Company Registration No. 01242485 (England and Wales)

AKINIKA DEBT RECOVERY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

AKINIKA DEBT RECOVERY LIMITED

COMPANY INFORMATION

Directors	A J Bowman	
	K A Francis	
	A J Blake	
	A N Chapple	(Appointed 18 November 2019)
Secretary	Capita Group Secretary Limited	
Company number	01242485	
Registered office	33/34 Winckley Square Preston Lancashire PR1 3EL	
Auditor	KPMG LLP 15 Canada Square London E14 5GL	
Banker	Barclays Bank PLC 1 Churchill Place London E14 5HP	

AKINIKA DEBT RECOVERY LIMITED

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AKINIKA DEBT RECOVERY 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

Akinika Debt Recovery Limited ("the Company") is a wholly owned subsidiary (indirectly held) of Capita plc. Capita plc along with its subsidiaries' is hereafter referred as "the Group". The Company operates within the Customer Management division of the Group.

The principal activity of the Company continued to be that of providing debt management and recovery services. There have not been any significant changes in the Company's principal activities in the year under review.

As shown in the Company's income statement on page 7, the Company's revenue increased from £10,729,000 in 2018 to £11,599,000 in 2019, and the operating profit for the year is £900,000 (2018: operating loss £227,000). The revenue has increased slightly, however there has been a net reduction in the expenses majorly driven by DCA client exit which has led to an increase in the operating profit.

The balance sheet on page 8 and 9 of the financial statements shows the Company's financial position at the year end. Net assets have increased from £2,514,000 (restated) in 2018 to £3,220,000 in 2019. Details of amounts owed by/to its parent Company and fellow subsidiary undertakings are shown in notes 13 and 15 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 Customer Management division is discussed in the Group's annual report which does not form part of this report.

Principal risks and uncertainties

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

The principal themes of risk for the Company are:

- *Strategic*: changes in economic and market conditions such as contract pricing and competition.
- *Financial*: significant failures in internal systems of control and lack of corporate stability; and
- *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 operational/business conditions to be able to respond quickly to changes in market conditions; and
- Applying procedures and controls to manage compliance, financial and operational risks, including adhering to a strict 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 Customer Management 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*
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

A J Blake
Director
22 September 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 7.

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

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

Employees
Details of the number of employees and related costs be found in note 23 to the financial statements.

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

A J Bowman	
K A Francis	
A J Blake	
A N Chapple	(Appointed 18 November 2019)

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

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

Auditor

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

A J Blake
Director
22 September 2020

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AKINIKA DEBT RECOVERY LIMITED

Opinion

We have audited the financial statements of Akinika Debt Recovery 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 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 FRS101 *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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF AKINIKA DEBT RECOVERY LIMITED

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors’ responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor’s report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at: www.frc.org.uk/auditorsresponsibilities.

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

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

RMartin

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

AKINIKA DEBT RECOVERY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £000	2018 £000
Revenue	**3**	11,599	10,729
Cost of sales		(8,596)	(5,881)
Gross profit		**3,003**	**4,848**
Administrative expenses		(2,103)	(5,075)
Operating profit/(loss)	**5**	**900**	**(227)**
Net finance cost	**4**	(21)	-
Profit/(loss) before tax		**879**	**(227)**
Income tax (expense)/credit	**7**	(173)	17
Total comprehensive income/(expense) for the year		**706**	**(210)**

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

The notes on page 11 to 35 form an integral part of financial statements.

AKINIKA DEBT RECOVERY LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £000	Restated* 2018 £000
Non-current assets			
Property, plant and equipment	**8**	226	136
Intangible assets	**9**	36	1
Investments in subsidiaries	**11**	50	50
Trade and other receivables	**13**	16	-
Deferred tax	**7**	262	235
Total non-current assets		**590**	**422**
Current assets			
Financial assets	**12**	339	-
Trade and other receivables	**13**	3,624	14,850
Income tax receivable		-	780
Cash and cash equivalents	**14**	1,438	11
Total current assets		**5,401**	**15,641**
Total assets		**5,991**	**16,063**
Current liabilities			
Trade and other payables	**15**	2,221	6,705
Deferred income	**16**	47	60
Financial liabilities	**17**	-	6,434
Lease liabilities	**18**	347	-
Provisions	**19**	-	350
Income tax payable		156	-
Total current liabilities		**2,771**	**13,549**
Net assets		**3,220**	**2,514**

