Company Registration No. 02018542 (England and Wales)

CAPITA PROPERTY AND INFRASTRUCTURE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

CAPITA PROPERTY AND INFRASTRUCTURE LIMITED

COMPANY INFORMATION

Directors	O L Wildgoose	
	N Garfield	
	D J Spencer	
	S N Taylor on behalf of Capita Corporate Director Limited	
	G Sant	
	S Freeman	(Appointed 1 April 2019)
	T L G Trevorrow	(Appointed 31 March 2020)
Secretary	Capita Group Secretary Limited	
Company number	02018542	
Registered office	30 Berners Street London England W1T 3LR	
Auditor	KPMG LLP 15 Canada Square London E14 5GL	
Bankers	Barclays Bank PLC 1 Churchill Place London E14 5HP	

CONTENTS

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Review of the business

Capita Property and Infrastructure Limited ("the Company") is a wholly owned subsidiary (indirectly held) of Capita plc. Capita plc along with its subsidiaries are hereafter referred to as "the Group". The Company operates within the Group's Specialist Services and Government Services division.

The principal activity of the Company continued to be that of providing a comprehensive range of property and infrastructure-related professional services across building design, engineering and technology, cost and project management and real estate services, across both public and private sectors. There have not been any significant changes in the Company's principal activities in the year under review. The Directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

The Company adopted IFRS 16 during the year which sets out 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 note no. 7,11,19 and 29.

As shown in the Company's income statement on page 10, the Company's turnover has decreased from £142,821,325 in 2018 to £139,752,402 in 2019 and the results of the Company has changed from an operating loss of £348,120 in 2018 to an operating profit of £4,298,270 in 2019. Although revenue has fallen by 2% there has been a greater focus on cost control through review of utilisation and revenue trends to increase profitability. This has led to a gross margin improvement from 20% to 23%. There has been a further reduction of admin expenses by 2% which has increased overall profitability.

During the year, deferred income of £1,465,624 (2018: £2,927,892) was released for a contract. As this contract ended in 2019, the revenue from this contract will not be repeated in the future years.

The balance sheet on page 12 and 13 of the financial statements shows the Company's financial position at the year end. Net assets have increased from £46,968,334 in 2018 to £50,144,686 in 2019. Details of amounts owed by/to its parent Company and fellow subsidiary undertakings are shown in notes 14, 16 and 25 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 Specialist Services division of Capita plc is discussed in the Group's annual report which does not form part of this report. The Strategic report in the Annual Report of the Group provides further detail and is available to the public and may be obtained from Capita plc's website on http://investors.capita.com.

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.
- *Brexit impact*: adverse impact of uncertainty around Brexit on the real estate and infrastructure services may impact future revenues.

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 internal control framework.

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

Section 172 Statement

The Company forms part of the Specialist Services and 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)	

Stakeholder	Strategic issue	Engagement	Outcome	Principal decision*
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

O L Wildgoose

Director

18 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 10 to 11.

During the year, the Company did not propose or pay any dividend (2018: £nil).

Directors

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

J M Prew	(Resigned 23 August 2019)
O L Wildgoose	
N Garfield	
D J Spencer	
S N Taylor on behalf of Capita Corporate Director Limited	
G Sant	
S Freeman	(Appointed 1 April 2019)
T L G Trevorrow	(Appointed 31 March 2020)

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.

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.

Political donations

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

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

The Directors are responsible for preparing the 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 income statement 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

Each Director in office at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that he / she ought to have taken 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.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Qualifying 3rd 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

O L Wildgoose
Director
18 September 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CAPITA PROPERTY AND INFRASTRUCTURE LIMITED

Opinion

We have audited the financial statements of Capita Property and Infrastructure Ltd ("the Company") for the year ended 31 December 2019 which comprise the Income Statement, Statement of Comprehensive Income, 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.

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; or
- the Directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CAPITA PROPERTY AND INFRASTRUCTURE LIMITED

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

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

Simon Weaver

Simon Weaver (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

18 September 2020

CAPITA PROPERTY AND INFRASTRUCTURE LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
Revenue	**3**	139,752,402	142,821,325
Cost of sales		(106,947,131)	(114,087,442)
Gross profit		**32,805,271**	**28,733,883**
Administrative expenses		(28,507,001)	(29,082,003)
Operating profit/(loss)	**4**	**4,298,270**	**(348,120)**
Other income	**5**	252,444	-
Net finance income/(cost)	**6**	129,450	(155,748)
Profit/(loss) before tax		**4,680,164**	**(503,868)**
Income tax expense	**8**	(1,146,886)	(927,045)
Total profit/(loss) for the year		**3,533,278**	**(1,430,913)**

The accompanying notes on pages 15 to 57 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
Profit/(loss) for the year		3,533,278	(1,430,913)
Other comprehensive income/(expense):			
Items that will not be reclassified subsequently to income statement:			
Actuarial (loss)/gain on defined benefit pension schemes	**23**	(440,000)	(90,000)
Income tax effect	**8**	74,800	15,300
Other comprehensive income/(expense) for the year,net of tax		(365,200)	(74,700)
Total comprehensive income/ (expense) for the year, net of tax		**3,168,078**	**(1,505,613)**

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 accompanying notes on pages 15 to 57 form part of these financial statements.

CAPITA PROPERTY AND INFRASTRUCTURE LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £	2018 £
Non-current assets			
Property, plant and equipment	**9**	1,522,028	1,248,475
Intangible assets	**10**	43,353,078	43,712,445
Right-of-use assets	**11**	3,157,930	-
Contract fulfilment assets	**12**	1,239,889	1,078,180
Investments in subsidiaries	**13**	9,240,441	9,240,745
Trade and other receivables	**14**	1,122,645	2,166,941
Deferred tax	**8**	2,532,409	2,976,604
Retirement benefit surplus	**23**	1,010,000	1,430,000
		63,178,420	**61,853,390**
Current assets			
Trade and other receivables	**14**	36,729,322	40,920,921
Income tax receivable		461,248	4,270,848
Cash	**15**	1,349,643	47,276
		38,540,213	**45,239,045**
Total assets		**101,718,633**	**107,092,435**
Current liabilities			
Trade and other payables	**16**	33,452,170	33,235,534
Deferred income	**17**	7,287,511	8,815,281
Financial liabilities	**18**	-	6,747,183
Lease liabilities	**19**	927,739	-
Provisions	**20**	2,106,373	2,833,038
		43,773,793	**51,631,036**
Non-current liabilities			
Deferred income	**17**	5,421,049	6,769,182
Lease liabilities	**19**	2,108,023	-
Provisions	**20**	271,082	1,723,883
		7,800,154	**8,493,065**
Total liabilities		**51,573,947**	**60,124,101**
Net assets		**50,144,686**	**46,968,334**

