Company Registration No. 08615172 (England and Wales)

# RE (REGIONAL ENTERPRISE) LIMITED

# ANNUAL REPORT AND FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 31 DECEMBER 2019

# RE (REGIONAL ENTERPRISE) LIMITED

## COMPANY INFORMATION

| | | |
|---|---|---|
| **Directors** | J L Marshall | |
| | M N Dally | |
| | J Montgomery | |
| | G Shilston | |
| | D Wakeling | |
| | L Clarke | (Appointed 29 July 2020) |
| **Secretary** | Capita Group Secretary Limited | |
| **Company number** | 08615172 | |
| **Registered office** | 30 Berners Street<br>London<br>England<br>W1T 3LR | |
| **Auditor** | KPMG LLP<br>15 Canada Square<br>London<br>E14 5GL | |

# RE (REGIONAL ENTERPRISE) LIMITED

## CONTENTS

# RE (REGIONAL ENTERPRISE) 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**

RE (Regional Enterprise) Limited ("the Company") is jointly owned by Capita Property and Infrastructure Limited (51%) and Barnet (Holdings) Limited (49%). Capita plc along with its subsidiaries are hereafter referred as "the Group". The Company operates within the Group's Government Services Division.

The principal activity of the Company is that of providing development and regulatory services (DRS) to residents in Barnet and the South East of United Kingdom. These services comprise the provision of planning and development management, building control, land charges, environmental health, trading standards and licensing, cemetery and crematorium, highways, regeneration and strategic planning. 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 9, revenue has increased from £28,695,728 to £30,169,574 and operating loss of £4,433,044 in 2018 has moved to an operating profit of £913,486 in 2019, mainly due to the release of onerous contract provision amounting to £1,682,518. In 2018, the Company had recognised an onerous contract provision of £2,182,518 regarding a Development and Regulatory Services contract to the London Borough of Barnet and fully impaired its fixed assets amounting to £780,560 to account for forecast losses. In addition to this, there was increase in accruals amounting to £1,810,000 as a result of commercial settlement with respect to contract with Barnet Council, resulting in operating losses in 2018.

The balance sheet on page 10 of the financial statements shows the Company's financial position at the year end. Net assets have increased from £883,749 to £1,797,235. Details of amounts owed by/to its parent company and fellow subsidiary undertakings are shown in note 10 and 14 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 Government Services Division of Capita plc is discussed in the Group's annual report which does not form part of this report.

**Principal risks and uncertainties**

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

The principal themes of risk for the Company are:

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

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

- Regularly reviewing traditional 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 internal control framework.

Capita plc has also implemented appropriate control and risk governance techniques across all of our business which are discussed in the Group's annual report which does not form part of its 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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M N Dally

**Director**

16 September 2020

## DIRECTORS' REPORT

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

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

**Results and dividends**
The results for the year are set out on page 9.

No interim or final dividend was declared or paid 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:

| | |
|---|---|
| J L Marshall | |
| M N Dally | |
| J Montgomery | |
| J M Prew | (Resigned 23 August 2019) |
| B Sloggett | (Resigned 4 January 2019) |
| G Shilston | |
| D Wakeling | |
| L Clarke | (Appointed 29 July 2020) |

**Employee involvement**
The Company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests. Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Group's performance.

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

**Statement of Directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements**

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

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

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

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

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

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

**Statement of disclosure to auditor**

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

**Qualifying third party indemnity provisions**

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

On behalf of the Board

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M N Dally

**Director**

16 September 2020

# INDEPENDENT AUDITOR'S REPORT

# TO THE MEMBERS OF RE (REGIONAL ENTERPRISE) LIMITED

**Opinion**

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

In our opinion the financial statements:

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

**Basis for opinion**

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

**Material uncertainty related to going concern**

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

Our opinion is not modified in respect of this matter.

**Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

**Matters on which we are required to report by exception**

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

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

We have nothing to report in these respects.