AKINIKA DEBT RECOVERY LIMITED

BALANCE SHEET (CONTINUED)

AS AT 31 DECEMBER 2019

			Restated*
		2019	**2018**
	Notes	**£000**	**£000**
Capital and reserves			
Issued share capital	**20**	10	10
Retained earnings		3,210	2,504
Total equity		**3,220**	**2,514**

*Refer note 19

The notes on pages 11 to 35 form an integral part of financial statements.

Approved by Board and authorised for issue on 22 September 2020

A J Blake
Director

Company Registration No. 01242485

AKINIKA DEBT RECOVERY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Retained earnings	Total equity
	£000	**£000**	**£000**
At 1 January 2018	**10**	**3,004**	**3,014**
Impact of prior year adjustment (Refer note 19)	-	(290)	(290)
At 1 January 2018 (restated)	**10**	**2,714**	**2,724**
Total comprehensive expense for the year	-	(210)	(210)
At 31 December 2018 (restated)	**10**	**2,504**	**2,514**
Total comprehensive income for the year	-	706	706
At 31 December 2019	**10**	**3,210**	**3,220**

Share capital : The balance classified as share capital is the nominal proceeds on issue of the Company's equity share capital, comprising 10,000 ordinary shares.

Retained earnings : Represents the accumulated profits and losses of the Company.

The notes on pages 11 to 35 form an integral part of financial statements.

1 Accounting policies

1.1 Basis of preparation

Akinika Debt Recovery Limited is a company incorporated and domiciled in the United Kingdom.

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

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

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

The Directors 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 high level of uncertainty as to how the COVID-19 pandemic might evolve over the remainder of 2020 and into 2021, including whether or not there will be a second wave and what impact this may have on the operation of the business, makes precise forecasting challenging. There is a higher degree of uncertainty than would usually be the case in making the key judgements and assumptions that underpin the Company's financial forecasts.

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

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

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

- provision of 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;
- participation in the Group's notional cash pooling arrangements, of which £7,54,120 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;
- recovery of receivables of £2,901,965 from fellow Group undertakings as of 31 July 2020. If these receivables are not able to be recovered when forecast by the Company, then the Company may have difficulty in continuing to trade; and
- revenue from other Group entities or key contracts that may be terminated in the event of a default by the Group.

1 Accounting policies **(Continued)**

1.1 Basis of preparation (continued)

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 their its liabilities as they fall due over the period to 31 December 2021. Consequently, the annual report and financial statements have been prepared on the going concern basis and do not include any adjustments which would be required if the going concern basis of preparation were to be deemed inappropriate. However, as the Group’s disposal of ESS is subject to shareholder and lender approval, both of which are outside the control of the Group, this gives rise to a material uncertainty relating to events and circumstances which may cast significant doubt about the Group and therefore also the Company’s ability to continue as a going concern.

1 Accounting policies **(Continued)**

1.2 Compliance with accounting standards

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

The Company's ultimate parent undertaking, Capita plc, includes the Company in its consolidated statements. The consolidated financial statements are prepared in accordance with 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 & 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 as required by IFRS 15 Revenue from Contracts with Customers;
- Certain disclosures as required by IFRS 16 Leases; and
- Disclosures in respect of the compensation of key management personnel.

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

- Certain disclosures required by IFRS 2 Share Based Payments in respect of group settled share based payments;

- Certain disclosures required by IAS 36 Impairments of assets in respect of the impairment of goodwill and indefinite life intangible assets;

- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company, in the current and prior periods including the comparative period reconciliation for goodwill; and

- Certain disclosures required by IFRS 13 Fair value measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

1 Accounting policies **(Continued)**

1.3 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of IFRS 16 Leases.

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 policy on IFRS 16 is set out in Note 1.7

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

The Company generates revenue largely in the UK. As described in the strategic report, the Company operates a number of diverse businesses and accordingly applies 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.

