Company Registration No. 02210162 (England and Wales)

ECLIPSE (HARDWARE) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

ECLIPSE (HARDWARE) LIMITED

COMPANY INFORMATION

Directors	S N Taylor on behalf of Capita Corporate Director Limited S J Maynard C F Baker
Secretary	Capita Group Secretary Limited
Company number	02210162
Registered office	30 Berners Street London England W1T 3LR
Auditor	KPMG LLP 15 Canada Square London E14 5GL

ECLIPSE (HARDWARE) LIMITED

CONTENTS

ECLIPSE (HARDWARE) 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

Eclipse (Hardware) Limited ("the Company") is a wholly owned subsidiary (indirectly held) of Capita plc. Capita plc along with its subsidiaries are hereafter referred to as "the Group". The Company operates within the Group's Software division.

The Company's principal activity is the sale of case management software and associated professional services.

As shown in the Company's income statement on page 8, the Company's revenue increased from £13,601,806 in 2018 to £15,073,909 in 2019, and the operating profit of £4,408,813 increased to £5,504,348 over the same period. Revenue growth reflects year on year increase in support and upsell to the existing client base less cost base increases relating to increased progress costs (increase in cost of sales of £158,480 in line with the £1,472,103 increase to revenue), increase to bad debt charges (£160,176) and lower R&D tax credits (£60,765) offset by cost savings in marketing due to centralisation of budgets (£226,396).

The balance sheet on page 9 of the financial statements shows the Company's financial position at the year end. Net assets have increased from £11,181,766 in 2018 to £15,667,006 in 2019. This is due to the increase in amounts owed to/by parent Company and fellow subsidiary undertakings due to the transfer of excess cash balances to our parent company as part of normal Group Treasury undertakings and capitalised development costs. Details of amounts owed by/to its parent Company and fellow subsidiary undertakings are shown in notes 9 and 11 to the financial statements.

Key performance indicators used by Capita plc are adjusted operating margins, adjusted free cash flow, adjusted profit before tax 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 Software 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 its business.

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

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

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

Section 172 statement

The Company forms part of the Specialist 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.

Business outlook

The global outbreak of Coronavirus (COVID-19) has developed rapidly in March 2020 and is a key source of uncertainty for the Company in the short term. Whilst 2020 business trading performance will be impacted due to risks associated with COVID-19, the Company is projected to continue trading in the medium-to-long term.

The Directors have formed the judgement that it is appropriate to prepare the financial statements on the going concern basis. Therefore, the financial statements do not include any adjustments which would be required if the going concern basis of preparation is inappropriate. In making this assessment, the Directors have considered the impacts and potential impacts of the emergence and spread of COVID-19. Further details have disclosed in note 1.1 on page 11 of the financial statements.

On behalf of the Board

....

S J Maynard

Director

22 May 2020

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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 8.

No interim or final dividend was 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:

S N Taylor on behalf of Capita Corporate Director Limited
S J Maynard
C F Baker

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

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

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

Future developments
The Directors of the Company are not aware of any circumstance in which the principal activity of the Company would cease or change. The impacts and potential impacts of COVID 19 have been assessed by the Directors and disclosed in note 1.1 on page 11, and as at the date of accounts of trading continues in line with the revised forecast.

ECLIPSE (HARDWARE) LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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 enquires of fellow Directors and the Company's auditor, each Director has taken all the steps that he might reasonably be expected to take as a Director in order to make himself aware of any relevant audit information, and to establish that the Company's auditor is aware of that information.

Qualifying third party indemnity provisions

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

On behalf of the Board

S J Maynard
Director

22 May 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ECLIPSE (HARDWARE) LIMITED

Opinion

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

In our opinion the financial statements:

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

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

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.

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.

R Brent

Robert Brent (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
22 May 2020

ECLIPSE (HARDWARE) LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
Revenue	3	15,073,909	13,601,806
Cost of sales		(7,742,691)	(7,173,874)
Gross profit		**7,331,218**	**6,427,932**
Administrative expenses		(1,826,870)	(2,019,119)
Operating profit	4	**5,504,348**	**4,408,813**
Net finance cost	5	-	(109)
Profit before tax		**5,504,348**	**4,408,704**
Income tax (charge)	6	(1,019,108)	(844,669)
Total comprehensive income for the year		**4,485,240**	**3,564,035**

The income statement has been prepared on the basis that all operations are continuing operations.

