA INFRASTRUCTURE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 1 Accounting policies

(Continued)

#### 1.3 Changes in accounting policies

##### Initial adoption of IFRS 16 Leases

IFRS 16 (effective 1 January 2019) replaces IAS 17 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. The Company applied IFRS 16 using the modified retrospective approach, under which the Company has measured the right of use asset ('ROUA') at the value of lease liability. 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 updated policy on IFRS 16 is set out in note 1.8.

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 impact of IFRS 16 adoption is set out in note 26.

##### IFRIC 23 Uncertainty over Income Tax Treatments

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

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

<b>New amendments or interpretation</b>	<b>Effective date</b>
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 operates a number of diverse businesses and therefore it uses a variety of methods for revenue recognition based on the principles set out in IFRS 15. Many of the contracts entered into are long term and complex in nature given the breadth of solutions the company offers.

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. In determining the amount of revenue and profits to record, and related balance sheet items (such as contract fulfilment assets, capitalisation of costs to obtain a contract, trade receivables, accrued income and deferred income) to recognise in the period, management is required to form a number of key judgements and assumptions. This includes an assessment of the costs the Company incurs to deliver the contractual commitments and whether such costs should be expensed as incurred or capitalised. These judgements are inherently subjective and may cover future events such as the achievement of contractual milestones, performance KPIs and planned cost savings. In addition, for certain contracts, key assumptions are made concerning contract extensions and amendments, as well as opportunities to use the contract developed systems and technologies on other similar projects.

# UPDATA INFRASTRUCTURE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*FOR THE YEAR ENDED 31 DECEMBER 2019*

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### 1 Accounting policies

(Continued)

#### 1.4 Revenue recognition (continued)

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

For all contracts, the Company determines if the arrangement with a customer creates enforceable rights and obligations. This assessment results in certain Master Service Agreements ('MSA's') not meeting the definition of a contract under IFRS 15 and as such the individual call-off agreements, linked to the MSA, are treated as individual contracts.

The Company enters into contracts which contain extension periods, where either the customer or both parties can choose to extend the contract or there is an automatic annual renewal, and/or termination clauses that could impact the actual duration of the contract. Judgement is applied to assess the impact that these clauses have when determining the appropriate contract term. The term of the contract impacts both the period over which revenue from performance obligations may be recognised and the period over which contract fulfilment assets and capitalised costs to obtain a contract are expensed.

For contracts with multiple components to be delivered such as transformation, transitions and the delivery of outsourced services, management applies judgement to consider whether those promised goods and services are (i) distinct - to be accounted for as separate performance obligations; (ii) not distinct - to be combined with other promised goods or services until a bundle is identified that is distinct or (iii) part of a series of distinct goods and services that are substantially the same and have the same pattern of transfer to the customer.

At contract inception the total transaction price is estimated, being the amount to which the Company expects to be entitled and has rights to under the present contract. This includes an assessment of any variable consideration where the Company's performance may result in additional revenues based on the achievement of agreed KPIs. Such amounts are only included based on the expected value or the most likely outcome method, and only to the extent that it is highly probable that no revenue reversal will occur.

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. The Company infrequently sells standard products with observable standalone prices due to the specialised services required by customers and therefore the Company applies judgement to determine an appropriate standalone selling price. More frequently, the Company sells a customer bespoke solution, and in these cases the Company typically uses the expected cost-plus margin or a contractually stated price approach to estimate the standalone selling price of each performance obligation.

The Company may offer price step downs during the life of a contract, but with no change to the underlying scope of services to be delivered. In general, any such variable consideration, price step down or discount is included in the total transaction price to be allocated across all performance obligations unless it relates to only one performance obligation in the contract.

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.

For each performance obligation to be recognised over time, the Company applies a revenue recognition method that faithfully depicts the Company's performance in transferring control of the goods or services to the customer. This decision requires assessment of the real nature of the goods or services that the Company has promised to transfer to the customer. The Company applies the relevant output or input method consistently to similar performance obligations in other contracts.

# UPDATA INFRASTRUCTURE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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### 1 Accounting policies

(Continued)

#### 1.4 Revenue recognition (continued)

When using the output method, the Company recognises revenue on the basis of direct measurements of the value to the customer of the goods and services transferred to date relative to the remaining goods and services under the contract. Where the output method is used, for long term service contracts where the series guidance is applied (see below for further details), the Company often uses a method of time elapsed which requires minimal estimation. Certain long-term contracts use output methods based upon the estimation of number of users, level of service activity or fees collected.