Revenue is recognised when the performance obligation in the contract has been performed (so 'point in time' recognition).

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

For contracts with multiple components to be delivered such as transformation, transitions and the delivery of outsourced services, management applies judgement to consider whether those promised goods and services are:

(i) distinct – to be accounted for as separate performance obligations;
(ii) not distinct – to be combined with other promised goods or services until a bundle is identified that is distinct; or
(iii) part of a series of distinct goods and services that are substantially the same and have the same pattern of transfer to the customer.

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

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

Once the total transaction price is determined, the Company allocates this to the identified performance obligations in proportion to their relative stand-alone selling prices and recognises revenue when (or as) those performance obligations are satisfied.

Contract modifications

The Company's contracts could be 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).

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.

Modification and amendments to contracts are undertaken via an agreed formal process. For example, if a change in scope has been approved but the corresponding change in price is still being negotiated, management use their judgement to estimate the change to the total transaction price. Importantly, any variable consideration is only recognised to the extent that it is highly probable that no revenue reversal will occur.

Principal versus agent

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

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

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

Deferred and accrued income

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

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

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

1 Accounting policies **(Continued)**

1.4 Revenue recognition (continued)

Contract types

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

Long-term contractual – greater than two years

The Company provides a range of services in the majority of its reportable 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

Majority of the long-term contractual contracts form part of a series of distinct goods and services as they are substantially the same service; and have the same pattern of transfer (as the series constitutes services provided in distinct time increments (eg daily, monthly, quarterly or annual services)) and therefore treats the series as one performance obligation.

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 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 includes fees received in relation to delivery of ad hoc solutions, chargeable in line with customer contracts.

1 Accounting policies **(Continued)**

1.5 Intangible assets

Intangibles are valued at cost less accumulated amortization. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful life, which is typically 5 years. In case of capitalized 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 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 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 cases, the development expenditure is capitalized and amortised over the period during which the Company is expected to benefit.

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 buildings Leasehold	over the period of the lease
Fixtures, fittings and equipment	4-5 years
Computer equipment	3-5 years

1 Accounting policies **(Continued)**

1.7 Leasing

The Company leases various assets, comprising land and buildings.

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

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

The Company has made judgements in adopting IFRS 16 such as; determining contracts in scope for IFRS 16, determining the interest rate used for discounting of future cash flows, and the lease term.

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

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

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

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

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

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

1 Accounting policies **(Continued)**

1.8 Pensions

The Company participates in a number of defined contribution schemes and contributions are charged to the income statement in the year in which they are due. These schemes are funded and the payment of contributions is made to separately administered trust 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 that company.

During the year, the Company also had employees who were members of defined benefit schemes operated by the Group. As there is no contractual agreement or stated Group policy for charging the net defined benefit cost of the schemes to participating entities, the net defined benefit cost of the schemes is recognised fully by the sponsoring employer which is Capita Business Services Limited, a fellow subsidiary undertaking. The Company then recognises a cost equal to its contribution payable for the period. The contributions payable by the participating entities are determined on the following basis:

- The Capita Pension & Life Assurance Scheme (the "Capita DB Scheme") provides benefits on a defined benefit basis funded from assets held in a separate trustee-administered fund; and

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

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

The Company's contribution is consequently calculated by applying the appropriate average employer contribution rates to the pensionable pay of its employees participating in the scheme.

The Capita DB Scheme closed to future accrual on 30 November 2017. All of the Company’s employees who had been members of the Capita DB scheme joined the group’s principal defined contribution scheme.

1.9 Investments in subsidiaries

Investments in subsidiaries are stated at cost less provision for diminution in value.

1 Accounting policies **(Continued)**

1.10 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)**

1.11 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 400 of the Companies Act 2006 as it is a subsidiary undertaking of Capita plc, a company incorporated in England and Wales, and is included in the consolidated accounts of that company.

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

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

Recognition and derecognition

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

Measurement

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

Impairment

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

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

1 Accounting policies **(Continued)**

1.12 Financial instruments (continued)

As a result, the comparative information provided continues to be accounted for in accordance with the group's previous accounting policy, as shown below:

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

Investment loans are measured at amortised cost using the effective interest method.

