Company Registration No. 04440463 (England and Wales)

ENTRUST SUPPORT SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

ENTRUST SUPPORT SERVICES LIMITED

COMPANY INFORMATION

Directors	R F Boyles	
	M A Deaville	
	R I Salmon	(Appointed 18 March 2019)
	M E Bailey	(Appointed 18 June 2019)
	J W Doherty	(Appointed 10 March 2020)
	D Riley	(Appointed 25 March 2020)
Secretary	Capita Group Secretary Limited	
Company number	04440463	
Registered office	The Riverway Centre Riverway Stafford ST16 3TH	
Auditor	KPMG LLP 15 Canada Square London E14 5GL	

ENTRUST SUPPORT SERVICES LIMITED

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ENTRUST SUPPORT SERVICES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Review of the business
Entrust Support Services Limited ("the Company") is jointly owned by Capita Business Services Limited ("the parent Company") (51%) and Staffordshire County Council (49%). The Company operates within the Government Services division of Capita plc ("the Group").

The principal activity of the Company is that of providing education support services to local government establishments. These services comprise the provision of specialist education services, outdoor education, learning technologies, facilities management and catering services to local government-maintained schools, academy schools and other educational or similar establishments.

As shown in the Company's income statement on page 7, revenue has decreased from £68,498,231 to £57,632,952 and the Company has booked an operating profit of £306,325 as compared to operating profit of £30,976 in 2018. The increase in operating profit is primarily due to release of £538,541 in respect of an onerous lease provision.

The Company adopted IFRS 16 Leases during the year which sets of the principles for the recognition, measurement, presentation and disclosure of leases. The Company has applied IFRS 16 using modified retrospective approach, the effect of which is explained in notes 10, 18, 19 and 20.

The balance sheet on pages 8 and 9 of the financial statements shows the Company's financial position at the year end. Net liabilities have decreased from £10,187,311 to £9,999,651. Details of the amounts owed to its parent Company and fellow subsidiary undertakings and Staffordshire County Council are set out in note 12, 14 and note 24 to the financial statements.

Key performance indicators used by Capita plc are operating margins, free cash flow, and return on capital employed. Capita plc and its subsidiaries manage their operations on a divisional basis and as a consequence, some of the indicators are monitored on a divisional level. The performance of the Government Services division of Capita plc is discussed in the Group's annual report which does not form part of this report.

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

The principal themes of risk for the Company are:

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

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

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

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

Section 172 statement
The Company forms part of the Government Services division of the Group and Capita plc's section 172 statement applies to both the Division and the Company to the extent it relates to the Company's activities. Common policies and practices are applied throughout the Group via divisional management teams and a common governance framework.

The following disclosure describes how the Directors have had regard to the matters set out in section 172(1a) to (f) and forms the Directors' statement required under section 414CZA of the Companies Act 2006.Further details of the Group approach to each stakeholder are provided in Capita plc's section 172 statement which can be found on page 39 of Capita plc's Annual Report.

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

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

On behalf of the Board

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R F Boyles
Director
30 September 2020

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

No interim or final dividend was paid during the current 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:

R F Boyles	
M A Deaville	
C M Blackwell	(Resigned 18 March 2019)
J M Prew	(Resigned 23 August 2019)
R I Salmon	(Appointed 18 March 2019)
O D C Barry	(Appointed 18 March 2019 and resigned 18 June 2020)
M E Bailey	(Appointed 18 June 2019)
J W Doherty	(Appointed 10 March 2020)
D Riley	(Appointed 25 March 2020)
P W Elliott	(Appointed 23 August 2019 and resigned 10 March 2020)

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

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

Disabled persons
The Company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Employee involvement
The Company participates in the Group's policies and practices to keep employees informed on matters relevant to them as employees through regular meetings, newsletters, email notices and intranet communications. These communication initiatives enable employees to share information within and between business units and employees are encouraged, through an open door policy, to discuss with management matters of interest to the employee and subjects affecting day to day operations of the Company. The Group's share incentive plan is designed to promote employee share ownership and to give employees the opportunity to participate in the future success of the Group.

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 the Directors 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 also responsible 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 that he/she might reasonably be expected to take as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Qualifying third party indemnity provisions

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

On behalf of the Board

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R F Boyles

Director

Date: 30 September 2020.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ENTRUST SUPPORT SERVICES LIMITED

Opinion

We have audited the financial statements of Entrust Support Services 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.