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

The notes on page 11 to 27 form an integral part of financial statements.

ECLIPSE (HARDWARE) LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £	2018 £
Non-current assets			
Property, plant and equipment	**7**	617,093	623,204
Intangible assets	**8**	3,299,502	2,730,300
Total non-current assets		**3,916,595**	**3,353,504**
Current assets			
Trade and other receivables	**9**	16,618,464	10,770,125
Cash	**10**	1,042	183,635
Total current assets		**16,619,506**	**10,953,760**
Total assets		**20,536,101**	**14,307,264**
Current liabilities			
Trade and other payables	**11**	1,595,445	1,412,330
Deferred income	**12**	167,286	173,490
Financial liabilities	**13**	1,265,220	-
Income tax payable		1,833,856	1,530,051
Total current liabilities		**4,861,807**	**3,115,871**
Non-current liabilities			
Deferred tax	**6**	7,288	9,627
Total non-current liabilities		**7,288**	**9,627**
Total liabilities		**4,869,095**	**3,125,498**
Net assets		**15,667,006**	**11,181,766**
Capital and reserves			
Issued share capital	**14**	106	106
Share premium		29,994	29,994
Retained earnings		15,636,906	11,151,666
Total equity		**15,667,006**	**11,181,766**

The notes on pages 11 to 27 form an integral part of financial statements.

Approved by Board and authorised for issue on 22 May 2020.

....
S J Maynard
Director

Company Registration No. 02210162

ECLIPSE (HARDWARE) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital	Share premium account	Retained earnings	Total equity
	£	£	£	£
At 1 January 2018	**106**	**29,994**	**7,587,631**	**7,617,731**
Total comprehensive income for the year	-	-	3,564,035	3,564,035
At 31 December 2018	**106**	**29,994**	**11,151,666**	**11,181,766**
Total comprehensive income for the year	-	-	4,485,240	4,485,240
At 31 December 2019	**106**	**29,994**	**15,636,906**	**15,667,006**

Share capital

The balance classified as share capital is the nominal proceeds on issue of the Company's equity share capital, comprising 106 ordinary shares of £1 each.

Share premium

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

Retained earnings

Represents the accumulated profits or losses of the Company.

The notes on pages 11 to 27 form an integral part of these financial statements.

1 Accounting policies

1.1 Basis of preparation

Eclipse (Hardware) Limited is a company incorporated, registered and domiciled in the United Kingdom.

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

The Company has sufficient financial resources together with long standing relationships with clients and suppliers. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

The Company's forecasts to 31 December 2021, taking account of reasonably possible changes in trading performance, show that the Company will have sufficient liquidity to enable it to settle its liabilities as they fall due. As at 30th April 2020, the Company held cash reserves of £2,506,482. The uncertainty as to the future impact on the Company of the recent COVID-19 outbreak has been considered as part of the Company's adoption of the going concern basis. Thus far, the Directors have observed a slowdown in new business wins due to COVID-19, but trading remains ahead of the current forecasts.

In a severe but plausible downside scenario analysis performed, the Directors considered two phases of potential impact of the COVID-19 outbreak on the Company's results assuming the immediate COVID-19 outbreak starting in March 2020 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 Directors have considered the support measures offered by UK Government and have utilised the Job Retention Scheme but do not anticipate requiring any further assistance offered either through deferral of PAYE/VAT or supported lending however this remains an option available. In preparing this analysis the following key assumptions were used:

- no new revenue on existing accounts until Q4 2020 and no new business wins until April 2021
- revenue recognition against professional services has been elongated to reflect delays in completion either due to staff/clients working from home or longer delivery timescales for due to the reconfiguration required to deliver content virtually
- reduced short term cash collection in addition to a rate of 25% of the balance of monthly recurring revenues for a period of 6 months to Sept 20. For the remainder of 2020 a failure rate of 10% has been assumed
- reduction in variable costs and discretionary expenditure to reflect reduction in revenues; and
- utilisation of the UK Governments Job Retention Scheme to the 30 June 2020.

Under this scenario the Company continues to have sufficient liquidity to enable it to settle its liabilities as they fall due through to the end of 2021.