BALANCE SHEET (CONTINUED)

AS AT 31 DECEMBER 2019

	Notes	2019 £	2018 £
Capital and reserves			
Issued share capital	**21**	1,475,933	1,475,933
Share premium		55,923,274	55,923,274
Foreign currency translation reserve		8,274	158,228
Retained deficit		(7,262,795)	(10,589,101)
Total equity		**50,144,686**	**46,968,334**

The notes on pages 15 to 57 form and integral part of financial statements.

Approved by Board and authorised for issue on 18 September 2020

O L Wildgoose
Director

Company Registration No. 02018542

CAPITA PROPERTY AND INFRASTRUCTURE LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Share premium	Foreign currency translation reserve	Retained deficit	Total equity
	£	£	£	£	£
At 1 January 2018(restated)	**1,475,933**	**55,923,274**	**171,957**	**(9,083,488)**	**48,487,676**
Loss for the year	-	-	-	(1,430,913)	(1,430,913)
Other comprehensive expense	-	-	-	(74,700)	(74,700)
Total comprehensive (expense) for the year	-	-	-	(1,505,613)	(1,505,613)
Contribution in respect of share based payment charge	-	-	-	58,099	58,099
Settlement of share based payment charged by intercompany	-	-	-	(58,099)	(58,099)
Foreign exchange	-	-	(13,729)	-	(13,729)
At 31 December 2018	**1,475,933**	**55,923,274**	**158,228**	**(10,589,101)**	**46,968,334**
Profit for the year	-	-	-	3,533,278	3,533,278
Other comprehensive expense	-	-	-	(365,200)	(365,200)
Total comprehensive income for the year	-	-	-	**3,168,078**	**3,168,078**
Contribution in respect of share based payment charge	-	-	-	18,765	18,765
Settlement of share based payment charged by intercompany	-	-	-	(18,765)	(18,765)
Foreign exchange	-	-	8,274	-	8,274
Reclass from FCTR to retained earnings	-	-	(158,228)	158,228	-
	-	-		-	-
At 31 December 2019	**1,475,933**	**55,923,274**	**8,274**	**(7,262,795)**	**50,144,686**

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

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

c) Retained deficit- Pertains to accumulated losses in the Company.

The accompanying notes on pages 15 to 57 form part of these financial statements.

1 Accounting policies

1.1 Basis of preparation

Capita Property and Infrastructure 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 Company’s revenue has been moderately impacted by COVID-19, but the Directors have considered the benefits of the Government Job Retention Scheme, VAT payment deferral measures and other cost saving initiatives all of which mitigated the Company's loss.

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

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

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

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

- provision of administrative support services and should the Group be unable to deliver these services, the Company would have difficulty in continuing to operate;

1 Accounting policies **(Continued)**

1.1 Basis of preparation (continued)

- participation in the Group's notional cash pooling arrangements, of which £4,790,870 was advanced by the Company at 31 August 2020. In the event of default by the Group, the Company may not be able to access this facility.

- recovery of receivables of £9,193,473 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 operate;

- revenue from other Group entities or key contracts that may be terminated in the event of a default by the Group; and

- additional funding that may be required if the Company suffers potential/continuing future losses.

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 – Capital 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.

1 Accounting policies (Continued)

1.1 Basis of preparation(continued)

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.

1.2 Compliance with accounting standards

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

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

1 Accounting policies **(Continued)**

1.2 Compliance with accounting standards(continued)

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, tangible fixed assets 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;
- Disclosures in respect of the compensation of key management personnel;
- Certain Disclosures in respect of IFRS 15 and
- Certain Disclosures in respect of IFRS 16.

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;
- Certain disclosures under IFRS 13 Fair Value Measurement; and disclosures required by IFRS 7 Financial Instrument Disclosures.

1 Accounting policies **(Continued)**

1.3 Changes in accounting policies

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

Initial adoption of IFRS 16 Leases
IFRS 16 (effective 1 January 2019) replaces IAS 17 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. The Company applied IFRS 16 using the modified retrospective approach, under which the Company has measured the right-of-use assets at the value of lease liability (adjusted for prepaid 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 accounting policy under IFRS 16 is set out in 1.9.

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 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 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 revenue shown in the profit and loss account represents the value of fees and services rendered, exclusive of value added tax. Revenue from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Revenue is recognised over time rather than a point in time.

The Company's preferred method of revenue is the output method in which revenue is recognised based on the units of work performed and the price allocated thereto. This method is applied provided that the progress of the work performed can be measured based on the contract and during the contract's performance. Under the output method the units of works completed under each contract are measured monthly and the corresponding output is recognised as revenue. Where it is not practicable to apply this 'units of production' output method the percentage of completion input method is used. Under this input method cost are recognised as incurred and revenue is recognised based on the proportion of total costs at the reporting date to the estimated total cost of the contract.

Principal and agent considerations:
Management have considered whether the Company acts as principal or agent for those contracts which involve another subcontracting party in the provision of goods or services to the customer.

An entity is a principal if it controls the specified good or service before that good or service is transferred to a customer. An entity that is a principal may satisfy its performance obligation to provide the specified good or service itself or it may engage another party (for example, a subcontractor) to satisfy some or all of the performance obligation on its behalf.

Capita has autonomy to select and appoint the subcontractors who perform the construction and civils work. Capita apply a margin to the subcontracted costs, and are responsible for supervising, managing and acting as site foreman on the schemes. Materially therefore Capita are in control of the transaction with the subcontractor and would be considered a principal for the contract. The Company therefore recognises revenue in the gross amount of consideration to which it expects to be entitled in exchange for the specified good or service transferred.Gain-share arrangements:
The Company has contracts which include gain-sharing arrangements. Capita utilise the historical, current and forecast information, to determine the variable consideration for the promised services, using the expected value method permitted by the standard.

