Company Registration No. 05078781 (England and Wales)

CAPITA GAS REGISTRATION AND ANCILLARY SERVICES LIMITED

ANNUAL REPORT AND UNAUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

CAPITA GAS REGISTRATION AND ANCILLARY SERVICES LIMITED

COMPANY INFORMATION

Directors	S N Taylor on behalf of Capita Corporate Director Limited P W Elliott J Samuel
Secretary	Capita Group Secretary Limited
Company number	05078781
Registered office	30 Berners Street London United Kingdom W1T 3LR
Banker	Barclays Bank PLC 1 Churchill place London E14 5HP

CAPITA GAS REGISTRATION AND ANCILLARY SERVICES LIMITED

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CAPITA GAS REGISTRATION AND ANCILLARY SERVICES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Review of the business

Capita Gas Registration and Ancillary Services Limited ("the Company"), is wholly owned subsidiary (indirectly held) of Capita plc along with its subsidiaries are hereafter referred to as "the Group" and operates within the Group's Government Services division.

The principal activity of the Company is that of provision and operation of the gas installers registration scheme on behalf of the Health and Safety Executive. The scheme was previously operated under a 10 year concession agreement that ran from 1st April 2009 to 31st March 2019. A new agreement was awarded by the Health & Safety Executive which commenced on the 1st April 2019 for a further 5 year term. 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 5, revenue has increased from £18,535,358 in 2018 to £19,107,528 in 2019 and operating profit has decreased from £5,350,678 to £3,100,226 over the same period.

The balance sheet on page 6-7 of the financial statements shows the Company's financial position at the year end. Net assets have increased from £11,720,200 in 2018 to £14,227,067 in 2019. Details of amounts owed by/to its parent Company and fellow subsidiary undertakings are shown in notes 8 and 9 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 Group's Government Services division of Capita plc is discussed in the Group's annual report which does not form part of this report.

The Company adopted IFRS 16 during the year, which sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The application of IFRS 16 has had no impact on the financial statements of the Company.

Principal risks and uncertainties

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

The principal themes of risk for the Company are:

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

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

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

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

Section 172 statement

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

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

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

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

On behalf of the board.

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S N Taylor on behalf of Capita Corporate Director Limited

Director

22 September 2020

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 5.

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

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

S N Taylor on behalf of Capita Corporate Director Limited	
P W Elliott	
J Samuel	
O D C Barry	(Resigned 18 June 2020)

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

Statement of Directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements
The Directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

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

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

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S N Taylor on behalf of Capita Corporate Director Limited
Director

22 September 2020

CAPITA GAS REGISTRATION AND ANCILLARY SERVICES LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Unaudited 2019 £	Unaudited 2018 £
Revenue	3	19,107,528	18,535,358
Cost of sales		(13,842,332)	(10,820,526)
Gross profit		**5,265,196**	**7,714,832**
Administrative expenses		(2,164,970)	(2,364,154)
Operating profit	**4**	**3,100,226**	**5,350,678**
Income tax charge	**5**	(593,359)	(997,639)
Total comprehensive income for the year		**2,506,867**	**4,353,039**

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 9 to 24 form an integral part of financial statements.

CAPITA GAS REGISTRATION AND ANCILLARY SERVICES LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	Unaudited 2019 £	Unaudited 2018 £
Non-current assets			
Property, plant and equipment	**6**	1,136,479	-
Intangible assets	**7**	1,311,145	-
Trade and other receivables	**8**	15,967	-
Deferred tax asset	**5**	125,048	85,122
		2,588,639	**85,122**
Current assets			
Trade and other receivables	**8**	23,796,711	24,932,291
		23,796,711	**24,932,291**
Total assets		**26,385,350**	**25,017,413**
Current liabilities			
Trade and other payables	**9**	2,158,390	2,217,060
Deferred income	**10**	5,834,142	7,903,829
Financial liabilities	**11**	2,529,452	1,386,778
Income tax payable		1,636,299	1,789,546
		12,158,283	**13,297,213**
Total liabilities		**12,158,283**	**13,297,213**
Net assets		**14,227,067**	**11,720,200**