Available-for-sale financial assets are measured at their fair value with unrealised gains or losses being recognised directly in equity. When the investment is disposed of, the cumulative gain or loss previously recorded in equity is recognised in the income statement.

Financial assets at fair value through the income statement (disclosed in investment income) include financial assets designated upon initial recognition as at fair value through the income statement.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy.

Trade and other receivables

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

Cash and cash equivalents

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

2 Significant accounting judgements, estimates and assumptions

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

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

The measurement of revenue and resulting profit recognition due to the size and complexity of some of the Company's contracts, there are judgements to be applied, including the measurement and timing of revenue recognition and the recognition of assets and liabilities, including an assessment of onerous contract, that result from the performance of the contract (see 1.4).

3 Revenue

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

4 Net finance costs

	2019 £000	2018 £000
Interest expense on lease liability	21	-
	21	**-**

5 Operating profit

	Notes	2019 £000	2018 £000
Operating profit for the year is stated after charging:			
Depreciation of property, plant and equipment	**8**	69	92
Impairment of property, plant and equipment	**8**	-	111
Amortisation of intangible assets	**9**	38	-
Impairment of right of use asset	**10**	4	-
Operating lease rentals - plant and machinery		19	93
Operating lease rentals - other assets		110	415

Audit fees are borne by the ultimate parent undertaking, Capita plc. The audit fee for the current period was £12,978 (2018: £12,900). 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.

6 Leases under IFRS 16

	2019 £000	2018 £000
Interest expense on lease liabilities	21	-
Expenses relating to short-term leases	129	-
	150	**-**

7 Income tax

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

	2019	2018
	£000	£000
Current tax		
UK Corporation tax	144	(45)
Adjustments in respect of prior periods	56	60
	200	**15**
Deferred tax		
Origination and reversal of temporary differences	20	2
Adjustment in respect of prior periods	(47)	(34)
	(27)	**(32)**
Total tax charge/(credit) reported in the income statement	**173**	**(17)**

7 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 £000	2018 £000
Profit/(loss) before tax	879	(227)
Profit/(loss) before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	167	(43)
Taxation impact of factors affecting tax charge:		
Adjustments in respect of current income tax of prior periods	56	60
Adjustments in respect of deferred tax of prior periods	(47)	(34)
Impact of changes in statutory tax rates	(3)	-
Total tax adjustments	**6**	**26**
Total tax charge/(credit) reported in the income statement	**173**	**(17)**

	Balance sheet 2019 £000	Balance sheet Restated* 2018 £000	Income Statement 2019 £000	Income Statement 2018 £000
Deferred tax assets				
Decelerated capital allowances	252	175	(77)	(34)
Other short term timing differences	10	60	50	-
Net deferred tax asset	**262**	**235**		
Deferred tax expense			**(27)**	**(34)**
Movement to retained earnings			-	(60)
Total deferred tax movement in the period			**(27)**	**(94)**

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset/(liability) as at 31 December 2019 has been calculated based on this rate. On the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax asset would have increased by £30,825

*Refer note 19

8 Property, plant and equipment

	Land and buildings Leasehold	Fixtures, fittings and equipment	Computer equipment	Total
	£000	£000	£000	£000
Cost				
At 1 January 2019	27	40	260	327
Additions	-	2	227	229
Reclassification to Intangibles	-	-	(94)	(94)
Retirements	-	(3)	(15)	(18)
At 31 December 2019	**27**	**39**	**378**	**444**
Depreciation				
At 1 January 2019	11	23	157	191
Charge for the year	5	8	56	69
Reclassification to Intangibles	-	-	(24)	(24)
Retirements	-	(3)	(15)	(18)
At 31 December 2019	**16**	**28**	**174**	**218**
Net book value				
At 31 December 2019	**11**	**11**	**204**	**226**
At 31 December 2018	**16**	**17**	**103**	**136**

9 Intangible fixed assets

	Software
	£000
Cost	
At 1 January 2019	1
Additions	3
Reclassification from Property, plant and equipment	94
At 31 December 2019	**98**
Amortisation	
At 1 January 2019	-
Charge for the year	38
Reclassification from Property, plant and equipment	24
At 31 December 2019	**62**
Net book value	
At 31 December 2019	**36**
At 31 December 2018	**1**