At inception of each performance obligation, Capita will include in the transaction price an amount of variable consideration estimated only to the extent that it is highly probable that a significant reversal of cumulative revenue recognised will not occur. Capita recognise 75% of the gain share revenue subsequent to client sign off and the residual 25% after payment from the client.

1 Accounting policies **(Continued)**

1.4 Revenue recognition (continued)

Contract fulfilment assets

Contract fulfilment costs are divided into
- costs that give rise to an asset; and
- 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:
- the costs directly relate to a contract or to a specifically identifiable anticipated contract;
- 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
- 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.

Capitalisation of costs to obtain a contract
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, de-recognition 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.

1 Accounting policies **(Continued)**

1.4 Revenue recognition (continued)

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.
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.

1.5 Goodwill

Goodwill is stated at cost less accumulated impairment losses. It is not amortised but is tested annually for impairment which is in accordance with FRS 101.A2.8. This is not in accordance with the Large and Medium-sized Companies and Group (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 period 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.

On adoption of FRS 101, the Company restated business combinations that took place between 1 January 2014 and 31 December 2014. The Company, therefore, restated its opening balances in 2014 to reflect the position had IFRS 3 'Business Combinations' been in effect since 1 January 2014.

1.6 Intangibles

Client lists and relationships
Client lists and relationships are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful lives of 4 to 10 years.

Capitalised software development
Intangibles are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over its estimated useful life of between 3 and 5 years.

1 Accounting policies **(Continued)**

1.7 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:

Leasehold improvement	over the period of the lease
Furniture and fixtures	4 - 5 years
Computer equipment	3 - 5 years

1.8 Investments

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

1 Accounting policies **(Continued)**

1.9 Leasing

The Company leases various assets, comprising land and buildings and equipment.

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 lease liability is recognised in the balance sheet at the present value of minimum lease payments determined at the inception of the lease. A right-of-use asset 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. 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.

The Company as a lessor

The Company acts as an intermediate lessor of property assets and equipment**.** When the Company acts as a lessor, it determines at lease commencement whether the lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership in relation to the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. The Company recognises lessor payments under operating leases as income on a straight-line basis over the lease term. The Company accounts for finance leases as finance lease receivables, using the effective interest rate method.

1 Accounting policies **(Continued)**

1.10 Pensions

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

In addition, the Company participates in a number of 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 these schemes and as such are reported on a defined contribution basis recognising a cost equal to its contribution paid during the year.(See note 23).

The Company also participates in the Capita Pension and Life Assurance Scheme (the "Capita DB Scheme"). As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the Capita DB Scheme to participating entities, the net defined benefit cost is recognised fully by the principal employer (Capita Business Services Limited). The Company then recognises a cost equal to its contribution paid during the year.

The contributions payable by the participating entities are determined on the following basis:

- The Capita DB Scheme provides benefits on a defined benefit basis funded from assets held in a separate trustee- administered fund.
- The Capita DB Scheme is a non-segregated scheme but there are around 200 different sections in the scheme where each section provides benefits on a particular basis (some based on final salary, some based on career average earnings) to particular groups of employees.
- At each funding assessment of the Capita DB Scheme (carried out triennially) the contribution rates for all those sections where there are remaining 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 Capita DB Scheme.

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

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

1 Accounting policies **(Continued)**

1.10 Pensions (continued)

In addition, the Company has two ring-fenced sections in an industry-wide pension scheme which require contributions to be made to separate trustee-administered funds. The costs of providing benefits under this scheme is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of the defined benefit obligation) and is based on actuarial advice.

Past service costs are recognised immediately in the income statement.

When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs the obligation and related plan assets are re-measured using current actuarial assumptions and the resultant gain or loss recognised in the income statement during the period in which the settlement or curtailment occurs.

Re-measurements of the net defined benefit asset/liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income and reflected immediately in retained earnings and will not be reclassified to the income statement. The Company determines the net interest expense/income on the net defined benefit asset/liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the then net defined benefit asset/liability, taking into account any changes in the net defined benefit asset/liability during the period as a result of contributions and benefit payments.

Current and past service costs are charged to operating profit while the net interest cost cost is included within net finance costs.

The liability on the balance sheet in respect of this defined benefit pension scheme comprises the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the present value of any amount the Company expects to recover by way of refunds from the plan or reductions in the future contributions.

1.11 Provisions

A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1 Accounting policies **(Continued)**

1.12 Taxation

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

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

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

Deferred tax liabilities are recognised for all taxable temporary differences:

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

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

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

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

1 Accounting policies **(Continued)**

1.13 Share-based payments

The Company participates in various share option and sharesave schemes operated by Capita plc, the ultimate parent undertaking. Details of these schemes are contained in the Group's annual report.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined using an option pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions).

No expense is recognised for awards that do not ultimately vest as a result of not meeting performance or service conditions. Where all service and performance vesting conditions have been met, the awards are treated as vesting, irrespective of whether or not the market condition is satisfied, as market conditions have been reflected in the fair value of the equity instruments.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense, attributable to the Company, since the previous balance sheet date is recognised in the profit and loss account and settled with Capita plc, the ultimate parent undertaking.

In accordance with IFRS 2, share option awards of the ultimate parent Company's equity instruments in respect of settling grants to employees of the Company are disclosed as a charge to the profit and loss account and a credit to equity. The Company's policy is to reimburse its ultimate parent Company through the intercompany account for charges that are made to it. Hence the credit to equity has been eliminated, rather reflecting a credit to inter-Company which better describes the underlying nature of the transaction.

1.14 Financial instruments

Investments and other financial assets

(i) Classification
The Company classifies its financial assets in the following measurement categories:

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

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

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).

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

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

1 Accounting policies **(Continued)**

1.14 Financial instruments (Continued)

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

Debt instruments
Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in income statement and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in income statement.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to income statement and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses), and impairment expenses are presented as a separate line item in the income statement.

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in income statement and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to income statement following the derecognition of the investment. Dividends from such investments continue to be recognised in income statement as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

1 Accounting policies **(Continued)**

1.14 Financial instruments (Continued)

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

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 an original maturity of 3 months or less. Bank overdrafts are shown within current financial liabilities.

Interest-bearing loans and borrowings
All loans and borrowings are initially recognised at their fair value less any directly attributable transaction costs.