**Directors' responsibilities**

As explained more fully in their statement set out on page 5, 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.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

## TO THE MEMBERS OF RE (REGIONAL ENTERPRISE) LIMITED

**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
Date: 17 September 2020

# RE (REGIONAL ENTERPRISE) LIMITED

## INCOME STATEMENT

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

| | Notes | 2019<br>£ | 2018<br>£ |
|---|---|---|---|
| Revenue | **3** | 30,169,574 | 28,695,728 |
| Cost of sales | | (29,004,008) | (25,855,102) |
| **Gross profit** | | **1,165,566** | **2,840,626** |
| Administrative expenses | | (252,080) | (7,273,670) |
| **Operating loss** | **4** | **913,486** | **(4,433,044)** |
| Income tax (charge) | **5** | - | (3,697) |
| **Total comprehensive expense for the year** | | **913,486** | **(4,436,741)** |

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 12 to 33 form an integral part of these financial statements.

# RE (REGIONAL ENTERPRISE) LIMITED

## BALANCE SHEET

### *AS AT 31 DECEMBER 2019*

| | Notes | 2019<br>£ | 2018<br>£ |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | **6** | 25,784 | - |
| Intangible assets | **7** | - | - |
| Trade and other receivables | **8** | 203,124 | 656,111 |
| | | **228,908** | **656,111** |
| **Current assets** | | | |
| Trade and other receivables | **8** | 12,412,095 | 6,505,427 |
| Income tax receivable | | - | 244,747 |
| Cash | **9** | 2,807,720 | 5,882,456 |
| | | **15,219,815** | **12,632,630** |
| **Total assets** | | **15,448,723** | **13,288,741** |
| **Current liabilities** | | | |
| Trade and other payables | **10** | 8,809,013 | 9,235,775 |
| Deferred income | **11** | 2,591,876 | 986,699 |
| Provisions | **12** | - | 727,370 |
| **Total current liabilities** | | **11,400,889** | **10,949,844** |
| **Non-current liabilities** | | | |
| Deferred income | **11** | 1,750,599 | - |
| Provisions | **12** | 500,000 | 1,455,148 |
| **Total non-current liabilities** | | **2,250,599** | **1,455,148** |
| **Total liabilities** | | **13,651,488** | **12,404,992** |
| **Net assets** | | **1,797,235** | **883,749** |
| **Capital and reserves** | | | |
| Issued share capital | **13** | 100 | 100 |
| Retained earnings | | 1,797,135 | 883,649 |
| **Total equity** | | **1,797,235** | **883,749** |

The notes on pages 12 to 33 form and integral part of financial statements.

Approved by Board and authorised for issue on 16 September 2020.

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**M N Dally**
**Director**
Company Registration No. 08615172

# RE (REGIONAL ENTERPRISE) LIMITED

## STATEMENT OF CHANGES IN EQUITY

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

| | Share capital | Retained earnings | Total equity |
|---|---|---|---|
| | £ | £ | £ |
| **At 1 January 2018** | 100 | 5,320,390 | 5,320,490 |
| Total comprehensive expense for the year | - | (4,436,741) | (4,436,741) |
| **At 31 December 2018** | **100** | **883,649** | **883,749** |
| Total comprehensive expense for the year | - | 913,486 | 913,486 |
| **At 31 December 2019** | **100** | **1,797,135** | **1,797,235** |

**a) Share capital** -The balance classified as share capital is the nominal proceeds on issue of the Company's equity share capital, comprising 100 ordinary shares.

**b) Retained earnings -** Net profits kept to accumulate in the company after dividends are paid and retained in the business as working capital.

The notes on page 12 to 33 from an integral part of these financial statements.

### 1 Accounting policies

### 1.1 Basis of preparation

RE (Regional Enterprise) Limited ("the Company") is 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.

The Directors considered the potential impact of the COVID-19 outbreak on the Company’s results assuming the COVID-19 outbreak continues for approximately six months with an extended impact due to continued social distancing measures throughout 2021 resulting in a slower upturn in revenues. The Company’s profit has not been materially impacted by COVID-19, and the Directors have considered the benefits of the Guaranteed Income liability cap agreed with London Borough of Barnet, VAT payment deferral Scheme, and other cost saving initiatives all of which mitigated any adverse impact.