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 ENTRUST SUPPORT SERVICES 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.

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

ENTRUST SUPPORT SERVICES LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
Revenue	3	57,632,952	68,498,231
Cost of sales		(43,290,629)	(49,137,849)
Gross profit		**14,342,323**	**19,360,382**
Administrative expenses		(14,035,998)	(19,329,406)
Operating profit	4	**306,325**	**30,976**
Net finance (cost)/income	5	(118,665)	170,060
Profit before tax		**187,660**	**201,036**
Income tax (charge)/credit	6	-	-
Total comprehensive income for the year		**187,660**	**201,036**

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 38 form an integral part of financial statements.

ENTRUST SUPPORT SERVICES LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £	2018 £
Non-current assets			
Property, plant and equipment	7	196,679	386,160
Intangible assets	8	3,711,637	4,853,678
Contract fulfilment assets	9	779,533	1,025,702
Right of use assets	10	800,980	-
Trade and other receivables	12	72,135	-
Total non-current assets		**5,560,964**	**6,265,540**
Current assets			
Trade and other receivables	12	6,237,852	7,131,404
Cash	13	27,193,865	131,991,377
Inventories	11	48,418	53,958
Total current assets		**33,480,135**	**139,176,739**
Total assets		**39,041,099**	**145,442,279**
Current liabilities			
Trade and other payables	14	6,920,733	72,463,254
Deferred income	15	3,457,079	6,962,684
Financial liabilities	16	31,375,810	66,488,880
Lease liabilities	18	258,141	-
Provisions	17	432,190	142,045
Total current liabilities		**42,443,953**	**146,056,863**
Non-current liabilities			
Deferred income	15	6,094,624	8,803,000
Lease liabilities	18	502,173	-
Provisions	17	-	769,727
Total non-current liabilities		**6,596,797**	**9,572,727**
Total liabilities		**49,040,750**	**155,629,590**
Net liabilities		**(9,999,651)**	**(10,187,311)**

ENTRUST SUPPORT SERVICES LIMITED

BALANCE SHEET (CONTINUED)

AS AT 31 DECEMBER 2019

	Notes	2019 £	2018 £
Capital and reserves			
Issued share capital	**21**	1,000	1,000
Share premium		61,599,003	61,599,003
Retained deficit		(71,599,654)	(71,787,314)
Total deficit		**(9,999,651)**	**(10,187,311)**

The notes on pages 11 to 38 form and integral part of financial statements.

Approved by Board and authorised for issue on 30 September 2020

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R F Boyles
Director

Company Registration No. 04440463

ENTRUST SUPPORT SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Share premium	Retained deficit	Total equity
	£	£	£	£
At 1 January 2018	**1,000**	**61,599,003**	**(71,988,350)**	**(10,388,347)**
Total comprehensive income for the year	-	-	201,036	201,036
At 31 December 2018	**1,000**	**61,599,003**	**(71,787,314)**	**(10,187,311)**
Total comprehensive income for the year	-	-	187,660	187,660
At 31 December 2019	**1,000**	**61,599,003**	**(71,599,654)**	**(9,999,651)**

Share capital
The balance classified as share capital is the nominal proceeds on issue of the Company's equity share capital comprising 1,000 ordinary shares.

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

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

The notes on pages 11 to 38 form an integral part of these financial statements.

1 Accounting policies

1.1 Basis of preparation

Entrust Support Services Limited is a Company incorporated and domiciled in the United Kingdom.

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

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

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

The Directors considered the potential impact of the COVID-19 outbreak on the Company. This analysis and outlook prepared is described below and assumes the COVID-19 outbreak continues for approximately six months resulting in a slower upturn in revenues through to 2021. There is forecast to be significant impact on revenue, however, following the detailed outlook analysis discussed below this has not changed the Directors conclusions over going concern. Additionally, the company has considered the benefits of the Government Job Retention Scheme, VAT payment deferral Scheme, and other cost saving initiatives all of which has helped mitigate the reduction in the Company's revenue.

Nevertheless, to enable a robust assessment of the medium term forecast financial performance the Directors via lifetime review exercise in May 2020 revisited the outlook to the end of 2021 ahead of the normal business plan process. The high level of uncertainty as to how the COVID-19 pandemic might evolve over the remainder of 2020 and into 2021, including whether or not there will be a second wave and what impact this may have on the operation of the business, makes precise forecasting challenging. There is a higher degree of uncertainty than would usually be the case in making the key judgements and assumptions that underpin the Company's financial forecasts.