After initial recognition, loans and borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Gains and losses are recognised in the income statement when the liabilities are derecognised, as well as through the amortisation process.

1.15 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.

1.16 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. The results of overseas operations are translated at average rates of exchange. All differences are taken to the profit and loss account.

Where the functional currency of branches differs from the presentational currency of the Company, the branches results and financial position are translated by converting the assets and liabilities at the closing rate at the balance sheet date. Income and expenses recognised in the period are translated at the average rates of exchange with all resulting differences being recognised through the foreign currency translation reserve.

1 Accounting policies **(Continued)**

1.17 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.

1.18 Guarantees

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

2 Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires the Directors to make judgements and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported income and expense during the reported periods. Although these judgements and assumptions are based on the Directors' best knowledge of the amount, events or actions, actual results may differ 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 measurement and impairment of goodwill and provisions. 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 intangible assets are allocated. This involves estimation of future cash flows and choosing a suitable discount rate. The measurement of provisions 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, requires 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. 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.

3 Revenue

Geographical market	2019	2018
	£	£
United Kingdom	134,788,071	137,915,942
Overseas	4,964,331	4,905,383
	139,752,402	**142,821,325**

4 Operating profit/(loss)

	2019	2018
	£	£
Operating profit for the year is stated after charging/(crediting):		
Net foreign exchange loss/(gains)	218,891	(135,051)
Depreciation of property, plant and equipment	734,954	434,509
Amortisation of intangible assets	164,698	148,490
Impairment of intangible assets	212,382	-
Depreciation of right-of-use assets	1,769,592	-
Impairment of right-of-use assets	379,681	-
Operating lease rentals - land and buildings	-	1,540,562
Operating lease rentals - plant and machinery	1,631,398	1,598,000

During the year, deferred income of £1,465,624 (2018: £2,927,892) was released for a contract. As this contract ended in 2019, the revenue from this contract will not be repeated in the future years.

Audit fees are borne by the ultimate parent undertaking, Capita plc. The audit fee for the current period was £ 73,903(2018: £71,750). 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 Other income

	2019	2018
	£	£
Rental income	252,444	-
	252,444	**-**

6 Net finance income /(cost)

	2019	2018
	£	£
Interest on lease liability	(99,391)	-
Interest income/(expense)	188,841	(185,748)
Interest on the net defined benefit asset	40,000	30,000
	129,450	**(155,748)**

7 Leases under IFRS 16

	2019
	£
Interest expense on lease liabilities	99,391
Impairment of right-of-use assets	379,681
Depreciation of right-of-use assets	1,769,592
Short term leases	1,631,398

8 Income tax

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

	2019	2018
	£	£
Current income tax		
UK corporation tax	205,192	(200,158)
Adjustments in respect of prior periods	422,699	1,271,086
	627,891	**1,070,928**
Deferred income tax		
Origination and reversal of temporary differences	121,021	178,237
Adjustment in respect of prior periods	397,974	(322,120)
	518,995	**(143,883)**
Total tax charge reported in the income statement	**1,146,886**	**927,045**

Statement of comprehensive income	**2019**	**2018**
	£	£
Deferred income tax movement in relation to actuarial losses on defined benefit plans	(74,800)	(15,300)

8 Income tax **(Continued)**

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

	£	£
Profit/(loss) before tax	4,680,164	(503,868)
Profit/(loss) before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	889,231	(95,735)
Taxation impact of factors affecting tax charge:		
Adjustments in respect of current income tax of prior periods	422,699	524,792
Adjustments in respect of deferred tax of prior periods	397,974	(322,120)
Expenses not deductible for tax purposes	32,235	94,783
Impact of changes in statutory tax rates	(14,237)	(20,969)
Non taxable income	(581,016)	-
Overseas tax suffered	-	746,294
Total tax adjustments	257,655	1,022,780
Total tax charge reported in the income statement	**1,146,886**	**927,045**

	Balance sheet		Income Statement	
	2019	**2018**	**2019**	**2018**
	£	**£**	**£**	**£**
Deferred tax assets				
Decelerated capital allowances	1,153,273	821,439	(331,834)	(43,475)
Losses	2,596,950	2,377,566	(219,384)	(20,892)
Contract fulfilment asset	(124,417)	-	124,417	(241,290)
Other short term timing differences	(921,697)	20,699	942,396	156,674
Surplus pension asset	(171,700)	(243,100)	3,400	5,100
Deferred income liability	-	-	-	-
Deferred tax assets	**2,532,409**	**2,976,604**		
Net deferred tax expense/(credit) to income statement			518,995	(143,883)
Net deferred tax credit to other comprehensive income			(74,800)	(15,300)
Total deferred tax expense/(credit)			**444,195**	**(159,183)**

8 Income tax **(Continued)**

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 £410,028.

9 Property, plant and equipment

	Leasehold improvement	Furniture and fixtures	Computer equipment	Total
	£	£	£	£
Cost				
At 1 January 2019	**637,916**	**298,053**	**911,416**	**1,847,385**
Additions	690,661	162,700	155,463	1,008,824
Disposals	-	-	(475)	(475)
Asset retirement	(121,692)	(42,198)	(68,775)	(232,665)
At 31 December 2019	**1,206,885**	**418,555**	**997,629**	**2,623,069**
Depreciation and impairment				
At 1 January 2019	**(371,313)**	**(32,145)**	**(195,452)**	**(598,910)**
Disposals	-	-	158	158
Depreciation	(178,599)	(126,471)	(429,884)	(734,954)
Asset retirement	121,692	42,198	68,775	232,665
At 31 December 2019	**(428,220)**	**(116,418)**	**(556,403)**	**(1,101,041)**
Net book value				
At 31 December 2018	**266,603**	**265,908**	**715,964**	**1,248,475**
At 31 December 2019	**778,665**	**302,137**	**441,226**	**1,522,028**