Nevertheless, to enable a robust assessment of the medium term forecast financial performance the Directors via lifetime review exercise in May 2020 revisited 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 divisional transformation programme. These include sales growth together with margin improvements and further cost out targets. The Directors have approved the 2021 outlook which, on the assumption that the overlays are successfully delivered, supports the base case and time period assessed as part of the going concern review for these financial statements.

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

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

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

- provision of certain services, such as administrative support services and should the Group be unable to deliver these services, the Company would have difficulty in continuing to trade; and
- participation in the Group's notional cash pooling arrangements, of which £14,685,051 was held at 31 July 2020. In the event of a default by the Group, the Company may not be able to access its cash balance within the pooling arrangement.

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

***Ultimate parent undertaking – Capita plc***

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

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

***Material uncertainty***

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

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

***Conclusion***

Although the Company has a reliance on the Group detailed above, even in a severe but plausible downside for both the Company and the Group, the Directors are confident the Company will continue to have adequate financial resources to realise its assets and discharge its liabilities as they fall due over the period to 31 December 2021. Consequently, the annual report and financial statements have been prepared on the going concern basis and do not include any adjustments which would be required if the going concern basis of preparation were to be deemed inappropriate. However, as the Group's disposal of ESS is subject to shareholder and lender approval, both of which are outside the control of the Group, this gives rise to a material uncertainty relating to events and circumstances which may cast significant doubt about the Group and therefore also the Company's ability to continue as a going concern.

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

**1.2 Compliance with accounting standards**

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

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

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

- A cash flow statement and related notes;
- Comparative period reconciliations for share capital, property, plant and equipment and intangible assets;
- Disclosures in respect of related party 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;
- Disclosures as required by IFRS 16 Leases; and
- Certain 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 assets;
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company, in the current and prior periods including the comparative period reconciliation for goodwill; and
- Disclosures required by IFRS 7 Financial Instrument Disclosures and certain disclosure exemptions as permitted by IFRS 13 Fair value measurement.

**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 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 adoption of the above new standard 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 business and uses methods for revenue recognition based on the principles set out in IFRS 15. Contracts entered 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.

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.

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

**1.4 Revenue recognition (continued)**

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.

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 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. Categories are: 'Long term contractual - greater than two years ; and 'short-term contractual - less than two years'. Years based from service commencement date.

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

**1.4 Revenue recognition (continued)**

***Long term contractual greater than two 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 long term outsourced service arrangements in the public and private sectors.

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 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.

***Short term contractual less than two years***

The nature of contracts or performance obligations categorised within this revenue type is diverse and includes short term outsourced service arrangements in the public and private sectors.

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

The Company delivers a range of goods or services 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 fees received in relation to delivery of professional services.

***Contract modifications***

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).

**1 Accounting policies (Continued)**

**1.4 Revenue recognition (continued)**

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 probably that no revenue reversal will occur.

***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 Planning and Building Control 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.

***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

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

**1.5 Intangibles assets**

Research expenditure is expensed in the period in which 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 from the development.

**1.6 Property, plant and equipment**

Property, plant and equipment are stated at cost less depreciation. Freehold land is not depreciated. 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:

| | |
|---|---|
| Plant and machinery | 3-5 years |

**1.7 Leasing**

The Company has elected not to recognise right-of-use assets and lease liabilities for short term leases of machinery that have a lease term of 12 months or less and leases of low value assets, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**1.8 Pensions**

The Company participates in a number of defined contribution schemes where 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 public sector 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 during the period. See note 17.

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

**1.9 Taxation**

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

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

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

Deferred tax liabilities are recognised for all taxable temporary differences:

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

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

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

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

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

### 1.10 Financial instruments

**Investments and other financial assets**

***Classification***

The Company classifies its financial assets in the following measurement categories:

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

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

***Recognition and derecognition***

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

***Measurement***

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

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

***Impairment***

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

***Trade and other receivables***

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

***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 an original maturity of 3 months or less. Bank overdrafts are classified under financial liabilities.

**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, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense, 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 equity has been eliminated, rather reflecting a credit to intercompany which better describes the underlying nature of the transaction.