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

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

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 £9,498,597 was advanced at 31 August 2020. In the event of a default by the Group, the Company may not be able to access this facility;
- recovery of receivables of £610,901 from fellow Group undertakings as of 31 August 2020. If these receivables are not able to be recovered when forecast by the Company, then the Company may have difficulty in continuing to trade; 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)

Despite the Company being in a net liability position, the ultimate parent undertaking, Capita plc, and Staffordshire County Council has stated that it will provide continuing financial support as necessary and to the extent it is able to do so.

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

Ultimate parent undertaking – Capita plc

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

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

Material uncertainty

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

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

Conclusion

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

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

1 Accounting policies **(Continued)**

1.2 Compliance with accounting standards

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

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

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

- A cash flow statement and related notes;
- Comparative period reconciliations for share capital, property, plant and equipment and intangible assets;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures as required by IFRS 16 Leases; and
- Certain disclosures regarding IFRS 15 Revenue from Contracts with Customers.

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

Initial adoption of IFRS 16 Leases

IFRS 16 (effective 1 January 2019) replaces IAS 17 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. The Company applied IFRS 16 using the modified retrospective approach, under which the Company has measured the right-of-use assets at the value of lease liability. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported under IAS 17 and related interpretations. The updated policy on IFRS 16 is set out in note 1.8.

On adoption of IFRS 16, the Company immediately recognised right of use asset representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments.

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 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 many 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 many 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.

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.

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.

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

For each performance obligation, the Company determines if revenue will be recognised over time or at a point in time. Where the Company recognises revenue over time for long term contracts, this is in general due to the Company performing and the customer simultaneously receiving and consuming the benefits provided over the life of the contract.

1 Accounting policies **(Continued)**

1.4 Revenue recognition (continued)

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

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

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

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

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

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

The service contracts in this category include contracts with either a single or multiple performance obligations.

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

Short term contractual-less than two years
The nature of contracts or performance obligations categorised within this revenue type is diverse and includes short term outsourced service arrangements in the public and private sectors.

Transactional (Point in time) contracts
The Company delivers a range of goods or services in education segment 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 fees received in relation to delivery of professional services.

1 Accounting policies **(Continued)**

1.4 Revenue recognition (continued)

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.

Principal versus agent

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

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

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

1 Accounting policies **(Continued)**

1.4 Revenue recognition (continued)

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

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

If other standards are not applicable to contract fulfilment costs, the Company applies the following criteria which, if met, result in capitalisation:
(i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered.
The assessment of this criteria requires the application of judgement, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

The Company regularly incurs costs to deliver its outsourcing services in a more efficient way (often referred to as 'transformation' costs).These costs may include process mapping and design, system development, project management, hardware (generally in scope of the Company's accounting policy for property, plant and equipment), software licence costs (generally in scope of the Company's accounting policy for intangible assets), recruitment costs and training.

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

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

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

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

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

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

1 Accounting policies **(Continued)**

1.4 Revenue recognition (continued)

Management is required to determine the recoverability of contract related assets within property, plant and equipment, intangible assets as well as contract fulfilment assets, capitalised costs to obtain a contract, accrued income and trade receivables. At each reporting date, the Company determines whether or not the contract fulfilment assets and capitalised costs to obtain a contract are impaired by comparing the carrying amount of the asset to the remaining amount of consideration that the Company expects to receive less the costs that relate to providing services under the relevant contract.

In determining the estimated amount of consideration, the Company uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

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

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

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

Deferred and accrued income
The Company's customer contracts include a diverse range of payment schedules dependent upon the nature and type of goods and services being provided. The Company often agrees payment schedules at the inception of long term contracts under which it receives payments throughout the term of the contracts. These payment schedules may include performance-based payments or progress payments as well as regular monthly or quarterly payments for ongoing service delivery. Payments for transactional goods and services may be at delivery date, in arrears or part payment in advance.