10 Intangible assets

	Capitalised software development	Client Lists and Relationship	Goodwill	Total
	£	£	£	£
Cost				
At 1 January 2019	**771,165**	**637,000**	**87,269,167**	**88,677,332**
Additions	17,713	-	-	17,713
Asset retirement	(168,530)	-	-	(168,530)
At 31 December 2019	**620,348**	**637,000**	**87,269,167**	**88,526,515**
Amortisation and impairment				
At 1 January 2019	**(464,247)**	**(424,618)**	**(44,076,022)**	**(44,964,887)**
Amortisation	(164,698)	-	-	(164,698)
Impairment	-	(212,382)	-	(212,382)
Asset retirement	168,530	-	-	168,530
At 31 December 2019	**(460,415)**	**(637,000)**	**(44,076,022)**	**(45,173,437)**
Net book value				
At 31 December 2018	**306,918**	**212,382**	**43,193,145**	**43,712,445**
At 31 December 2019	**159,933**	**-**	**43,193,145**	**43,353,078**

11 Right of use assets

	Land and buildings Freehold	**Equipment**	**Total**
	£	**£**	**£**
Balance at 1 January 2019	**-**	**-**	**-**
Adjustment on transition to IFRS 16 (refer note 29)	2,970,750	2,145,019	5,115,769
Additions	264,453	5,229	269,682
Depreciation charge for the year	(1,310,049)	(459,543)	(1,769,592)
Impairment	(379,681)	-	(379,681)
Termination	(59,364)	(18,884)	(78,248)
Balance at 31 December 2019	**1,486,109**	**1,671,821**	**3,157,930**

12 Contract fulfilment assets

	£
Cost	
As at 1 January 2018	**1,392,772**
Utilised during the year- underlying	(294,049)
Derecognition	(20,543)
As at 31 December 2018	**1,078,180**
Transfer from accrued income and prepayments	749,806
Reclass to current contract fulfilment assets	(294,049)
Utilised during the year- underlying	(294,048)
As at 31 December 2019	**1,239,889**

13 Investment in subsidiaries

	Shares in subsidiary £
At 1 January 2019	**9,240,745**
Disposals	(304)
At 31 December 2019	**9,240,441**

Details of the Company's direct subsidiaries at 31 December 2019 are as follows:

Company	Country of registration or incorporation	Ordinary shares held (%)	Nature of business
Capita Property and Infrastructure (Structures) Limited	30 Berners Street, London, England, W1T 3LR	100	Property Services
Urban Vision Partnership Limited	Civic Centre, Chorley Road, Swinton, M27 5AS, United Kingdom	50	Property Services
Capita Glamorgan Consultancy Limited	30 Berners Street, London, England, W1T 3LR	51	Property Services
NB Real Estate Limited#	1 Radian Court, Knowhill, Milton Keynes, MK5 8PJ	100	Dormant
ESA Design Ltd#	1 More London Place, London, SE1 2AF	100	Property Services
RE (Regional Enterprise) Limited	30 Berners Street, London, England, W1T 3LR	51	Property Services
Capita Symonds Property and Infrastructure Consultants (KSA)	King Abdul Aziz Street, PO BOX 7052, Dammam, Saudi Arabia	50	Property Services
Capita Property and Infrastructure Consultants LLC#	1004 Bin Hamoodah Building, Khalifa Street, PO BOX 113 740, Abu Dhabi	49	Dormant
Lovejoy Partnership Limited*	1 More London Place, London, SE1 2AF	100	Dormant
Capita Symonds Limited (Libya Branch)	Sough Thalat Buildings 5, Apartment 2, Tripoli, Libyan Arab Jamahiriya	100	Dormant

(Continued)

13 Investment in subsidiaries

Capita Norman and Dawbarn Limited	Landmark Virtual Offices, Africa Re Building - Plot 1679, Karimu Kotun Street, Victoria Island, Lagos, Nigeria	97.3	Property Services
Capita Property and Infrastructure International Holdings Limited	30 Berners Street, London, England, W1T 3LR	100	Dormant

Details of all indirect subsidiaries as required by section 409 of the Companies Act 2006 are as follows:

Capita Cyprus Limited	3, Themistocles Dervis Street, Julia House, 4th Floor, Nicosia 1066, Cyprus	100	Dormant
Capita Symonds (Asia) Limited	30 Berners Street, London, England, W1T 3LR	100	Dormant
Symonds Travers Morgan (Hong Kong) Limited#	Suite 4301-5, Tower One Times Square, 1 Matheson Street, Causeway Bay, Hong Kong	100	Property Services
Capita Symonds (Structures) Limited (Israeli Branch)	38 Yefet Street, Jaffa, 68130, Israel	100	Dormant
Capita Symonds India Private Limited	Plant No-6, Godrej & Boyce Compound L.B.S Marg, Opp. Vikhroli Bus Depot Mumbai Mumbai City MH 400079 IN	100	Dormant
Design and Manage Europe Limited*	30 Berners Street, London, England, W1T 3LR	50	Dormant
Symonds Travers Morgan (Malaysia) SDN. BHD	Suite 13.03, 13th Floor, Menara Tan and Tan Razak, Kuala Lumpur, 50490, Malaysia	100	Dormant
Symonds Project Management Consultancy (Beijing) Ltd*	Zhucheng Building,Zhongguancun South Street, Haidian District, Beijing 100086	100	Dormant
Woolf Limited	30 Berners Street, London, England, W1T 3LR	100	Property Services
Capita Property and Infrastructure International Limited	30 Berners Street, London, England, W1T 3LR	100	Dormant

in liquidation   * Dissolved

14 Trade and other receivables

Current	2019 £	2018 £
Trade receivables	15,510,622	17,353,518
Other receivables	249,149	38,030
Accrued income	13,055,402	13,479,966
Prepayments	1,211,923	2,251,243
Contract fulfilment assets	294,049	-
Amounts due from parent and fellow subsidiary undertaking	6,408,177	7,798,164
	36,729,322	**40,920,921**

Non-current	2019 £	2018 £
Accrued income	609,300	1,680,084
Prepayments	513,345	486,857
	1,122,645	**2,166,941**

15 Cash

	2019 £	2018 £
Cash at bank and in hand	1,349,643	47,276
	1,349,643	**47,276**

16 Trade and other payables

	2019 £	2018 £
Current		
Trade payables	4,815,633	4,536,919
Other payables	374,243	653
Other taxes and social security	4,228,795	4,778,915
Accruals	5,513,252	5,940,139
Amounts due to parent and fellow subsidiary undertaking	18,520,247	17,978,908
	33,452,170	**33,235,534**

Trade payables are non-interest bearing and are settled within terms agreed with suppliers.