If performance obligations in a contract do not meet the over-time criteria, the Company recognises revenue at a point in time (see below for further details). 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.

##### *Long term contractual – greater than 2 years*

The Company provides a range of services in various segments under customer contracts with a duration of more than two years.

The nature of contracts or performance obligations categorised within this revenue type is diverse and includes (i) long term outsourced service arrangements in the public and private sectors; and (ii) active software license arrangements (see definition below).

The Company considers that the services provided meet the definition of a series of distinct goods and services as they are (i) substantially the same and (ii) have the same pattern of transfer (as the series constitutes services provided in distinct time increments (e.g., daily, monthly, quarterly or annual services)) and therefore treats the series as one performance obligation. Even if the underlying activities performed by the Company to satisfy a promise vary significantly throughout the day and from day to day, that fact, by itself, does not mean the distinct goods or services are not substantially the same. For the majority of long term service contracts with customers in this category, the Company recognises revenue using the output method as it best reflects the nature in which the Company is transferring control of the goods or services to the customer.

Active software licenses are those where the Company has a continuing involvement after the sale or transfer of control to the customer, which significantly affects the intellectual property to which the customer has rights. The Company is in a majority of cases responsible for any maintenance, continuing support, updates and upgrades and accordingly the sale of the initial software is not distinct. The Company's accounting policy for licenses is discussed in more detail below.

##### *Short term contractual - less than 2 years*

The nature of contracts or performance obligations categorised within this revenue type is diverse and includes (i) short term outsourced service arrangements in the public and private sectors; and (ii) software maintenance contracts.

The Company has assessed that maintenance and support (i.e. on-call support, remote support) for software licenses is a performance obligation that can be considered capable of being distinct and separately identifiable in a contract if the customer has a passive license. These recurring services are substantially the same as the nature of the promise is for the Company to 'stand ready' to perform maintenance and support when required by the customer. Each day of standing ready is then distinct from each following day and is transferred in the same pattern to the customer.

# UPDATA INFRASTRUCTURE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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### 1 Accounting policies

(Continued)

#### 1.4 Revenue recognition (continued)

##### *Transactional (Point in time) contracts*

The Company delivers a range of goods or services in all reportable segments that are 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.

The nature of contracts or performance obligations categorised within this revenue type is diverse and includes (i) provision of IT hardware goods; (ii) passive software license agreements; (iii) commission received as agent from the sale of third party software; and (iv) fees received in relation to delivery of professional services.

Passive software licenses are licenses which have significant stand-alone functionality and the contract does not require, and the customer does not reasonably expect, the Company to undertake activities that significantly affect the license. Any ongoing maintenance or support services for passive licenses are likely to be separate performance obligations. The Company's accounting policy for licenses is discussed in more detail below.

##### *Contract modifications*

The Company's contracts are often amended for changes in contract specifications and requirements. Contract modifications exist when the amendment either creates new or changes the existing enforceable rights and obligations. The effect of a contract modification on the transaction price and the Company's measure of progress for the performance obligation to which it relates, is recognised as an adjustment to revenue in one of the following ways:

- a. prospectively as an additional separate contract;
- b. prospectively as a termination of the existing contract and creation of a new contract;
- c. as part of the original contract using a cumulative catch up; or
- d. as a combination of b) and c)

For contracts for which the Company has decided there is a series of distinct goods and services that are substantially the same and have the same pattern of transfer where revenue is recognised over time, the modification will always be treated under either a) or b). d) may arise when a contract has a part termination and a modification of the remaining performance obligations.

The facts and circumstances of any contract modification are considered individually as the types of modifications will vary contract by contract and may result in different accounting outcomes.

Judgement is applied in relation to the accounting for such modifications where the final terms or legal contracts have not been agreed prior to the period end as management need to determine if a modification has been approved and if it either creates new or changes existing enforceable rights and obligations of the parties. Depending upon the outcome of such negotiations, the timing and amount of revenue recognised may be different in the relevant accounting periods. Modification and amendments to contracts are undertaken via an agreed formal process. For example, if a change in scope has been approved but the corresponding change in price is still being negotiated, management use their judgement to estimate the change to the total transaction price. Importantly any variable consideration is only recognised to the extent that it is highly probable that no revenue reversal will occur.