Where payments made are greater than the revenue recognised at the period end date, the Company recognises a deferred income contract liability for this difference. Where payments made are less than the revenue recognised at the period end date, the Company recognises an accrued income contract asset for this difference. At each reporting date, the Company assesses whether there is any indication that accrued income assets may be impaired by considering whether the revenue remains highly probable that no revenue reversal will occur. Where an indicator of impairment exists, the Company makes a formal estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

1 Accounting policies **(Continued)**

1.5 Goodwill

Goodwill is stated at cost less any accumulated impairment losses. It is not amortised but is tested annually for impairment. This is not in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 which requires that all goodwill be amortised. The Directors consider that this would fail to give a true and fair view of the profit for the year and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. It is not practicable to quantify the effect on the financial statements of this departure.

1.6 Patents

Patents are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful life, which has been estimated as 10 years.

1.7 Property, plant and equipment

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

Leasehold improvements	Over period of lease
Fixtures, fittings & equipment	4-5 years
Plant and machinery	3-5 years

1 Accounting policies **(Continued)**

1.8 Leasing

The Company leases assets, comprising land and buildings.

On adoption of IFRS 16 (effective 1 January 2019) the Company has elected to grandfather the assessment of which arrangement are leases. Contracts not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16.

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 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)**

1.9 Pensions

The Company participates in a number of defined contribution schemes and contributions are charged to the profit and loss account in the year in which they are due. These schemes are funded and contributions are paid to separately administered funds. The assets of these schemes are held separately from the Company. The Company remits monthly pension contributions to Capita Business Services Limited, a fellow subsidiary undertaking, which pays the group liability centrally. Any unpaid contributions at the year-end have been accrued in the accounts of Capita Business Services Limited.

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

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

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 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.

Measurement

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

Impairment

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

Trade and other receivables

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

Trade and other payables

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

***Cash* and cash equivalents**

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of 3 months or less. Bank overdrafts are shown within current liabilities.

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 income statement.

1.13 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

1.14 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.

1.15 Inventories

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

2 Significant accounting judgements, estimates and assumptions

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

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are the measurement and impairment of goodwill, provisions and profit recognition on certain contractual arrangements. The Company determines whether goodwill is impaired on an annual basis and thus requires an estimation of the value in use of the cash generating units to which the intangibles assets are allocated. This involves estimation of future cash flows and choosing a suitable discount rate. The measurement of provision reflects management's assessment of the probable outflow of economic benefits resulting from an existing obligation. Provisions are calculated on a case by case basis and involve judgement as regards the final timing and quantum of any financial outlay. The measurement of revenue and resulting profit recognition - due to the size and complexity of some of the Company's contracts, there are judgements to be applied, including the measurement and timing of revenue recognition and the recognition of assets and liabilities, including an assessment of onerous contract, that result from the performance of the contract.

3 Revenue

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

4 Operating profit

	2019	2018
	£	£
Operating profit for the year is stated after (crediting)/charging:		
Net foreign exchange losses	3	-
Depreciation of property, plant and equipment	194,713	370,955
Depreciation of ROUA - property, plant and equipment	281,910	-
Amortisation of intangible assets	1,142,041	1,142,041
Operating lease rentals - plant and machinery	-	11,074
Operating lease rentals - other assets	-	1,050,904
Expenses relating to short term leases	468,604	-

Audit fees are borne by the ultimate parent undertaking, Capita plc. The audit fee for the current period was £36,771 (2018: £36,600). The Company has taken advantage of the exemption provided by regulations 6(2)(b) of The Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 not to provide information in respect of fees for other (non-audit) services as this information is required to be given in the Company accounts of the ultimate parent undertaking, which it is required to prepare in accordance with the Companies Act 2006.

5 Net finance cost/(income)

	2019	2018
	£	£
Interest income		
Bank interest	-	(170,060)
Interest expense		
Other interest payable	86,892	-
Interest on lease liabilities	31,773	-
Net finance cost/(income)	**118,665**	**(170,060)**

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	187,660	201,036
Profit/(loss) before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	35,655	38,197
Taxation impact of factors affecting tax charge:		
Expenses not deductible for tax purposes	4,160	1,724
Current year deferred income tax unrecognised	(22,720)	(39,921)
Impact of changes in statutory tax rates	(17,095)	-
Total adjustments	(35,655)	(38,197)
Total tax charge/(credit) reported in the income statement	-	-

A net deferred tax asset of £12,130,802 (2018: £12,168,308) has not been recognised in the statutory accounts due to the uncertainty of future use. The taxable profit forecasts for the foreseeable future are insufficient to support the recoverability of the asset given that losses will be subject to UK tax loss relief legislation which will result in restricted utilisation in the future.