CAPITA GAS REGISTRATION AND ANCILLARY SERVICES LIMITED

BALANCE SHEET (CONTINUED)

AS AT 31 DECEMBER 2019

	Notes	Unaudited 2019 £	Unaudited 2018 £
Capital and reserves			
Issued share capital	**12**	1	1
Retained earnings		14,227,066	11,720,199
Total equity		**14,227,067**	**11,720,200**

The accompanying notes and information on pages 9 to 24 form an integral part of the financial statements.

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

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

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

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

Approved by Board and authorised for issue on 22 September 2020

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S N Taylor on behalf of Capita Corporate Director Limited
Director

Company Registration No. 05078781

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Retained earnings	Total equity
	£	£	£
At 1 January 2018 - Unaudited	**1**	**7,367,160**	**7,367,161**
Total comprehensive income for the year - unaudited	-	4,353,039	4,353,039
At 31 December 2018 - Unaudited	**1**	**11,720,199**	**11,720,200**
Total comprehensive income for the year - unaudited	-	2,506,867	2,506,867
At 31 December 2019 - Unaudited	**1**	**14,227,066**	**14,227,067**

a) Share Capital

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

b) Retained earnings

Net profits kept to accumulate in the Company after dividends are paid and retained in the business as working capital.

The accompanying notes and information on pages 9 to 24 form an integral part of the financial statements.

1 Accounting policies

1.1 Basis of preparation

Capita Gas Registration and Ancillary Services Limited is a Company incorporated and domiciled in the United Kingdom.

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

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

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

The Directors expect revenue over the rest of the year to remain resilient, given 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 £98,793 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; and
- recovery of receivables of £23,365,024 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.

Given the reliance the Company has on the Group, the Directors have considered the financial position of the ultimate parent undertaking as disclosed in its most recent financial statements, being for the six months ended 30 June 2020.

1 Accounting policies **(Continued)**

1.1 Basis of preparation (continued)

Ultimate parent undertaking – Capita plc

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

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

Material uncertainty

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

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

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

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

1 Accounting policies (Continued)

1.2 Compliance with accounting standards

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

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

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

- Cash flow statement and related notes;
- Comparative period reconciliations for share capital, property, plant and equipment and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Certain disclosures regarding IFRS 15 Revenue from Contracts with Customers;
- Certain disclosures regarding IFRS 16 Leases; and
- Disclosures in respect of the compensation of key management personnel.

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

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

1 Accounting policies (Continued)

1.3 Changes in accounting policies

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

Initial adoption of IFRS 16 Leases

IFRS 16 (effective 1 January 2019) replaces IAS 17 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. The Company applied IFRS 16 using the modified retrospective approach, under which the Company has measured the right-of-use assets 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 1.9.

The adoption of the above changes has had no impact on the Financial Statements of the Company.

IFRIC 23 Uncertainty over Income Tax Treatments

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

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

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

1 Accounting policies **(Continued)**

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 are long term and complex in nature given the breadth of solutions the Group 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.

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 each performance obligation, the Company determines if revenue will be recognised over time or at a point in time.

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.

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.

If performance obligations in a contract do not meet the overtime 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.

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.

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. 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.

1.5 Taxation

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

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

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

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

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

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

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

1 Accounting policies (Continued)

1.6 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.

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

During 2018, the Company ceased to employ any active members in the Capita DB Scheme (with no further members subsequently joining) and a section 75 debt fell due to the Trustee of the Capita DB Scheme.

However, the Trustee of the Capita DB Scheme agreed that the pension liabilities attributable to the Company would be transferred to Capita Business Services Limited, a fellow subsidiary undertaking, which removed the section 75 debt due from the Company. This Flexible Apportionment Arrangement was agreed in early 2019. As a result of the arrangement, the Company is no longer a formal participating employer in the Capita DB Scheme.