This severe but plausible downside scenario is currently considered unlikely however it is difficult to predict the overall outcome and impact of COVID-19 at this stage. As such, the Directors have considered a range within the scenario analysis performed assuming a deeper and longer impact than current trading suggests. Despite this impact, the business remains in positive liquidity throughout the forecast period.

1 Accounting policies **(Continued)**

1.2 Compliance with accounting standards

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 has applied FRS 101 - Reduced Disclosure Framework in the preparation of its financial statements and these are contained on pages 11 to 27.

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. These 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 & 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;
- Disclosures in respect of the compensation of key management personnel; and
- Certain disclosures as required by IFRS 16 Leases.

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
- 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

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 the new amendments to standards and 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 right of use asset has been recognised which is equal to lease liabilities representing its obligation to make lease payments. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported under IAS 17 and related interpretations.

The adoption of the above 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 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.

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.

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

The transaction price does not include estimates of consideration resulting from change orders for additional goods and services unless these are agreed.

Once the total transaction price is determined, the Company allocates this to the identified performance obligations in proportion to their relative stand-alone selling prices and recognises revenue when (or as) those performance obligations are satisfied. The Company infrequently sells standard products with observable standalone prices due to the specialised services required by customers and therefore the Company applies judgement to determine an appropriate standalone selling price. More frequently, the Company sells a customer bespoke solution, and in these cases the Company typically uses the expected cost-plus margin or a contractually stated price approach to estimate the standalone selling price of each performance obligation.

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.

1 Accounting policies **(Continued)**

1.4 Revenue recognition (continued)

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

Long term contractual - greater than two years

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

The nature of contracts or performance obligations categorised within this revenue type includes (i) licence rental arrangements; and (ii) software maintenance contracts. The Company has assessed that maintenance and support (i.e. on-call support, remote support) for software licences is a performance obligation that can be considered capable of being distinct and separately identifiable in a contract if the customer has a passive licence. These recurring services are substantially the same as the nature of the promise is for the Company to 'stand ready' to perform maintenance and support when required by the customer. Each day of standing ready is then distinct from each following day and is transferred in the same pattern to the customer.

Short term contractual - less than two years

The nature of contracts or performance obligations categorised within this revenue type includes (i) licence rental arrangements; and (ii) software maintenance contracts. The Company has assessed that maintenance and support (i.e. on-call support, remote support) for software licences is a performance obligation that can be considered capable of being distinct and separately identifiable in a contract if the customer has a passive licence. These recurring services are substantially the same as the nature of the promise is for the Company to 'stand ready' to perform maintenance and support when required by the customer. Each day of standing ready is then distinct from each following day and is transferred in the same pattern to the customer.

1 Accounting policies **(Continued)**

1.4 Revenue recognition (continued)

Transactional (Point in time) contracts

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

The nature of contracts or performance obligations categorised within this revenue type is diverse and includes (i) passive software licence agreements; (iii) fees received in relation to delivery of professional services.

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

Contract modifications

The Company's contracts are often amended for changes in contract specifications and requirements. Contract modifications exist when the amendment either creates new or changes the existing enforceable rights and obligations.

The effect of a contract modification on the transaction price and the Company's measure of progress for the performance obligation to which it relates, is recognised as an adjustment to revenue in one of the following ways:

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

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

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

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

1 Accounting policies (Continued)

1.4 Revenue recognition (continued)

Licences

Software licences delivered by the Company can either be right to access ('active') or right to use ('passive') licences. Active licences are licences which require continuous upgrade and updates for the software to remain useful, all other licences are treated as passive licences. The assessment of whether a licence is active or passive requires judgement. The key determinant of whether a licence is active is whether the Company is required to undertake activities that significantly affect the licensed intellectual property (or the customer has a reasonable expectation that it will do so) and the customer is, therefore, exposed to positive or negative impacts resulting from those changes.

When software upgrades are sold as part of the software licence agreement (i.e. software upgrades are promised to the customer), the Company applies judgement to assess whether the software upgrade is distinct from the licence (i.e. a separate performance obligation). If the upgrade is considered fundamental to the ongoing use of the software by the customer, the upgrades are not considered distinct and not accounted for as a separate performance obligation.