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 no material effect on the Company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the unrecognised deferred tax asset would have increased by £1,427,153.

7 Property, plant and equipment

	Leasehold improvements	Fixtures, fittings & equipment	Plant and machinery	Total
	£	£	£	£
Cost				
At 1 January 2019	144,495	510,533	2,308,577	2,963,605
Additions		4,375	857	5,232
Asset retirement	-	(15,219)	(1,052,797)	(1,068,016)
At 31 December 2019	**144,495**	**499,689**	**1,256,637**	**1,900,821**
Depreciation				
At 1 January 2019	32,109	261,762	2,283,574	2,577,445
Charge for the year	26,972	142,595	25,146	194,713
Asset retirement	-	(15,219)	(1,052,797)	(1,068,016)
At 31 December 2019	**59,081**	**389,138**	**1,255,923**	**1,704,142**
Net book value				
At 31 December 2018	**112,386**	**248,771**	**25,003**	**386,160**
At 31 December 2019	**85,414**	**110,551**	**714**	**196,679**

8 Intangible assets

	Goodwill	Patents	Total
	£	£	£
Cost			
At 1 January 2019	32,452,020	28,933,200	61,385,220
At 31 December 2019	**32,452,020**	**28,933,200**	**61,385,220**
Amortisation			
At 1 January 2019	32,452,020	24,079,522	56,531,542
Charge for the year	-	1,142,041	1,142,041
At 31 December 2019	**32,452,020**	**25,221,563**	**57,673,583**
Net book value			
At 31 December 2018	**-**	**4,853,678**	**4,853,678**
At 31 December 2019	**-**	**3,711,637**	**3,711,637**

9 Contract fulfilment assets

	£
As at 1 January 2018	**1,267,046**
Releases	(241,344)
As at 31 December 2018	**1,025,702**
Releases	(246,169)
At at 31 December 2019	**779,533**

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

In line with our accounting policy, as set out in note 1, if a contract or specific performance obligation exhibited marginal profitability or other indicators of impairment, judgement was applied to ascertain whether or not the future economic benefits from these contracts were sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific key performance indicators that could trigger variable consideration, or service credits.

10 Right of use assets

Net book value	Property £
At 1 January 2019	
Adoption of IFRS 16 (Refer note 20)	1,082,890
Depreciation charged during the year	(281,910)
At 31 December 2019	**800,980**

11 Inventories

	2019 £	2018 £
Finished goods	48,418	53,958
	48,418	**53,958**

12 Trade and other receivables

Current	2019 £	2018 £
Trade receivables*	2,846,649	2,804,590
Accrued income	2,759,800	3,319,919
Prepayments	589,856	1,006,895
Amounts due from parent & fellow subsidiary undertaking	41,547	-
	6,237,852	**7,131,404**

Non-current	2019 £	2018 £
Prepayments	72,135	-
	72,135	**-**

*Includes balances with related party (Staffordshire County Council). Details are set out in note 24.

13 Cash

	2019 £	2018 £
Cash at bank and in hand	27,193,865	131,991,377
	27,193,865	**131,991,377**

14 Trade and other payables

Current	2019 £	2018 £
Trade payables	2,209,139	2,934,383
Other payables	9,742	-
Other taxes and social security	1,400,260	2,212,855
Accruals	2,940,788	4,167,780
Amounts due to parent and fellow subsidiary undertaking	360,804	63,148,236
	6,920,733	**72,463,254**

15 Deferred income

	2019	2018
	£	£
Current		
Deferred income	3,457,079	6,962,684
	3,457,079	**6,962,684**
Non-current		
Deferred income	6,094,624	8,803,000
	6,094,624	**8,803,000**

16 Financial liabilities

	2019	2018
	£	£
Current		
Overdrafts	31,375,810	66,488,880
	31,375,810	**66,488,880**

17 Provisions

Current	Property provision
	£
As at 1 January 2019	911,772
Additions	286,231
Releases	(538,541)
Utilisation	(227,272)
At 31 December 2019	**432,190**

Property provision : The provision reflects the onerous nature of property lease provisions (net of any sub-letting opportunity), where due to the reduced requirement for space there is additional surplus capacity. The lease became onerous due to a reduction in the Education services Contract. The onerous provision was released in the current year.