**1.12 Impairment of non-financial assets**

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

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

**1.14 Guarantees**

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

**2 Significant accounting judgements, estimates and assumptions**

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

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

**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

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| **Operating profit for the year is stated after charging/(crediting):** | | |
| Depreciation of property, plant and equipment | 5,382 | 18,897 |
| Amortisation of intangible assets | - | 174,107 |
| Impairment of property, plant and equipment* | - | 23,651 |
| Impairment of intangible assets* | - | 756,909 |
| Operating lease rentals - plant and machinery | - | 571,839 |
| Operating lease rentals - other assets | - | 38,413 |
| Rental expenses | 610,991 | - |
| Expenses relating to leases of low value assets | 94,417 | - |
| Onerous contract provision* | - | 2,182,518 |
| Release of onerous contract provision** | (1,682,518) | - |

*Impairment and onerous contract provision relate to loss making contract with London Borough of Barnet provided for in the previous year.

**Onerous contract provision of £2,182,518 made in 2018 to account for unavoidable costs of meeting the obligations under the DRS contract has been reduced to £500,000 as the outlook for the contract has improved. The balance remaining will ensure there is enough headroom and reduce the likelihood of increasing the provision in future years.

Audit fees are borne by the ultimate parent undertaking, Capita plc. The audit fee for the current period was £11,330 (2018: £11,300). The Company has taken advantage of the exemption provided by regulations 6(2)(b) of The Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 not to provide information in respect of fees for other (non-audit) services as this information is required to be given in the Company accounts of the ultimate parent undertaking, which it is required to prepare in accordance with the Companies Act 2006.

### 5 Income tax

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

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| **Current tax** | | |
| Adjustments in respect of prior periods | - | (8,756) |
| | **-** | **(8,756)** |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | - | 12,383 |
| Adjustments in respect of prior periods | - | 70 |
| | **-** | **12,453** |
| **Total tax charge/(credit) reported in the income statement** | **-** | **3,697** |

**5 Income tax** **(Continued)**

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

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| **Profit/(loss) before tax** | 913,486 | (4,433,044) |
| Profit/(loss) before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2018: 19.00%) | 173,562 | (842,278) |
| Adjustments in respect of current income tax of prior periods | - | (8,756) |
| Adjustments in respect of deferred income tax of prior periods | - | 70 |
| Expenses not deductible for tax purposes | - | 14,165 |
| Derecognition of previous deferred income tax asset | - | 12,384 |
| Current year deferred income tax unrecognised | - | 827,679 |
| Non taxable income | (14,099) | - |
| Impact of changes in statutory tax rates | 108 | 433 |
| Brought forward losses utilised, previously unrecognised | (159,571) | - |
| **Total adjustments** | **(173,562)** | **845,975** |
| **Total tax charge/(credit) reported in the income statement** | **-** | **3,697** |

| | Balance sheet | | Income statement | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | £ | £ | £ | £ |
| **Deferred tax (assets)/liabilities** | | | | |
| Accelerated/(Decelerated) capital allowances | - | - | - | 8,896 |
| Other short term timing differences | - | - | - | 3,557 |
| **Net deferred tax (asset)/liabilities** | **-** | **-** | | |
| **Deferred income tax charge/(credit)** | | | **-** | **12,453** |

A deferred tax asset of £610,392 (2018: £753,325) has been unrecognised in the statutory accounts due to the uncertainty of future use.

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 unrecognised deferred tax asset as at 31 December 2019 has been calculated based on this rate. On the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020.

This will have no consequential effect on the Company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the unrecognised deferred tax asset would have increased by £71,811.