10 Right of use assets

Net Book Value	Property £000
At 1 January 2019	-
Adoption of IFRS 16 (refer note 21)	4
Impairment during the year	(4)
At 31 December 2019	**-**

11 Investment in subsidiary

	Shares in subsidiary undertakings £'000
Cost and net book value	
At 1 January 2019 and 31 December 2019	50

Holdings of ordinary share capital
Details of the Company's subsidiaries at 31 December 2019 are as follows:

Company	Country of registration or incorporation	Ordinary shares held (%)	Nature of business
Akinika UK Limited*	England & Wales	100	Outsourcing services

*Directly held and incorporated at 33-34 Winckely Square, Preston, Lancashire, PR13EL

12 Financial assets

	2019 £000	2018 £000
Insurance receivable	339	-
At 31 December 2019	**339**	**-**

During 2016, a vacant property leased by the company was damaged by fire. During the year, settlement premium of £350,000* was agreed with the landlord of Warden house as being the full and final settlement of the Company's obligations under the terms of the lease, and any losses or liabilities arising from the fire. The insurance company agreed to cover the entire settlement premium subject to a £25,000 deductible excess, of which the Company had already incurred £14,000 in relation to demolition costs. As this was deemed to be virtually certain, an insurance receivable asset of £339,000 is therefore included in the financial statements for the year ended 31st December 2019.

Subsequent Events

In 2020, a final settlement agreement and deed of surrender were entered into, wherein the insurance company paid £339,000 to the lessor and the Company paid the balance of £11,000, being the £25,000 excess less £14,000 of demolition costs already paid. Therefore, the Company now has no further obligations in respect of the lease and the property.

*Refer note 19

13 Trade and other receivables

Current	2019 £000	2018 £000
Trade receivables	414	1,217
Accrued income	-	6
Prepayments	79	212
Amounts due from parent and fellow subsidiary undertaking	3,131	13,415
	3,624	**14,850**

Non-current	2019 £000	2018 £000
Prepayments	16	-
	16	**-**

14 Cash and cash equivalents

	2019 £000	2018 £000
Cash at bank and in hand	1,438	11
	1,438	**11**

15 Trade and other payables

Current	2019 £000	2018 £000
Trade payables	103	114
Other taxes and social security	465	392
Accruals	163	196
Amounts due to parent and fellow subsidiary undertaking	1,490	6,003
	2,221	**6,705**

16 Deferred income

	2019	2018
	£000	£000
Current		
Deferred income	47	60
	47	**60**

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.

17 Financial liabilities

	2019	2018
	£000	£000
Current		
Bank overdraft	-	6,434
	-	**6,434**

18 Lease liabilities

	2019	2018
	£000	£000
Current	347	**-**
	347	**-**

In calculating the lease liability to be recognised on adoption, the Company used a weighted average incremental borrowing rate at 1 January 2019 of 6.34 %.

Lease liabilities recognised	**2019**
	£000
Operating lease commitments at 31 December 2018 disclosed under IAS 17	1,186
Discounted using the incremental borrowing rate at 1 January 2019	(837)
Lease liabilities recognised as at 1 January 2019	**349**
out of which	
Current	1
Non Current	348

	2019
Maturity analysis - Contractual undiscounted cash flows	**£000**
Less than one year	347
Total undiscounted lease liabilities at 31 December	**347**

The total undiscounted lease liabilities relates to the expected payment during 2020 for the full and final settlement of the Company's obligations under the terms of the lease (refer note 12 and 19).

19 Provisions

Current	**Property £000**
As at 1 January 2019	-
As restated (refer note below)	350
As at 1 January 2019 - restated	**350**
IFRS 16 adoption - reclassification to right of use assets (refer note 21)	(350)
As at 31 December 2019	**-**

Prior year adjustment

During 2016, a vacant property leased by the Company was damaged by fire. Following this the Company commenced discussions with the lessor in relation to its obligations for future lease payments and restoration of the building, however a provision for the estimated future cost for restoring the property and the onerous lease was not recorded in the financial statements. By 1 January 2018, negotiations were still ongoing, however it had already become clear that any cost for restoring the building would not be material. As a result, the balance sheet for the comparative year, as at 31 December 2018 and as at 1 January 2018, have been restated to record a provision of £350,000 for the onerous lease.