# UPDATA INFRASTRUCTURE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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### 1 Accounting policies

(Continued)

#### 1.4 Revenue recognition (continued)

##### *Principal versus agent*

The Company has arrangements with some of its customers whereby it needs to determine if it acts as a principal or an agent as more than one party is involved in providing the goods and services to the customer. The Company acts as a principal if it controls a promised good or service before transferring that good or service to the customer. The Company is an agent if its role is to arrange for another entity to provide the goods or services. Factors considered in making this assessment are most notably the discretion the Company has in establishing the price for the specified good or service, whether the Company has inventory risk and whether the Company is primarily responsible for fulfilling the promise to deliver the service or good.

This assessment of control requires judgement in particular in relation to certain service contracts. An example, is the provision of certain recruitment and learning services where the Company may be assessed to be agent or principal dependent upon the facts and circumstances of the arrangement and the nature of the services being delivered.

Where the Company is acting as a principal, revenue is recorded on a gross basis. Where the Company is acting as an agent revenue is recorded at a net amount reflecting the margin earned.

##### *Contract fulfilment assets*

Contract fulfilment costs are divided into (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred.

When determining the appropriate accounting treatment for such costs, the Company firstly considers any other applicable standards. If those other standards preclude capitalisation of a particular cost, then an asset is not recognised under IFRS 15.

If other standards are not applicable to contract fulfilment costs, the Company applies the following criteria which, if met, result in capitalisation:

- (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract;
- (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- (iii) the costs are expected to be recovered.

The assessment of this criteria requires the application of judgement, in particular when considering costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable. The Company regularly incurs costs to deliver its outsourcing services in a more efficient way (often referred to as 'transformation' costs).

These costs may include process mapping and design, system development, project management, hardware (generally in scope of the Company's accounting policy for property, plant and equipment), software license costs (generally in scope of the Company's accounting policy for intangible assets), recruitment costs and training.

The Company has determined that, where the relevant specific criteria are met, the costs for (i) process mapping and design; (ii) system development; and (iii) project management are likely to qualify to be capitalised as contract fulfilment assets.

# UPDATA INFRASTRUCTURE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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### 1 Accounting policies

(Continued)

#### 1.4 Revenue recognition (continued)

##### *Capitalisation of costs to obtain a contract*

The incremental costs of obtaining a contract with a customer are recognised as an asset if the Company expects to recover them. The Company incurs costs such as bid costs, legal fees to draft a contract and sales commissions when it enters into a new contract.

Judgement is applied by the Company when determining what costs qualify to be capitalised in particular when considering whether these costs are incremental and whether these are expected to be recoverable. For example, the Company considers which type of sales commissions are incremental to the cost of obtaining specific contracts and the point in time when the costs will be capitalised.

The Company has determined that the following costs may be capitalised as contract assets (i) legal fees to draft a contract (once the Company has been selected as a preferred supplier for a bid); and (ii) sales commissions that are directly related to winning a specific contract. Costs incurred prior to selection as preferred supplier are not capitalised but are expensed as incurred.

##### *Utilisation, derecognition and impairment of capitalised costs to obtain a contract*

The Company utilises contract fulfilment assets and capitalised costs to obtain a contract to cost of sales over the expected contract period using a systematic basis that mirrors the pattern in which the Company transfers control of the service to the customer. The utilisation charge is included within cost of sales. Judgement is applied to determine this period, for example whether this expected period would be the contract term or a longer period such as the estimated life of the customer relationship for a particular contract if, say, renewals are expected.

A contract fulfilment asset or capitalised costs to obtain a contract is derecognised either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

Management is required to determine the recoverability of contract related assets within property, plant and equipment, intangible assets as well as contract fulfilment assets, capitalised costs to obtain a contract, accrued income and trade receivables. At each reporting date, the Company determines whether or not the contract fulfilment assets and capitalised costs to obtain a contract are impaired by comparing the carrying amount of the asset to the remaining amount of consideration that the Company expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Company uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant contracts or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract.

The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific KPIs that could trigger variable consideration, or service credits.

Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

# UPDATA INFRASTRUCTURE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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### 1 Accounting policies

(Continued)

#### 1.4 Revenue recognition (continued)

##### *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. The Company often agrees payment schedules at the inception of long term contracts under which it receives payments throughout the term of the contracts. These payment schedules may 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 are greater than the revenue recognised 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.