18 Lease liabilities

	2019	2018
	£	£
Current	258,141	-
Non-current	502,173	-
	760,314	-

In calculating the lease liability to be recognised on adoption, the Company used a weighted average incremental borrowing rate at 1 January 2019 of 3.31%.

	2019
Lease liabilities	£
Operating lease commitments at 31 December 2018 disclosed under IAS 17	1,183,064
Operating lease commitment restated for 1 January 2019	(85,251)
Discounted using the incremental borrowing rate at 1 January 2019	(76,090)
	1,021,723
Lease liabilities as on 1 January 2019	1,021,723
out of which	
Current	261,408
Non Current	760,314

	2019	2018
Maturity analysis - Contractual undiscounted cash flows	£	£
Less than one year	281,706	293,181
One to two years	257,927	281,706
More than two years	265,000	522,927
Total undiscounted lease liabilities	**804,633**	**1,097,814**

19 Leases under IFRS 16

	2019
	£
Interest expense on lease liabilities	31,773
Expenses relating to short-term leases	468,602

20 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:

	Footnote	Carrying amount - 31 December 2018	Impact on Adoption of IFRS 16	IFRS 16 carrying amount as at 1 January 2019
		£	£	£
Non-current assets				
Right-of-use assets	A	-	1,082,890	1,082,890
Current assets				
Trade and other receivables	B	7,131,304	(61,166)	7,070,138
Non-current liabilities				
Lease liabilities	C	-	760,314	760,314
Current liabilities				
Lease liabilities	C	-	261,408	261,408

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 (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. These balances have been reclassified to 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 Company'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.

21 Issued share capital

	2019 Numbers	2018 Numbers	2019 £	2018 £
Allotted, called up and fully paid				
Ordinary X shares of £1 each*	510	510	510	510
Ordinary Y shares of £1 each*	490	490	490	490
At 31 December	**1,000**	**1,000**	**1,000**	**1,000**

*X (51% being Capita's share) and Y (49% pertaining to SCC) shares.

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 £1,796,297 (2018: £1,384,148).

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

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

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

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

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

23 Employees

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

	2019 Number	**2018 Number**
Sales and adminstration	30	34
Operations	536	495
	566	**529**

Their aggregate remuneration comprised:

Employee costs	**2019 £**	**2018 £**
Wages and salaries	14,857,101	15,483,069
Social security costs	1,357,568	1,289,914
Pension costs	1,796,297	1,384,148
	18,010,966	**18,157,131**

24 Related party disclosures

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

Nature of Transaction	Name of Company	Year	Holding Company	Fellow Subsidiary	Total
Purchase of Goods/ Services					
	Capita Plc	2019	299,249	-	299,249
		2018	606,749	-	606,749
	Capita Business Services Limited	2019	8,350,371	-	8,350,371
		2018	9,693,378	-	9,693,378
	Capita Property and Infrastructure Limited	2019	-	20,842	20,842
		2018	-	77,282	77,282
	Capita Resourcing Limited	2019	-	270,312	270,312
		2018	-	152,481	152,481
	Capita Birmingham Limited	2019	-	757,759	757,759
		2018	-	2,709,831	2,709,831
	Computerland UK Limited	2019	-	140,010	140,010
		2018	-	51,282	51,282
	Capita IT Services Limited	2019	-	20,820	20,820
		2018	-	448,179	448,179
	Capita Secure Information Solution Limited	2019	-	131,362	131,362
		2018	-	328,686	328,686
	KnowledgePool Group Limited	2019	-	6,671	6,671
		2018	-	1,405	1,405
	TrustMarque Solutions Limited	2019	-	24,690	24,690
		2018	-	-	-
	Updata Infrastructure (UK) Ltd	2019	-	1,733,120	1,733,120
		2018	-	587,143	587,143
	Thirty Three LLP	2019	-	-	-
		2018	-	1,042	1,042
	Pervasive Networks Ltd	2019	-	166,377	166,377
		2018	-	363,259	363,259
	Western Mortgage Services Ltd	2019	-	6,920	6,920
		2018	-	6,920	6,920