As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the Capita DB Scheme to any participating entities, the net defined benefit cost of the Capita DB Scheme is recognised fully by the Principal Employer (Capita Business Services Limited, a fellow subsidiary undertaking). During the period that the Company was a formal participating employer it recognised 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.

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

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

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

1 Accounting policies **(Continued)**

1.7 Financial Instruments

Investments and other financial assets

(i) Classification
The Company classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

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

(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.

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.

(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.

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

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

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

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

1 Accounting policies **(Continued)**

1.8 Gain share agreement

The Company shall share any Gain Share amount relating to the services by making funds available for distribution in accordance with agreed provisions set out in the contract document.

1.9 Leasing

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

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 from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are the revenue and profit recognition on certain contractual arrangements.

The measurement of revenue and resulting profit recognition - due to the size and complexity of some of the Company's contracts, there are 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 (see 1.4).

3 Revenue

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

4 Operating Profit for the year

	Unaudited 2019 £	Unaudited 2018 £
Operating profit for the year is stated after charging:		
Depreciation of property, plant and equipment	9,322	-
Operating lease rentals - plant and machinery	-	207,002
Expenses relating to short-term leases	196,579	-

5 Income tax

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

	Unaudited 2019 £	Unaudited 2018 £
Current tax		
UK corporation tax	625,326	1,003,156
Adjustments in respect of prior periods	7,959	95,094
	633,285	**1,098,250**
Deferred tax		
Origination and reversal of temporary differences	(31,978)	13,734
Adjustments in respect of prior periods	(7,948)	(114,345)
	(39,926)	**(100,611)**
Total tax charge reported in the income statement	**593,359**	**997,639**

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

	Unaudited 2019 £	Unaudited 2018 £
Profit before tax	3,100,226	5,350,678
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%)	589,043	1,016,629
Taxation impact of factors affecting the tax charge:		
Expenses not deductible for tax purposes	543	1,876
Adjustments in respect of current income tax of prior periods	7,959	95,094
Impact of changes in statutory tax rates	3,762	(1,615)
Adjustments in respect of deferred income tax of prior periods	(7,948)	(114,345)
Total adjustments	**4,316**	**(18,990)**
Total tax charge reported in the income statement	**593,359**	**997,639**

(Continued)

5 Income tax

	Unaudited Balance Sheet		Unaudited Income statement	
	2019	**2018**	**2019**	**2018**
	£	**£**	**£**	**£**
Other short term timing differences	61,200	34,066	(27,134)	(100,611)
Decelerated Capital allowances	63,848	51,056	(12,792)	-
Net deferred tax asset	**125,048**	**85,122**		
Deferred tax credit			**(39,926)**	**(100,611)**

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2019, 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 £14,712.

6 Property, plant and equipment

	Unaudited Computer equipment
	£
Cost	
At 1 January 2019	-
Additions	1,145,801
At 31 December 2019	**1,145,801**
Depreciation and impairment	
At 1 January 2019	-
Depreciation	9,322
At 31 December 2019	**9,322**
Net book value	
At 31 December 2018	**-**
At 31 December 2019	**1,136,479**

7 Intangible fixed assets

	Unaudited Software £
Cost	
At 1 January 2019	-
Additions	1,311,145
At 31 December 2019	**1,311,145**
Amortisation and impairment	
At 1 January 2019 and 31 December 2019	-
Net book value	-
At 31 December 2018	**-**
At 31 December 2019	**1,311,145**

8 Trade and other receivables

Non-current	**Unaudited 2019 £**	**Unaudited 2018 £**
Prepayments	15,967	-
	15,967	**-**

Current	**Unaudited 2019 £**	**Unaudited 2018 £**
Trade receivables	358,142	303,393
Prepayments	121,665	904,884
Amounts due from parent & fellow subsidiary undertaking	23,316,904	23,724,014
	23,796,711	**24,932,291**