##### *Onerous contracts*

The Group reviews its long-term contracts to ensure that the expected economic benefits to be received are in excess of the unavoidable costs of meeting the obligations under the contract. The unavoidable costs are the lower of the net costs of termination or the costs of fulfilment of the contractual obligations. The Group recognises the excess of the unavoidable costs over economic benefits due to be received as an onerous contract provision.

#### 1.5 Goodwill

Goodwill is stated at cost less any accumulated impairment losses. It is not amortised but is tested annually for impairment. This is not in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 which requires that all goodwill be amortised. The Directors consider that this would fail to give a true and fair view of the profit for the year and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. It is not practicable to quantify the effect on the financial statements of this departure. On adoption of FRS 101, the Company restated business combinations that took place between 1 January 2007 and 31 December 2014. The Company, therefore, restated its opening balances in 2014 to reflect the position had IFRS 3 'Business Combinations' been in effect since 1 January 2007.

#### 1.6 Other intangibles

Intangibles are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful life, which is typically 5 years. In the case of capitalised software development costs, research expenditure is written off to the statement of profit and loss in the period in which it is incurred. Development expenditure is written off in the same way unless and until the Company is satisfied as to the technical, commercial and financial viability of individual projects. In these cases, the development expenditure is capitalised and amortised over the period during which the Company is expected to benefit.

#### 1.7 Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Leasehold improvements	over the period of the lease
Furniture and fixtures	4 - 5 years
Computer equipment	3 - 5 years

# UPDATA INFRASTRUCTURE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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### 1 Accounting policies

(Continued)

#### 1.8 Leasing

The Company has taken land and buildings on lease.

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*As a lessee*

At commencement or on modification of a contract that contains a lease component, along with one or more other lease or non-lease components, the Company accounts for each lease component separately from the non-lease components. However, for the leases of land and buildings, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component. The Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price and the aggregate stand-alone price of the non-lease components.

The Company recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred [and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located], less any lease incentives received.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right of use asset reflects that the Company will exercise a purchase option. In that case the right of use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise,
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.



# UPDATA INFRASTRUCTURE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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### 1 Accounting policies

(Continued)

#### 1.8 Leasing (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, to the extent that the right of use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The Company presents right of use asset that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

##### *Short-term leases and leases of low-value assets*

The Company has elected not to recognise right of use assets and lease liabilities for lease of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### 1.9 Pensions

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.

In addition, the Company participates in a number of defined benefit pension schemes which require contributions to be made to separate trustee-administered funds.

Where the Company participates in public sector defined benefit pension schemes, this is for a finite period and there are contractual protections in place to limit the financial risks to the Company of the membership of these schemes by its employees and as such the pension costs are reported on a defined contribution basis recognising a cost equal to its contribution payable for the period.

The Company also has employees who are 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 – where these members were subsequently offered membership of the group's principal defined contribution scheme. However, there remain a number of employees of the Company accruing benefits on a defined benefit basis in the Capita DB Scheme.

# UPDATA INFRASTRUCTURE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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### 1 Accounting policies

(Continued)

#### 1.9 Pension (Continued)

As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the Capita DB Scheme to 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). The Company then recognises a cost equal to its contribution payable for the period. The contributions payable by the participating entities are 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.

#### 1.10 Taxation

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

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

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

Deferred tax liabilities are recognised for all taxable temporary differences:

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

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

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

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

# UPDATA INFRASTRUCTURE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*FOR THE YEAR ENDED 31 DECEMBER 2019*

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### **1 Accounting policies**

**(Continued)**

#### **1.11 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 as a result of not meeting performance or service conditions. Where all service and performance vesting conditions have been met, the awards are treated as vesting, irrespective of whether or not the market condition is satisfied, as market conditions have been reflected in the fair value of the equity instruments.

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, attributable to the company, since the previous balance sheet date is recognised in the income statement and settled with Capita plc, the ultimate parent undertaking.

In accordance with IFRS 2, share option awards of the ultimate parent company's equity instruments in respect of settling grants to employees of the company are disclosed as a charge to the income statement and a credit to equity. The Company's policy is to reimburse its ultimate parent company through the intercompany account for charges that are made to it. Hence the credit to equity has been eliminated, rather reflecting a credit to inter-company which better describes the underlying nature of the transaction.

#### **1.12 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.

#### **1.13 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.

# UPDATA INFRASTRUCTURE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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### 1 Accounting policies

(Continued)

#### 1.14 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost. The Company provides, on a discounted basis, for the future rent expense and related cost of leasehold property (net of estimated sub-lease income) where the space is vacant or currently not planned to be used for ongoing operations.