17 Deferred income

	2019	2018
	£	£
Current		
Deferred income	7,287,511	8,815,281
	7,287,511	**8,815,281**
Non-current		
Deferred income	5,421,049	6,769,182
	5,421,049	**6,769,182**

18 Financial liabilities

	2019	2018
	£	£
Current		
Overdrafts	-	6,747,183
	-	**6,747,183**

19 Lease liabilities

	2019	2018
	£	£
Current		
Lease liabilities	927,739	-
	927,739	-
Non-current		
Lease liabilities	2,108,023	-
	2,108,023	-

In calculating the lease liability to be recognised on adoption, the Company used a weighted average incremental borrowing rate at 1 January 2019 ranging from 2.62% to 3.94% :

	2019
	£
Lease liabilities	
Operating lease commitments at 31 December 2018 disclosed under IAS 17	5,667,492
Operating lease commitment restated for 31 December 2018	(560,994)
Discounted using the incremental borrowing rate at 1 January 2019	(267,741)
Lease liabilities recognised as at 1 January 2019	**4,838,757**
out of which	
Current	1,746,893
Non Current	3,091,864

	2019	2018
	£	£
Maturity analysis - Contractual undiscounted cash flows		
Less than one year	947,712	1,913,154
Two to 5 years	2,195,795	3,193,344
Total undiscounted lease liabilities at 31 December	**3,143,507**	**5,106,498**

20 Provisions

Non current

	Insurance	Property	Others	Total
	£	£	£	£
As at 1 January 2019	934,113	248,728	541,042	1,723,883
Reclass to current	(934,113)	-	(541,042)	(1,475,155)
Additions during the year	-	22,354	-	22,354
As at 31 December 2019	**-**	**271,082**	**-**	**271,082**

Current

	Insurance	Property	Others	Total
	£	£	£	£
As at 1 January 2019	1,117,321	131,376	1,584,341	2,833,038
Reclass from non-current	934,113	-	541,042	1,475,155
Additions during the year	1,075,000	274,540	263,968	1,613,508
Release during the year	(81,479)	-	(814,760)	(896,239)
Utilisation	(2,032,189)	(47,585)	(839,315)	(2,919,089)
At 31 December 2019	**1,012,766**	**358,331**	**735,276**	**2,106,373**

Insurance represents professional indemnity provisions. The Directors make professional indemnity/litigation provisions for potential claims against the Company where appropriate. These may be established when internal controls identify potential issues or external notification of intent to make a claim is received. Out of the total insurance provision, £1,012,766 is expected to be utilised within 12 months.

The property provision represents dilapidation provisions. The Company is required to perform repairs on leased properties prior to the properties being vacated at the end of their lease term. Dilapidation provisions for such costs are where a legal obligation is identified and the liability can be reasonably quantified. Out of the total property provision, £358,331 is expected to be utilised within 12 months.

Other provisions includes restructuring provisions which is in respect of the major restructuring activities undertaken by the Group. It represents the cost of reducing role count. Other provision of £735,276 is expected to be utilised within 12 months.

21	**Issued share capital**	**2019 Numbers**	**2018 Numbers**	**2019 £**	**2018 £**
	Allotted, called up and fully paid				
	Ordinary shares of £1 each				
	At 1 January	1,475,933	1,475,933	1,475,933	1,475,933
	At 31 December	**1,475,933**	**1,475,933**	**1,475,933**	**1,475,933**

22 Contingent liabilities

The Company has provided through the normal course of its business, performance bonds and bank guarantees of £3,750,000 (2018: £3,963,616).

23 Employee benefits

The Company participates in both defined benefit and defined contribution pension schemes.

The pension charge for the defined contribution pension schemes for the year is £5,626,035.(2018: £5,639,686).

The Company has current and former employees who are members of: a number of public sector defined benefit pension schemes; the Capita Pension and Life Assurance Scheme (the "Capita DB Scheme") - a defined benefit scheme; and two sections of the Industry-Wide Coal Staff Superannuation Scheme - Capita Symonds HQ Employer Fund ("IWCSSS (HQ)") and Capita Symonds On site Employer Fund ("IWCSSS (OS)") – also a defined benefit scheme.

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.

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.

Capita DB Scheme
The Capita DB Scheme closed to future accrual of benefit on 30 November 2017 for the majority of active member. 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.

Responsibility for the operation and governance of the scheme lies with a Trustee Board which is independent of the Company. The Trustee Board is required by law to act in the interest of the scheme’s beneficiaries in accordance with the rules of the scheme and relevant legislation (which includes the Pension Schemes Act 1993, the Pensions Act 1995 and the Pensions Act 2004). The nature of the relationship between the Company and the Trustee Board is also governed by the rules of the scheme and relevant legislation.

The assets of the scheme are held in a separate fund (administered by the Trustee Board) to meet long-term pension liabilities to beneficiaries. The Trustee Board invest the assets in line with their Statement of Investment Principles, which is regularly reviewed

The pension charge for the Company in relation to the Capita DB Scheme for the year was £890,845 (2018: £881,790).

(Continued)

23 Employee benefits

A full funding assessment of the Capita DB Scheme is carried out every three years by an independent actuary for the Trustee, with the last full assessment carried out at 31 March 2017. Amongst the main purposes of the assessment 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 assessment, 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 is being 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 assessment to 31 December 2019 on the relevant accounting requirements.

The principal assumptions for the valuation at 31 December 2019 were as follows: rate of increase in the RPI/CPI price inflation - 3.0% pa/2.0% pa (2018: 3.2% pa/2.2% pa); rate of 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.

IWCSSS (HQ) and IWCSSS (OS)

Responsibility for the operation and governance of the scheme lies with a Trustee Board which is independent of the Company. The Trustee Board is required by law to act in the interest of the scheme’s beneficiaries in accordance with the rules of the scheme and relevant legislation (which includes the Pension Schemes Act 1993, the Pensions Act 1995 and the Pensions Act 2004). The nature of the relationship between the Company and the Trustee Board is also governed by the rules of the scheme and relevant legislation.

The assets of the scheme are held in a separate fund (administered by the Trustee Board) to meet long-term pension liabilities to beneficiaries. The Trustee Board invest the assets in line with their Statement of Investment Principles, which is regularly reviewed.