The property was covered by Capita's Group property insurance and discussions with the insurer had commenced prior to 1 January 2018 and were ongoing in the year ended 31 December 2018. However, as at that date it was not virtually certain whether the insurance claim would be accepted and the insurer would cover the damage, therefore no asset for insurance recoveries was recorded. (Refer note 12).

The effect of the adjustment on the financial statements is summarised below:
Extract of the balance sheet
As at 1 January 2018
In £'000

	As at 1 January 2018	**Restatement impact**	**As at 1 January 2018 (restated)**
Deferred tax	141	60	201
Provisions	-	(350)	(350)
Retained earnings	3,004	(290)	2,714

Extract of the balance sheet
As at 31 December 2018
In £'000

	As at 31 December 2018	**Restatement impact**	**As at 31 December 2018 (restated)**
Deferred tax	175	60	235
Provisions	-	(350)	(350)
Retained earnings	2,794	(290)	2,504

20	Issued share capital	2019 Numbers	2018 Numbers	2019 £000	2018 £000
	Ordinary share capital				
	allotted, called up and fully paid				
	Ordinary shares of £1 each				
	At 1 January	10,000	10,000	10	10
	At 31 December	**10,000**	**10,000**	**10**	**10**

21 Reconciliation of opening balance as at 1 January 2019

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

	Note	Carrying amount - 31 December 2018 - restated £000	Impact on Adoption of IFRS 16 £000	IFRS 16 carrying amount as at 1 January 2019 £000
Assets				
Right of use assets	A,B	-	4	4
Trade and other receivables	B	14,850	(5)	14,845
Current liabilities				
Lease liability	C		1	1
Provisions	B	350	(350)	-
Non-current liabilities				
Lease liability	C		348	348

Note:

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

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

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

22 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 £ 132,000 (2018: £76,845)

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

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

The Capita DB Scheme closed to future accrual of benefit on 30 November 2017 for the majority of active members – where these members were subsequently offered membership of the group's principal defined contribution scheme. However, there remain a number of employees of the Company accruing benefits on a defined benefit basis in the DB Scheme.

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

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

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

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

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

For the purpose of the consolidated accounts of Capita plc, an independent qualified actuary projected the results of the 31 March 2017 funding valuation to 31 December 2018 on the relevant accounting requirements.

The major assumptions for the valuation at 31 December 2018 were as follows: rate of price inflation RPI/CPI 3.0% pa/2.0% pa (2018: 3.2% pa/2.2% pa); rate of the salary increase - 3.0% pa (2018: 3.2% pa); rate of increase for pensions in payment (where RPI inflation capped at 5% pa applies - 2.95% pa (2018: 3.1% pa); discount rate - 2.05% pa (2018: 2.85% pa).

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

23 Employees

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

	2019 Number	2018 Number
Operations	312	229
Administration	12	28
Sales	1	2
	325	**259**

Their aggregate remuneration comprised:

Employment costs	2019 £000	2018 £000
Wages and salaries	7,193	5,952
Social security costs	613	517
Pension costs	132	77
	7,938	**6,546**

24 Directors' remuneration

	2019 £000	2018 £000
Remuneration for qualifying services	-	75
Company pension contributions to defined contribution schemes	-	7
	-	82

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 0 (2018: 1).

No Director was paid by the company (2018: 1). The Directors have not provided qualifying services to the Company and are paid by other companies within the Capita Group. Such remuneration has not 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.

25 Controlling party

The Company's immediate parent undertaking is Akinika Limited, a Company incorporated in England and Wales, and the 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.

26 Post balance sheet event

The Company has entered into final settlement agreement and deed of surrender with respect to the property leased by the Company. (Refer note 12)

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 Director has 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 material impact on the recognition and measurement of assets and liabilities due to economic uncertainty associated with COVID-19.