#### 1.15 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.

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

##### (ii) Recognition and derecognition

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

##### (iii) Measurement

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

##### *Equity instruments*

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to income statement following the derecognition of the investment. Dividends from such investments continue to be recognised in income statement as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

# UPDATA INFRASTRUCTURE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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### 1 Accounting policies

(Continued)

#### 1.15 Financial instruments (Continued)

##### (iv) Impairment

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

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

##### **Trade and other receivables**

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

##### **Trade and other payables**

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

##### **Cash**

Cash in the balance sheet comprise cash at bank and in hand. Bank overdrafts are shown within current financial liabilities.

##### **Interest-bearing loans and borrowings**

All loans and borrowings are initially recognised at their fair value less any directly attributable transaction costs.

After initial recognition, loans and borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Gains and losses are recognised in the income statement when the liabilities are derecognised, as well as through the amortisation process.

#### 1.16 Inventories

Inventories are valued at the lower of cost and net realisable value.

# UPDATA INFRASTRUCTURE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 2 Significant accounting judgements, estimates and assumptions

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

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

- The measurement of revenue and resulting profit recognition - due to the size and complexity of some of the Company's contracts, requires judgements to be applied, including the measurement and timing of revenue recognition and the recognition of assets and liabilities, including an assessment of onerous contract, that result from the performance of the contract.
- The Company determines whether goodwill is impaired on an annual basis and thus requires an estimation of the value in use of the cash-generating units to which the intangible assets are allocated. This involves estimation of future cash flows and choosing a suitable discount rate.
- The measurement of provisions reflects management's assessment of the probable outflow of economic benefits resulting from an existing obligation. Provisions are calculated on a case by case basis and involve judgement as regards the final timing and quantum of any financial outlay.
- The Company has made judgements in adopting IFRS 16 such as; determining contracts in scope for IFRS 16, determining the interest rate used for discounting of future cash flows, and the lease term.

### 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 (loss)/profit for the year

	Note	2019 £	2018 £
Operating (loss)/profit for the year is stated after charging/(crediting):			
Net foreign exchange losses/(gains)		38	(187)
Depreciation of property, plant and equipment	8	1,700,583	2,079,167
Amortisation of intangible assets	9	268,995	218,589
Depreciation of ROUA - property, plant and equipment	10	556,775	-
Operating lease rentals - plant and machinery		-	959,389
Operating lease rentals - other assets		-	259,950
Short-term lease rentals - plant and machinery		318,726	-
Short-term lease rentals - other assets		25,605	-
		<u>          </u>	<u>          </u>

Audit fees are borne by the ultimate parent undertaking, Capita plc. The audit fee for the current period was £19,776 (2018: £19,700). 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 Group accounts of the ultimate parent undertaking, which it is required to prepare in accordance with the Companies Act 2006.

# UPDATA INFRASTRUCTURE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 5 Net finance costs

	2019 £	2018 £
Interest expense on lease liabilities	31,711	-
Other interest payable	2,633	-
	<u>34,344</u>	<u>-</u>

### 6 Leases under IFRS 16

	2019 £
Expenses relating to short-term leases (note 4)	344,331
Interest expense on lease liabilities (note 5)	31,711
Depreciation of ROUA - property, plant and equipments (note 10)	556,775
	<u>932,817</u>

### 7 Income tax

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

	2019 £	2018 £
<b>Current tax</b>		
UK Corporation tax	(55,505)	277,255
Adjustments in respect of prior periods	427,446	728,651
	<u>371,941</u>	<u>1,005,906</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(308,230)	(10,448)
Adjustment in respect of prior periods	(374,956)	(817,904)
	<u>(683,186)</u>	<u>(828,352)</u>
<b>Total tax (credit)/charge reported in the income statement</b>	<u>(311,245)</u>	<u>177,554</u>

# UPDATA INFRASTRUCTURE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 7 Income tax

(Continued)

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

	2019 £	2018 £
<b>(Loss)/profit before tax</b>	(2,119,676)	1,385,322
Profit before taxation (credit)/charge multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	(402,738)	263,211
Adjustments in respect of current income tax of prior periods	427,446	728,651
Adjustments in respect of deferred income tax of prior periods	(374,956)	(817,904)
Expenses not deductible for tax purposes	3,293	2,367
Non taxable income	(552)	-
Impact of changes in statutory tax rates	36,262	1,229
Total adjustments	91,493	(85,657)
<b>Total tax (credit)/charge reported in the income statement</b>	<b>(311,245)</b>	<b>177,554</b>