The Company considers for each contract that includes a separate licence performance obligation all the facts and circumstances in determining whether the licence revenue is recognised over time or at a point in time from the go live date of the licence.

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 Other intangibles

Intangible assets are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual installments over their estimated useful life, which is typically 5 years. In the case of capitalised software development costs, research expenditure is written off to the income statement in the period in which it is incurred. Development expenditure is written off to the income statement in the period in which it is incurred 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.

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

If any such indication exists and where the carrying value exceed the estimated value in use, the assets are written down to their estimated value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the value in use is determined for the cash-generating unit to which the asset belongs.

1.6 Property, plant and equipment

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

Land and freehold buildings	25 years
Fixtures, fittings, equipment	3-5 years
Computer equipment	3-10 years

1.7 Leasing

Rentals payable under operating lease are charged against income on a straight line basis over the lease term.

1 Accounting policies **(Continued)**

1.8 Financial instruments

Investments and other financial assets

Classification

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

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

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

Recognition and derecognition

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

Measurement

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

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

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. During the year, the business changed its basis of provisioning for uncollectible amounts to include debts where a customer direct debit collection failed or a valid mandate was not in place.

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

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

Interest-bearing loans and borrowings
All loans and borrowings are initially recognised at their fair value less any directly attributable transaction costs. After initial recognition, loans and borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Gains and losses are recognised in the income statement when the liabilities are derecognised, as well as through the amortisation process.

1 Accounting policies (Continued)

1.9 Pensions

The Company operates defined contribution pension schemes and contributions are charged to the income statement in the year in which they are due. These pension schemes are funded and the payment of contributions are made to separately administered trust funds. The assets of the pension schemes are held separately from the Company.

The Company remits monthly pension contributions to Capita Business Services Limited, a fellow subsidiary undertaking of Capita plc, which pays the group liability centrally. Any unpaid pension contribution at the year end have been accrued in the accounts of that company.

1.10 Taxation

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

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

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

Deferred tax liabilities are recognised for all taxable temporary differences:

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

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

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

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

1.11 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 Accounting policies **(Continued)**

1.12 Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to 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 assessment of costs capitalised as intangible assets to generate future economic benefits: Judgement is applied in assessing whether costs incurred will generate future economic benefits. Significant judgements and estimates are applied in determining the carrying value of the assets, including assumptions made in respect of the status of the project each asset relates to, and there may be a range of possible outcomes when a project is complex.

There is no significant risk of material misstatement of carrying amounts of assets and liabilities resulting from management judgements, estimates and assumptions.

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 Profit for the year

	2019	2018
	£	£
Operating profit for the year is stated after charging:		
Net foreign exchange losses/(gains)	(51)	126
Depreciation of property, plant and equipment	63,302	57,750
Amortisation of intangible assets	624	53
Operating lease rentals - plant and machinery	77,554	89,478

Audit fees are borne by the ultimate parent undertaking, Capita plc. The audit fee for the current period was £9,064 (2018: £9,000). The Company has taken advantage of the exemption provided by regulations 6(2)(b) of The Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 not to provide information in respect of fees for other (non-audit) services as this information is required to be given in the group accounts of the ultimate parent undertaking, which it is required to prepare in accordance with the Companies Act 2006.

5 Net finance cost

	2019	2018
	£	£
Other interest payable	-	109
	-	**109**

6 Income tax

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

	2019	2018
	£	£
Current tax		
UK corporation tax	1,058,346	843,490
Adjustments in respect of prior periods	(36,899)	(53,396)
	1,021,447	**790,094**
Deferred tax		
Origination and reversal of temporary differences	(6,213)	2,731
Adjustment in respect of prior periods	3,874	51,844
	(2,339)	**54,575**
Total tax charge/(credit) reported in the income statement	**1,019,108**	**844,669**

(Continued)

6 Income tax

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 before tax	5,504,348	4,408,704
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%)	1,045,826	837,654
Taxation impact of factors affecting tax charge:		
Expenses not deductible for tax purposes	5,576	8,887
Impact of changes in statutory tax rates	731	(320)
Adjustments in respect of current income tax of prior periods	(36,899)	(53,396)
Adjustments in respect of deferred income tax of prior periods	3,874	51,844
Total adjustments	**(26,718)**	**7,015**
Total tax charge/(credit) reported in the income statement	**1,019,108**	**844,669**