24 Related party disclosures **(Continued)**

	Staffordshire County Council	2019	4,524,257	-	4,524,257
		2018	6,384,426	-	6,384,426
	Northgate Managed Services Limited	2019	265	-	265
		2018	553	-	553
	Capita IT Servivces BSF	2019	-	55,773	55,773
		2018	-	52,058	52,058
	Total	**2019**	**13,229,915**	**3,278,883**	**16,508,798**
		2018	**16,737,164**	**4,727,510**	**21,464,674**
Sales of Goods	Capita Plc	2019	4,617	-	4,617
		2018	5	-	5
	Capita Business Services Limited	2019	1,833,548	-	1,833,548
		2018	215,356	-	215,356
	Capita Property and Infrastructure Limited	2019	-	225	225
		2018	-	980	980
	Capita Resourcing Limited	2019	-	2,053	2,053
		2018	-	6,060	6,060
	Capita Birmingham Limited	2019	-	1,309,713	1,309,713
		2018	-	-	-
	Updata Infrastructure (UK) Ltd	2019	-	515,698	515,698
		2018	-	286,148	286,148
	Staffordshire County Council	2019	29,727,307	-	29,727,307
		2018	42,700,107	-	42,700,107
	Capita IT Services Limited	2019	-	-	-
		2018	-	550	550
	Northgate Managed Services Limited	2019	30,234	-	30,234

ENTRUST SUPPORT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

24 Related party disclosures

(Continued)

		2018	-	-	-
	TrustMarque Solutions Limited	2019	-	13,075	13,075
		2018	-	-	-
	Total				
		2019	**31,595,706**	**1,840,764**	**33,436,470**
		2018	**42,915,468**	**293,738**	**43,209,206**

Closing balance of Related Parties

Nature of Transaction	**Name of Company**	**Year**	**Holding Company**	**Fellow Subsidiary**	**Total**
Trade Payables					
	Capita Plc	2019	20,406	-	20,406
		2018	26,790	-	26,790
	Capita Business Services Limited	2019	294,451	-	294,451
		2018	62,781,233	-	62,781,233
	Capita Property and Infrastructure Limited	2019	-	-	-
		2018	-	3,416	3,416
	Capita Resourcing Limited	2019	-	28,048	28,048
		2018	-	15,462	15,462
	Capita Birmingham Limited	2019	-	-	-
		2018	-	218,871	218,871
	Computerland UK Limited	2019	-	5,904	5,904
		2018	-	2,895	2,895
	Capita IT Services (BSF) Limited	2019	-	-	-
		2018	-	5,942	5,942
	Capita IT Services Limited	2019	-	1,348	1,348
		2018	-	1,840	1,840
	Capita Secure Information Solution Limited	2019	-	-	-
		2018	-	87,976	87,976

24 Related party disclosures **(Continued)**

	Capita Managed IT Solution Limited	2019	-	265	265
		2018	-	-	-
	KnowledgePool Group Limited	2019	-	-	-
		2018	-	110	110
	Updata Infrastructure (UK) Ltd	2019	-	-	-
		2018	-	-	-
	Western Mortgage Services Ltd	2019	-	1,730	1,730
		2018	-	1,730	1,730
	Pervasive Networks Ltd	2019	-	8,651	8,651
		2018	-	1,971	1,971
	Staffordshire County Council	2019	725	-	725
	Total	**2019**	**315,582**	**45,946**	**361,528**
		2018	**62,808,023**	**340,213**	**63,148,236**
Trade Receivables	Staffordshire County Council	2019	1,226,437	-	1,226,437
		2018	4,204	-	4,204
	Updata Infrastructure UK Limited	2019	-	40,580	40,580
		2018	-	76,622	76,622
	Capita Birmingham Limited	2019	-	966	966
		2018	-	-	-
	Total	**2019**	**1,226,437**	**41,546**	**1,267,983**
		2018	**4,204**	**76,622**	**80,826**

25 Directors' remuneration

No Directors were paid by the Company in the current year (2018: £nil). 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. The two Directors employed by Staffordshire County Council had their remuneration paid by Staffordshire County Council without recharge.

26 Contingent liabilities

During 2019, a claim was made against the Company for approximately £2million in respect of works carried out in 2015. No provision is recorded for the claim because the Directors do not believe it is probable that there will be an outflow of economic resources.

27 Controlling party

At the year-end, the immediate parent and the ultimate controlling company was Capita Business Services Limited, a company registered in England and Wales, with a holding of 51%.

The ultimate parent company is Capita plc, a company registered in England and Wales. Capita plc prepares Group financial statements and copies can be obtained from the registered office at 65 Gresham Street, London, EC2V 7NQ.

Staffordshire County Council holds the remaining 49% of the shares.

28 Post balance sheet events

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

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