### Deferred tax

	Balance sheet		Income statement	
	2019 £	2018 £	2019 £	2018 £
<b>Deferred tax assets</b>				
Decelerated capital allowances	1,739,859	1,078,773	(661,086)	(9,334)
Other temporary difference	22,100	-	(22,100)	(2,634,703)
Deferred income	-	-	-	1,815,685
<b>Net deferred tax asset</b>	<b>1,761,959</b>	<b>1,078,773</b>		
<b>Deferred income tax credit</b>			<b>(683,186)</b>	<b>(828,352)</b>

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 £207,290.



# UPDATA INFRASTRUCTURE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 8 Property, plant and equipment

	Leasehold improvements £	Furniture and fixtures £	Computer equipment £	Total £
<b>Cost</b>				
At 1 January 2019	234,430	944,994	7,217,869	8,397,293
Additions	17,049	-	1,986,595	2,003,644
Reclassification between categories	-	(333,090)	333,090	-
Reclassification to intangibles	-	-	(78,530)	(78,530)
Asset retirement	(136,527)	(528,072)	(1,730,551)	(2,395,150)
<b>At 31 December 2019</b>	<b>114,952</b>	<b>83,832</b>	<b>7,728,473</b>	<b>7,927,257</b>
<b>Depreciation</b>				
At 1 January 2019	141,549	450,197	4,014,905	4,606,651
Charge for the year	45,424	133,946	1,521,213	1,700,583
Asset retirement	(136,527)	(528,072)	(1,730,551)	(2,395,150)
<b>At 31 December 2019</b>	<b>50,446</b>	<b>56,071</b>	<b>3,805,567</b>	<b>3,912,084</b>
<b>Net book value</b>				
At 31 December 2019	<b>64,506</b>	<b>27,761</b>	<b>3,922,906</b>	<b>4,015,173</b>
At 31 December 2018	<b>92,881</b>	<b>494,797</b>	<b>3,202,964</b>	<b>3,790,642</b>

### 9 Intangible assets

	Goodwill £	Software £	Total £
<b>Cost</b>			
At 1 January 2019	7,466,287	1,117,552	8,583,839
Additions	-	40,595	40,595
Reclassification from property, plant and equipment	-	78,530	78,530
<b>31 December 2019</b>	<b>7,466,287</b>	<b>1,236,677</b>	<b>8,702,964</b>
<b>Amortisation and impairment</b>			
At 1 January 2019	436,500	413,793	850,293
Charge for the year	-	268,995	268,995
<b>At 31 December 2019</b>	<b>436,500</b>	<b>682,788</b>	<b>1,119,288</b>
<b>Net book value</b>			
At 31 December 2019	<b>7,029,787</b>	<b>553,889</b>	<b>7,583,676</b>
At 31 December 2018	<b>7,029,787</b>	<b>703,759</b>	<b>7,733,546</b>

# UPDATA INFRASTRUCTURE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 10 Right of use asset

Property	2019
Net book value	£
At 1 January	-
Adoption of IFRS 16	1,247,241
Depreciation charge for the year	(556,775)
<b>At 31 December</b>	<b>690,466</b>

### 11 Contract fulfilment assets

	£
<b>Cost</b>	
<b>At 1 January 2018</b>	<b>18,006,393</b>
Additions	2,322,764
Utilised during the year	(13,631,114)
<b>At 31 December 2018</b>	<b>6,698,043</b>
Additions	8,090,761
Utilised during the year	(7,544,476)
<b>At 31 December 2019</b>	<b>7,244,328</b>

In preparing these financial statements, the Company undertook a review to identify indicators of impairment of contract fulfilment assets. The Company determined whether or not the contract fulfilment assets were impaired by comparing the carrying amount of the assets to the remaining amount of consideration that the entity expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the entity used the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price were removed for the impairment test.

In line with our accounting policy, as set out in note 1.4, if a contract or specific performance obligation exhibited marginal profitability or other indicators of impairment, judgement was applied to ascertain whether or not the future economic benefits from these contracts were sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific key performance indicators that could trigger variable consideration, or service credits.