### 6 Property, plant and equipment

| | Plant and Machinery |
|---|---|
| | £ |
| **Cost** | |
| At 1 January 2019 | 54,607 |
| Additions | 31,166 |
| Asset retirement | (5,931) |
| **At 31 December 2019** | **79,842** |
| **Depreciation and impairment** | |
| At 1 January 2019 | 54,607 |
| Charge for the year | 5,382 |
| Asset retirement | (5,931) |
| **At 31 December 2019** | **54,058** |
| **Net book value** | |
| **At 31 December 2018** | **-** |
| **At 31 December 2019** | **25,784** |

### 7 Intangible assets

| | Capitalised software development costs |
|---|---|
| | £ |
| **Cost** | |
| At 1 January 2019 | 1,282,046 |
| **At 31 December 2019** | **1,282,046** |
| **Amortisation and impairment** | |
| At 1 January 2019 | 1,282,046 |
| **At 31 December 2019** | **1,282,046** |
| **Net book value** | |
| **At 31 December 2018** | **-** |
| **At 31 December 2019** | **-** |

### 8 Trade and other receivables

| Current | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Trade receivables | 8,003,447 | 2,556,696 |
| Other receivables | - | 781,972 |
| Accrued income | 4,131,137 | 2,855,983 |
| Prepayments | 277,511 | 310,776 |
| | **12,412,095** | **6,505,427** |

| Non-current | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Prepayments | 203,124 | 656,111 |
| | **203,124** | **656,111** |

### 9 Cash at bank

| | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Cash at bank and in hand | 2,807,720 | 5,882,456 |
| | **2,807,720** | **5,882,456** |

### 10 Trade and other payables

| Current | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Trade payables | 847,645 | 699,447 |
| Other payables | 2,119 | 379 |
| Other taxes and social security | 828,723 | 247,977 |
| Accruals | 4,378,120 | 6,135,248 |
| Amounts due to parent and fellow subsidiary undertaking | 2,752,406 | 2,152,724 |
| | **8,809,013** | **9,235,775** |

### 11 Deferred income

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| **Current** | | |
| Deferred income | 2,591,876 | 986,699 |
| | **2,591,876** | **986,699** |
| **Non-current** | | |
| Deferred income | 1,750,599 | - |
| | **1,750,599** | **-** |

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.

### 12 Provisions

| **Non-current** | **Onerous contract** |
|---|---|
| | £ |
| **As at 1 January 2019** | 1,455,148 |
| Releases | (955,148) |
| **As at 31 December 2019** | **500,000** |

| **Current** | **Onerous contract** |
|---|---|
| | £ |
| **As at 1 January 2019** | 727,370 |
| Releases | (727,370) |
| **At 31 December 2019** | **-** |

The unavoidable costs of retaining the Development and Regulatory Services (DRS) contract to London Borough of Barnet (LBB) was much lower than exiting from the contract in 2018. Therefore, the Company had booked £2,182,518 onerous contract provision and had fully writen off the property, plant and equipment by £23,651 and intangible assets by £756,909. £1,682,518 of this provision has been released during the year as the outlook for the contract has improved. The balance remaining will ensure there is enough headroom and reduce the likelihood of increasing the provision in future years.

| 13 Issued share capital | 2019 Numbers | 2018 Numbers | 2019 £ | 2018 £ |
|---|---|---|---|---|
| **Allotted, called up and fully paid** | | | | |
| Ordinary shares of £1 each | | | | |
| Class A shares | 51 | 51 | 51 | 51 |
| Class B shares | 49 | 49 | 49 | 49 |
| **At 31 December** | **100** | **100** | **100** | **100** |

**14 Related party transactions**

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

| Nature of Transaction | Name of the Company | Year | Holding Company | Enterprise which exercises joint control over the Company | £ Total |
|---|---|---|---|---|---|
| **Purchase of Goods/ Services** | | | | | |
| | Capita Property and Infrastructure Limited | 2019 | 14,350,810 | | 14,350,810 |
| | | 2018 | 12,673,681 | - | 12,673,681 |
| | **Total** | | | | |
| | | **2019** | **14,350,810** | **-** | **14,350,810** |
| | | **2018** | **12,673,681** | **-** | **12,673,681** |

| Nature of Transaction | Name of Company | Year | Holding Company | Enterprise which exercises joint control over the Company | Total |
|---|---|---|---|---|---|
| **Sales of Goods** | | | | | |
| | Capita Property and Infrastructure Limited | 2019 | - | - | - |
| | | 2018 | 1,445,283 | - | 1,445,283 |
| | London Borough of Barnet | 2019 | - | 34,758,224 | 34,758,224 |
| | | 2018 | - | 25,360,275 | 25,360,275 |
| | **Total** | | | | |
| | | **2019** | **-** | **34,758,224** | **34,758,224** |
| | | **2018** | **1,445,283** | **25,360,275** | **26,805,558** |