	Balance sheet		Income statement	
	2019	2018	2019	2018
	£	£	£	£
Deferred tax assets/(liability)				
Accelerated capital allowances	(27,586)	(15,964)	11,622	60,060
Other temporary differences	20,298	6,337	(13,961)	(5,485)
Net deferred tax (liability)/asset	**(7,288)**	**(9,627)**		
Deferred tax charge/(credit)			**(2,339)**	**54,575**

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset/(liability) as at 31 December 2019 has been calculated based on this rate. In 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 liability would have increased by £857.

7 Property, plant and equipment

	Land and freehold buildings	Fixtures, fittings, equipment	Computer equipment	Total
	£	£	£	£
Cost				
At 1 January 2019	**700,000**	**5,002**	**88,156**	**793,158**
Additions	-	-	57,191	57,191
Asset retirement	-	-	(24,757)	(24,757)
At 31 December 2019	**700,000**	**5,002**	**120,590**	**825,592**
Depreciation				
At 1 January 2019	**121,334**	**3,508**	**45,112**	**169,954**
Charge for the year	28,000	79	35,223	63,302
Asset retirement	-	-	(24,757)	(24,757)
At 31 December 2019	**149,334**	**3,587**	**55,578**	**208,499**
Net book value				
At 31 December 2018	**578,666**	**1,494**	**43,044**	**623,204**
At 31 December 2019	**550,666**	**1,415**	**65,012**	**617,093**

8 Intangible fixed assets

	Software
	£
Cost	
As at 1 January 2019	2,730,355
Additions	569,826
As at 31 December 2019	**3,300,181**
Amortisation	
As at 1 January 2019	55
Charge for the year	624
As at 31 December 2019	**679**
Net book value	
At 31 December 2018	**2,730,300**
At 31 December 2019	**3,299,502**

9 Trade and other receivables

Current	2019	2018
	£	£
Trade receivables	448,253	884,625
Other receivables	20,763	28,833
Prepayments and accrued income	1,652,200	1,067,905
Amounts due from parent & fellow subsidiary undertaking	14,497,248	8,788,762
	16,618,464	**10,770,125**

10 Cash

	2019	2018
	£	£
Cash at bank and in hand	1,042	183,635
	1,042	**183,635**

11 Trade and other payables

Current	2019	2018
	£	£
Trade payables	244,683	256,605
Other payables	916	-
Other taxes and social security	607,147	487,457
Accruals	614,224	534,439
Amounts due to parent and fellow subsidiary undertaking	128,475	133,829
	1,595,445	**1,412,330**

12 Deferred income

	2019	2018
	£	£
Current		
Deferred income	167,286	173,490
	167,286	**173,490**

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.

13 Financial liabilities

	2019	2018
	£	£
Bank overdraft	1,265,220	-
	1,265,220	**-**

14 Issued share capital

	2019	2018	2019	2018
	Numbers	Numbers	£	£
Ordinary share capital				
Allotted, called up and fully paid				
Ordinary shares of £1 each				
At 1 January	106	106	106	106
At 31 December	**106**	**106**	**106**	**106**

15 Pensions and other post-retirement benefit commitments

The total costs charged to income in respect of defined contribution plans is £136,221 (2018: £299,500).

16 Employees

	2019 Number	2018 Number
Operations	92	131
Sales	14	12
Administration	11	15
	117	**158**

Their aggregate remuneration comprised:

Employment costs	**2019 £**	**2018 £**
Wages and salaries	4,600,271	5,193,131
Social security costs	490,293	576,285
Pension costs	136,221	299,500
	5,226,785	**6,068,916**

17 Directors' remuneration

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

18 Controlling party

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

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

19 Post balance sheet events

On 11 March 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. Many governments are taking increasingly stringent steps to help contain or delay the spread of the virus. Currently, there is a significant increase in economic uncertainty which the Directors have assessed in considering the going concern assumption. The Directors have disclosed the impacts and potential impacts of COVID-19 in the disclosure note 1.1 on page 11, and as at the date of the accounts trading continues in line with revised forecasts.

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 impact on the recognition and measurement of assets and liabilities as a result of this subsequent event.