# UPDATA INFRASTRUCTURE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

### 12 Investment in subsidiaries

	£
<b>Cost</b>	
At January 2019 and 31 December 2019	2,663,913
<b>Impairment</b>	
At January 2019 and 31 December 2019	2,663,913
<b>Net book value</b>	
<b>At 31 December 2018</b>	-
<b>At 31 December 2019</b>	-

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

Company	Country of registration or incorporation	Ordinary shares held (%)	Nature of business
Udata Infrastructure 2012 Limited*	England	100	Dormant
Daisy Udata Communications Limited^	England	50	Contract maintenance

\*Registered office: 30 Berners Street, London, England, W1T 3LR

^Registered office: Lindred House, 20 Lindred Road Brierfield, Nelson, BB9 5SR

### 13 Trade and other receivables

Current	2019 £	2018 £
Trade debtors	5,309,273	5,380,075
Other receivables	1,342,744	3,355
Accrued income	284,189	316,968
Prepayments	3,639,436	4,273,119
Contract fulfilment assets	3,217,308	6,884,414
Amounts due from parent and fellow subsidiary undertaking	534,364	3,314,374
	<b>14,327,314</b>	<b>20,172,305</b>
<b>Non-current</b>	<b>2019 £</b>	<b>2018 £</b>
Other receivables	133,920	133,920
Prepayments	345,237	860,756
	<b>479,157</b>	<b>994,676</b>

# UPDATA INFRASTRUCTURE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

<b>14 Inventories</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Finished goods	208,497	214,449
	<u>208,497</u>	<u>214,449</u>
<b>15 Cash</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Cash at bank and in hand	-	351,096
	<u>-</u>	<u>351,096</u>
<b>16 Trade and other payables</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Trade creditors	340,433	1,262,870
Other creditors	3,019	2,104
Other taxes and social security	960,289	85,697
Accruals	3,310,682	3,137,188
Amounts due to parent and fellow subsidiary undertaking	16,822,770	19,721,456
	<u>21,437,193</u>	<u>24,209,315</u>
<b>17 Deferred income</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Current</b>		
Deferred income	6,698,350	14,732,890
	<u>6,698,350</u>	<u>14,732,890</u>
<b>Non-current</b>		
Deferred income	4,514,817	2,184,650
	<u>4,514,817</u>	<u>2,184,650</u>

The deferred income balances solely relates to revenue from contracts with customers. Movements in the deferred income balances were driven by transactions entered into by the Company within the normal course of business in the year.

# UPDATA INFRASTRUCTURE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 18 Financial liabilities

	2019 £	2018 £
Bank overdrafts	4,799,183	-
	<u>4,799,183</u>	<u>-</u>

### 19 Lease liability

	2019 £	2018 £
Current	583,103	-
Non-current	41,953	-
	<u>625,056</u>	<u>-</u>

In calculating the lease liability to be recognised on adoption, the Company used an incremental borrowing rate at 1 January 2019 ranging from 3.31% - 4.29%.

	£
Operating lease commitments at 31 December 2018 disclosed under IAS 17	1,357,623
Operating lease commitments restated for 31 December 2018	(117,068)
Discounted using the incremental borrowing rate at 1 January 2019	(50,309)
<b>Lease liabilities recognised at 1 January 2019</b>	<b>1,190,246</b>
out of which	
Current	565,190
Non-current	625,056

	2019 £
<b>Maturity analysis - contractual undiscounted cash flows</b>	
Less than one year	596,901
One to two year	9,351
More than two years	37,402
<b>Total undiscounted lease liabilities at 31 December</b>	<b>643,654</b>

### 20 Provisions

	Others £
<b>At 1 January 2019</b>	-
Provided during the year	130,000
<b>At 31 December 2019</b>	<b>130,000</b>

Other provisions are provisions made to cover compensation to customer for delay in exiting our services. Other provisions are expected to be utilised within 12 months.

# UPDATA INFRASTRUCTURE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

21 Issued share capital	2019 Numbers	2018 Numbers	2019 £	2018 £
<b>Ordinary share capital</b>				
Allotted, called up and fully paid				
Ordinary shares of £1 each				
At 1 January	72,536	72,536	72,536	72,536
<b>At 31 December</b>	<b>72,536</b>	<b>72,536</b>	<b>72,536</b>	<b>72,536</b>

## 22 Employees

	2019 Number	2018 Number
Sales	35	31
Operations	248	244
Administration	11	14
	<b>294</b>	<b>289</b>

Their aggregate remuneration comprised:

### Employment costs

	2019 £	2018 £
Wages and salaries	14,902,084	13,715,883
Social security costs	1,854,357	1,621,415
Pension costs	1,200,104	959,871
Share based payments	(2,903)	931
	<b>17,953,642</b>	<b>16,298,100</b>

## 23 Directors' remuneration

None of the Directors were paid by the Company during the year (2018: nil). The Directors were paid by another company within Technology Solutions division. As no qualifying services were provided by the Directors on Company's affairs, no remuneration has not been allocated to this Company.