9 Trade and other payables

	Unaudited 2019 £	Unaudited 2018 £
Trade payables	470,718	230,942
Other payables	9,385	-
Other taxes and social security	438,080	559,241
Accruals	624,999	302,020
Amounts due to parent and fellow subsidiary undertaking	615,208	1,124,857
	2,158,390	**2,217,060**

10 Deferred income

	Unaudited 2019 £	Unaudited 2018 £
Deferred income	5,834,142	7,903,829
	5,834,142	**7,903,829**

11 Financial liabilities

	Unaudited 2019 £	Unaudited 2018 £
Overdrafts	2,529,452	1,386,778
	2,529,452	**1,386,778**

12 Issued share capital

	Unaudited 2019 Number	Unaudited 2018 Number	Unaudited 2019 £	Unaudited 2018 £
Issued and fully paid				
Ordinary shares of £1 each	**1**	**1**	**1**	**1**

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

13 Pensions and other post-retirement benefit commitments

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 £794,696 (2018: £754,411).

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

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

During 2018, the Company ceased to employ any active members in the Capita DB Scheme (with no further members subsequently joining) and a section 75 debt fell due to the Trustee of the Capita DB Scheme.

However, the Trustee of the Capita DB Scheme agreed that the pension liabilities attributable to the Company would be transferred to Capita Business Services Limited, a fellow subsidiary undertaking, which removed the section 75 debt due from the Company. This Flexible Apportionment Arrangement was agreed in early 2019. As a result of the arrangement, the Company is no longer a formal participating employer in the Capita DB Scheme.

The pension charge for the Company in relation to the Capita DB Scheme for the year was £nil (2018: £17,249).

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

As a result of the funding valuation, the Principal Employer and the Trustee agreed the payment of additional contributions 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 valuations at 31 December 2019 were as follows: rate of price inflation RPI/CPI 3.0% pa/2.0% pa (2018: 3.2% pa/2.2% pa); rate of the salary increase - 3.0% pa (2018: 3.2% pa); rate of increase for pensions in payment (where RPI inflation capped at 5% pa applies) – 2.95% pa (2018: 3.1% pa); discount rate - 2.05% pa (2018: 2.85% pa).

The Capita DB Scheme assets at fair value at 31 December 2019 totalled £1,353.1m (2018: £1,136.0m). The actuarially assessed value of Capita DB Scheme liabilities at 31 December 2019 was £1,585.9m (2018: £1,342.7m) indicating that the Capita DB Scheme had a net liability of £232.8m (2018: net liability of £206.7m). These figures are quoted gross of deferred tax. The full disclosure is available in the consolidated accounts of Capita plc.

14 Employees

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

	2019 Number	2018 Number
Operation	153	146
Administration	21	21
	174	**167**

Their aggregate remuneration comprised:

Employment costs	Unaudited 2019 £	Unaudited 2018 £
Wages and salaries	6,115,831	5,645,786
Social security costs	677,205	649,916
Pension costs	794,696	771,660
	7,587,732	**7,067,362**

15 Directors' remuneration

	Unaudited 2019 £	Unaudited 2018 £
Remuneration for qualifying services	90,742	130,380
Pension contributions to defined contribution schemes	8,570	7,994
	99,312	**138,374**

One Director was paid by the Company this year. The other Directors have not provided qualifying services to the Company and are paid by other companies within the Capita Group. Such remuneration including reimbursement of expenses has not been allocated to the Company.

The number of Directors for whom retirement benefits are accruing under defined contribution scheme amount to 1 (2018: 1).

16 Controlling party

The Company's immediate parent undertaking is Capita Business Services 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.

17 Post balance sheet event

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

For the Company’s 31 December 2019 financial statements, the Coronavirus outbreak and the related impacts are considered 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.