**14 Related party transactions** **(Continued)**

**Closing balance of Related Parties**

| Nature of Transaction | Name of Company | Year | Holding Company | Enterprise which exercises joint control over the Company | £ Total |
|---|---|---|---|---|---|
| **Trade Payables** | | | | | |
| | Capita Property and Infrastructure Limited | 2019 | 942,406 | - | 942,406 |
| | | 2018 | 2,152,776 | - | 2,152,776 |
| | London Borough of Barnet | 2019 | - | 58,633 | 58,633 |
| | | 2018 | - | 489,741 | 489,741 |
| | **Total** | | | | |
| | | **2019** | **942,406** | **58,633** | **1,001,039** |
| | | **2018** | **2,152,776** | **489,741** | **2,642,517** |
| **Trade Receivables** | | | | | |
| | London Borough of Barnet | 2019 | - | 7,830,874 | 7,830,874 |
| | | 2018 | - | 2,457,960 | 2,457,960 |
| | **Total** | | | | |
| | | **2019** | - | **7,830,874** | **7,830,874** |
| | | **2018** | - | **2,457,960** | **2,457,960** |

**15 Capital commitments**

At 31 December 2019, amounts contracted for but not provided in the financial statements for the acquisition of property, plant and equipment amounted to £nil (2018: £52,741).

**16 Contingent liabilities**

At 31 December, 2019 indemnities provided through the normal course of its business, performance bonds and bank guarantees of £2,106,000 (2018: £3,812,000).

### 17 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 £1,383,040 (2018: £1,300,182).

The Company has current and former employees who are members of public sector defined benefit pension schemes.

Where the Company participates in public sector defined benefit pension schemes, this is for a finite period and there are contractual protections in place allowing actuarial and investment risk to be passed on to the end customer via recoveries for contributions paid. The nature of these arrangements vary from contract to contract but typically allows for the majority of contributions payable to the schemes in excess of an initial rate agreed at the inception to be recovered from the end customer, as well as exit payments payable to the schemes at the cessation of the contract (where applicable), such that the Company's net exposure to actuarial and investment risk is immaterial.

It is estimated that around £1.5m of employer contributions were paid to these schemes during 2019.

Judgement is required in determining the appropriate accounting treatment for the participation in these schemes, in particular as to whether actuarial and investment risk fall in substance on the Company. It is considered that the net risk to the Company from these defined benefit arrangements is immaterial and therefore the costs in relation to all of the above schemes are reported on a defined contribution basis recognising a cost equal to its contribution payable during the period. No amounts are recognised on the Company's balance sheet.

The pension charge for these public sector defined benefit pension schemes is included in the above pension charge for the defined contribution pension schemes.

### 18 Directors' remuneration

The Directors' remuneration was borne by another subsidiary of Capita plc. As no qualifying services were provided by the Directors on the Company's affairs, no Directors' remuneration has been allocated to the Company. In addition to the above, the Directors of the Company were reimbursed for the expenses incurred by them whilst performing business responsibilities.

### 19 Employees

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

| | 2019 Number | 2018 Number |
|---|---|---|
| Sales and operation | 327 | 330 |
| Administration | 6 | 1 |
| | **333** | **331** |

## 19 Employees (Continued)

Their aggregate remuneration comprised:

| Employee costs | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Wages and salaries | 12,022,922 | 11,656,303 |
| Social security costs | 1,346,166 | 1,306,491 |
| Pension costs | 1,383,040 | 1,300,182 |
| | **14,752,128** | **14,262,976** |

## 20 Controlling party

The Company is controlled by its immediate parent undertaking, Capita Property and Infrastructure Limited, a Company incorporated in England and Wales with a holding of 51%.

The ultimate parent undertaking of Capita Property and Infrastructure Limited 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

Barnet (Holdings) Limited holds the remaining 49% of the shares.

## 21 Post balance sheet event

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

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