The most recent funding assessment of the scheme which was carried out as at 31 December 2018 revealed assets in excess of the assessed value of the pension liabilities for both sections.

The next scheduled scheme funding assessment will be carried out with an effective date of 31 December 2021.For the purpose of the consolidated accounts of Capita plc, an independent qualified actuary projected the results of the 31 December 2018 valuation to 31 December 2019.

(Continued)

23 Employee benefits

IWCSSS (HQ) and IWCSSS (OS)
Defined benefit scheme
Key assumptions

	2019	2018
	%	%
Discount rate	2.05	2.85
Pension growth rate (RPI)	3	3.1
Salary growth rate	3.0	3.2

Mortality assumptions

	2019	2018
	Years	Years
Assumed life expectations on retirement at age 65:		
-Males	22.7	22.7
-Females	24.2	24.3
Member currently aged 45 (life expectancy at 65)		
-Males	23.1	23.1
-Females	25.2	25.4

Amount recognised in income statement in respect of defined benefit plans are as follows:

	2019	2018
Net interest on defined benefit liability/(asset)	(40,000)	(30,000)
	(40,000)	**(30,000)**

Amount recognised in other comprehensive income in respect of defined benefit plans are as follows:

	2019	2018
	£	£
Actuarial changes arising from changes in demographic assumptions	(20,000)	
Actuarial changes arising from changes in financial assumptions	120,000	(140,000)
Actuarial changes arising from experience	540,000	-
Actuarial changes related to plan assets	(200,000)	230,000
Total actuarial loss/(gain)	**440,000**	**90,000**

(Continued)

23 Employee benefits

The amounts included in the statement of financial position arising from the Company's obligations in respect of defined benefit plans are as follows:

	2019	2018
	£	£
Present value of defined benefit obligations	1,220,000	2,450,000
Fair value of plan assets	(2,230,000)	(3,880,000)
Surplus in scheme	**(1,010,000)**	**(1,430,000)**

Movements in the present value of defined benefit obligations are as follows :

	2019	2018
	£	£
At 1 January	2,450,000	2,550,000
Current service cost	-	-
Aministrative cost	20,000	-
Benefits paid	(1,960,000)	(30,000)
Actuarial gains and losses	640,000	(140,000)
Interest cost	70,000	70,000
At 31 December	**1,220,000**	**2,450,000**

The defined benefit obligations arise from plans funded as follows :

	2019	2018
	£	£
Wholly or partly funded obligations	1,220,000	2,450,000

Movement in the fair value of plan assets are as follows :

	2019	2018
	£	£
At 1 January	3,880,000	4,040,000
Interest income	110,000	100,000
Return on plans assets (excluding amounts including in net interest)	200,000	(230,000)
Benefits paid	(1,960,000)	(30,000)
Contribution by the employer	-	-
At 31 December	**2,230,000**	**3,880,000**

The actual return on plan assets was £310,000 (2018 : (£130,000)).

(Continued)

23 Employee benefits

Sensitivity of the defined benefit obligations to changes in assumptions

	2019	2018
	£	£
0.1% p.a decrease in discount rate	1,240,000	2,490,000
0.1% p.a increase in salary growth rate	1,220,000	2,450,000
0.1% p.a increase in inflation rate	1,240,000	2,480,000
1 year increase in life expectancy	1,270,000	2,550,000

The fair value of plan assets at the reporting period end was as follows:

	Quoted 2019	Unquoted 2019	Quoted 2018	Unquoted 2018
	£	£	£	£
Equity instruments	460,000	-	692,000	-
Debt instruments	730,000	-	1,492,000	-
Property	170,000	-	284,000	-
Diversified Growth Funds	410,000	-	704,000	-
Multi-asset credit fund	460,000	-	708,000	-
	2,230,000	**-**	**3,880,000**	**-**

Risks associated with the Company's pension schemes
The Capita DB Scheme, IWCSSS (HQ) and IWCSSS (OS) expose the Company to various risks, with the key risks set out below:

Investment risk: the schemes invest in a wide range of assets with a view to provide long-term investment returns at particular levels. There is a risk that investment returns are lower than expected which, in isolation, could result in a worsening of the funding position of the schemes.

Interest rate risk: the discount rate is derived based on the yields available on good quality corporate bonds of suitable duration. If these yields decrease, then in isolation, this would increase the value placed on the defined benefit obligation and result in a worsening of the funding position of the schemes.

Inflation risk: the liabilities of the schemes are linked to future levels of inflation. If future inflation is higher than expected then this would result in the cost of providing the benefits increasing and thereby worsening the funding position of the schemes.

Longevity risk: if members live longer than expected, then pensions will be paid for a longer time which will increase the value placed on the liabilities and therefore worsen the funding position of the schemes.

In order to manage these risks, the Company and the trustees carry out regular assessments of these risks. Refer to the full disclosures available in the consolidated accounts of Capita plc for further information.

24 Employees

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

	2019 Number	2018 Number
Sales	18	26
Administration	145	185
Operations	1,410	1,630
	1,573	**1,841**

Their aggregate remuneration comprised:

Employee costs	**2019 £**	**2018 £**
Wages and salaries	62,251,187	73,874,787
Social security costs	7,239,398	8,575,001
Pension costs	6,516,880	6,521,476
Shared based payments	18,765	58,099
	76,026,230	**89,029,363**

25 Related party transactions

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

Nature of Transaction	Name of Company	Year	Fellow Subsidiary	Subsidiaries	Enterprises over which Company exercises significant influence	Total
Purchase of Goods/ Services						**£**
	Capita Norman and Dawbarn Ltd	December 31, 2019	-	-	-	-
		December 31, 2018	-	118,495	-	118,495
	Capita Gwent Consultancy Ltd	December 31, 2019	-	-	-	-
		December 31, 2018	-	1,088	-	1,088
	Urban Vision Partnership Ltd	December 31, 2019	-	825,425	-	825,425
		December 31, 2018	-	758,595	-	758,595
	Capita Glamorgan Consultancy	December 31, 2019	-	801,144	-	801,144
		December 31, 2018	-	520,756	-	520,756
	Entrust Support Services Ltd	December 31, 2019	225	-	-	225
		December 31, 2018	980	-	-	980
	RE (Regional Enterprise) Ltd	December 31, 2019	-	-	-	-
		December 31, 2018	-	1,485,096	-	1,485,096
	Capita Southampton Limited*	December 31, 2019	-	-	-	-
		December 31, 2018	27,505	-	-	27,505
	Fera Science Limited	December 31, 2019	-	3,092	-	3,092
		December 31, 2018	-	6,604	-	6,604
	Axelos Limited	December 31, 2019	-	225	-	225
		December 31, 2018	-	-	-	-
	Total					
		December 31, 2019	**225**	**1,629,886**	**-**	**1,630,111**
		December 31, 2018	**28,485**	**2,890,634**	**-**	**2,919,119**