# UPDATA INFRASTRUCTURE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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### 24 Employee benefits

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

Contributions in respect of the defined contribution schemes payable by the Company during the year amounted to £1,198,349 (2018: £950,828)

Where the Company participates in public sector defined benefit pension schemes, this is for a finite period and there are contractual protections in place to limit the financial risks to the Company of the membership of these schemes by its employees and as such the pension costs are reported on a defined contribution basis recognising a cost equal to its contribution payable for the period.

#### **The Capita Pension and Life Assurance Scheme (the "Capita DB Scheme")**

The Company has current and former employees who are 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 – where these members were subsequently offered membership of the group's principal defined contribution scheme. However, there remain a number of employees of the Company accruing benefits on a defined benefit basis in the DB Scheme.

The pension charge for the Company in relation to the Capita DB Scheme for the year was £1,755 (2018: £9,043).

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 (Capita Business Services Limited, a fellow subsidiary undertaking). 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 totalling £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 valuation at 31 December 2019 were as follows: rate of price inflation RPI/CPI 3% pa/2% pa (2018: 3.2% pa/2.2% pa); rate of the salary increase - 3% 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.

# UPDATA INFRASTRUCTURE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 25 Related party transactions

Nature of Transaction	Name of Company	Year	£ Fellow Subsidiary
<b>Purchase of Goods/ Services</b>			
	Urban Vision Partnership Limited	December 31, 2019	560
		December 31, 2018	-
		<b>December 31, 2019</b>	<b>560</b>
		<b>December 31, 2018</b>	<b>-</b>
<b>Sales of Goods</b>			
	Entrust Support Services Limited	December 31, 2019	1,217,422
		December 31, 2018	300,995
	Urban Vision Partnership Limited	December 31, 2019	7,572
		December 31, 2018	2,709
	Axelos Limited	December 31, 2019	360
		December 31, 2018	360
		<b>December 31, 2019</b>	<b>1,225,354</b>
		<b>December 31, 2018</b>	<b>304,064</b>
<b>Closing balance of related parties</b>			
<b>Trade Payables</b>			
	Entrust Support Services Limited	December 31, 2019	40,580
		December 31, 2018	76,622
		<b>December 31, 2019</b>	<b>40,580</b>
		<b>December 31, 2018</b>	<b>76,622</b>



# UPDATA INFRASTRUCTURE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 26 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:

	Footnotes	Carrying amount - 31 December 2018	Impact on Adoption of IFRS 16	IFRS 16 carrying amount as at 1 January 2019
		£	£	£
<b>Non-current assets</b>				
Right of use asset	A	-	1,247,241	1,247,241
<b>Current assets</b>				
Trade and other receivables	C	20,172,305	(137,619)	20,034,686
<b>Current liabilities</b>				
Lease liabilities	B	-	565,190	565,190
Trade and other payables	C	24,209,315	(80,624)	24,128,691
<b>Non-current liabilities</b>				
Lease liabilities	B	-	625,056	625,056

#### Footnotes for reconciliations for 2018

##### A) Right of use asset

Non-current assets have been impacted due to recognition of right of use asset on 1 January 2019. The right of use asset is 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) 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 Group'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.

##### C) Reclassification of balance sheet items

As noted above in 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.

#### 27 Controlling party

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

The Company's ultimate parent undertaking is Capita plc, a Company incorporated in England and Wales. The accounts of Capita plc are available from the registered office at 30 Berners Street, London, United Kingdom, W1T 3LR.

# UPDATA INFRASTRUCTURE (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*FOR THE YEAR ENDED 31 DECEMBER 2019*

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### **28 Post balance sheet events**

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

For the Company's 31 December 2019 financial statements, the Coronavirus outbreak and the related impacts are considered non-adjusting events. The Directors have assessed that there is no material impact on the recognition and measurement of assets and liabilities as a result of this subsequent event.