25 Related party transactions **(Continued)**

Nature of Transaction	Name of Company	Year	Fellow Subsidiary	Subsidiaries	Enterprises over which Company exercises significant influence	Total
Sales of Goods						**£**
	Urban Vision Partnership Ltd	December 31, 2019	-	3,547,462	-	3,547,462
		December 31, 2018	-	3,159,993	-	3,159,993
	Capita Glamorgan Consultancy	December 31, 2019	-	2,335,282	-	2,335,282
		December 31, 2018	-	2,041,366	-	2,041,366
	Entrust Support Services Ltd	December 31, 2019	-	20,842	-	20,842
		December 31, 2018	77,282	-	-	77,282
	Axelos Limited	December 31, 2019	-	1,468	-	1,468
		December 31, 2018	-	-	-	-
	RE (Regional Enterprise) Ltd	December 31, 2019	-	14,350,810	-	14,350,810
		December 31, 2018	-	12,673,681	-	12,673,681
	Capita Southampton Limited*	December 31, 2019	-	-	-	-
		December 31, 2018	182,215	-	-	182,215
	Fera Science Limited	December 31, 2019	-	-	-	-
		December 31, 2018	-	61,465	-	61,465
	Cap Symonds Prop. and Infra.Cons.	December 31, 2019	-	-	-	-
		December 31, 2018	-	-	194,231	194,231
	Total					
		December 31, 2019	**-**	**20,255,864**	**-**	**20,255,864**
		December 31, 2018	**259,497**	**17,936,505**	**194,231**	**18,390,233**

25 Related party transactions **(Continued)**

Closing balance of Related Parties

Nature of Transaction	Name of Company	Year	Fellow Subsidiary	Subsidiaries	Enterprises over which Company exercises significant influence	Total
Trade Payables						**£**
	Capita Norman and Dawbarn Ltd	December 31, 2019	-	624,192	-	624,192
		December 31, 2018	-	420,956	-	420,956
	Total					
		December 31, 2019	-	**624,192**	-	**624,192**
		December 31, 2018	-	**420,956**	-	**420,956**
	Trade Receivables					
	Urban Vision Partnership Ltd	December 31, 2019	-	122,422	-	122,422
		December 31, 2018	-	268,658	-	268,658
	Capita Glamorgan Consultancy	December 31, 2019	-	28,218	-	28,218
		December 31, 2018	-	213,121	-	213,121
	Entrust Support Services Ltd	December 31, 2019	-	-	-	-
		December 31, 2018	3,516	-	-	3,516
	Axelos Limited	December 31, 2019	-	-	-	-
		December 31, 2018	-	-	-	-
	RE (Regional Enterprise) Ltd	December 31, 2019	-	944,095	-	944,095
		December 31, 2018	-	2,113,180	-	2,113,180
	Capita Southampton Limited*	December 31, 2019	-	-	-	-
		December 31, 2018	11,848	-	-	11,848

25 Related party transactions **(Continued)**

Closing balance of Related Parties

Nature of Transaction	Name of Company	Year	Fellow Subsidiary	Subsidiaries	Enterprises over which Company exercises significant influence	Total
Trade Receivables						**£**
	Capita Gwent Consultancy Limited	December 31, 2019	-	99,871	-	99,871
		December 31, 2018	-	-	-	-
	Cap Symonds Prop.and Infra.Cons.	December 31, 2019	-	-	1,143,369	1,143,369
		December 31, 2018	-	-	1,461,111	1,461,111
	Total					
		December 31, 2019	**-**	**1,194,606**	**1,143,369**	**2,337,975**
		December 31, 2018	**15,364**	**2,594,959**	**1,461,111**	**4,071,434**

*Capita Southampton Limited is now a wholly owned sub in 2018. Hence no balances disclosed as we have taken exemption under FRS 101 reduced disclosure framework.

26 Directors' remuneration

	2019	2018
	£	£
Remuneration for qualifying services	1,260,521	1,319,405
Company pension contributions to defined contribution schemes	62,536	61,237
	1,323,057	**1,380,642**

Four Directors (2018 : 7) were paid by the Company and two Directors were paid by the other companies within the Capita. The other 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.

The number of Directors for whom retirement benefits are accruing under defined contribution schemes amounted to 6 (2018 - 7).

The number of Directors who exercised share options during the year was nil (2018 - nil).
Remuneration disclosed above include the following amounts paid to the highest paid Director:

	2019	2018
	£	£
Remuneration for qualifying services	316,363	475,678
Company pension contributions to defined contribution schemes	2,631	33
	318,994	**475,711**

27 Controlling party

The Company's immediate parent undertaking is Capita Property and Infrastructure Holdings Limited, a company incorporated in England and Wales.

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

28 Reconciliation of opening balance as at 1 January 2019

	Carrying amount - 31 December 2018	Impact on Adoption of IFRS 16	Remeasured carrying amount as at 1 January 2019
Assets			
Right-of-use assets (a)	-	5,115,770	5,115,770
Trade and other receivables (c)	40,920,921	(321,894)	40,599,027
Liabilities			
Lease liabilities			
Current (b)	-	(1,746,893)	(1,746,893)
Non-current (b)	-	(3,091,864)	(3,091,864)
Provisions- current (c)	(2,833,038)	44,881	(2,788,157)

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 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.

c 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.

29 Post balance sheet event

The Company has by special resolution dated 13 January 2020 reduced the share premium to £nil and credited the same to retained earnings.

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

For the Company's 31 December 2019 financial statements, the Coronavirus outbreak and the related impacts are considered non-adjusting events. The Directors have assessed that there is no material impact on the recognition and measurement of assets and liabilities as a result of this subsequent event.