Company Registration No. 04968329 (England and Wales)

KNOWLEDGEPOOL GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

KNOWLEDGEPOOL GROUP LIMITED

COMPANY INFORMATION

Directors	S N Taylor on behalf of Capita Corporate Director Limited	
	C Free	(Appointed 14 October 2019)
Secretary	Capita Group Secretary Limited	
Company number	04968329	
Registered office	30 Berners Street London England W1T 3LR	
Auditor	KPMG LLP 15 Canada Square London E14 5GL	
Banker	Barclays Bank PLC 1 Churchill Place London EC2A 2HS	

KNOWLEDGEPOOL GROUP LIMITED

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KNOWLEDGEPOOL GROUP LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Review of the business

Knowledgepool Group Limited (the “Company”) is a wholly owned subsidiary (indirectly held) of Capita plc and operates within the Group's People Solutions division. Capita plc along with its subsidiaries is hereafter referred to as "the Group".

The principal activity of the Company continued to be that of providing managed learning services. 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.

As shown in the Company's income statement on page 8, the revenue has decreased from £55,656,000 in 2018 to £52,033,000 in 2019. There is a profit before tax of £3,611,000 in 2019 as compared to loss before tax of £353,000 in 2018. The decrease in revenue is primarily due to a large insurance business contract expiring. The improvement in profit before tax is due to a one off £1,514,000 provision for historic VAT liabilities recorded in 2018, of which £400,000 was subsequently released in 2019; in addition to cost reductions achieved as part of the Group’s transformation programme.

Further, as part of Group wide restructuring, with the Overhead function being restructured a number of overhead roles have actually moved across to Capita Business Services Limited (a fellow subsidiary). This has reduced the employee base and as a result the employee costs have also reduced.

The balance sheet on page 9 and 10 of the financial statements shows the Company's financial position at the year end. Net assets have increased from £6,487,000 in 2018 to £9,393,000 in 2019. Details of amounts due from/to its parent company and fellow subsidiary undertakings are shown in notes 9 and 11 to the financial statements.

Key performance indicators used by Capita plc are 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 People Solutions division of Capita plc is discussed in the Group's annual report which does not form part of this report.

Principal risks and uncertainties

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

The principal themes of risk for the Company are:

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

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

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

Capita plc has also implemented appropriate controls and risk governance techniques across all of its 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 People Solutions Division of Capita plc 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	Gauging client perception and feedback	Client survey; Regular meetings with clients and annual reviews with larger clients	Receipt of regular detailed feedback summaries showing no significant issues.	Continue to monitor client feedback
Suppliers and Partners	Payment practices	Account management meetings with large suppliers	Knowledgepool is now part of the UK Prompt Payment Code to address supplier payment issues.	
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

On behalf of the Board

S N Taylor on behalf of Capita Corporate Director Limited

Director

7 September 2020

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

Results and dividends

The results for the year are set out on page 8.
The Company has not paid or proposed any dividends during the year (2018: £nil).

Directors

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

S N Taylor on behalf of Capita Corporate Director Limited	
D R Bance	(Resigned 25 October 2019)
C Free	(Appointed 14 October 2019)

Political donations

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

Auditors

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

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

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

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

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

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

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

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

Statement of disclosure to auditor

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

Qualifying third party indemnity provisions

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

On behalf of the Board

S N Taylor on behalf of Capita Corporate Director Limited

Director
30, Berners Street, London, England, W1T 3LR

7 September 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KNOWLEDGEPOOL GROUP LIMITED

Opinion

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

In our opinion the financial statements:

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

Basis for opinion

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

Material uncertainty relating to going concern

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

Our opinion is not modified in respect of this matter.

Strategic report and Directors' report

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF KNOWLEDGEPOOL GROUP LIMITED

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 3 and 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF KNOWLEDGEPOOL GROUP 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.

RMartin

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

7 September 2020

KNOWLEDGEPOOL GROUP LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £'000	2018 £'000
Revenue	**3**	52,033	55,656
Cost of sales		(46,372)	(50,501)
Gross profit		**5,661**	**5,155**
Administrative expenses		(2,050)	(5,508)
Profit/(loss) before tax		**3,611**	**(353)**
Income tax (charge)/credit	**5**	(705)	124
Total comprehensive income/(expense) for the year		**2,906**	**(229)**

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 recognised in the income statement.

The notes on pages 12 to 27 form an integral part of these financial statements.

KNOWLEDGEPOOL GROUP LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £'000	2018 £'000
Non-current assets			
Property, plant and equipment	**6**	121	194
Intangible assets	**7**	2,088	2,088
Contract fulfilment assets	**8**	110	150
Deferred tax	**5**	81	60
		2,400	**2,492**
Current assets			
Trade and other receivables	**9**	23,061	18,921
Cash	**10**	51	239
		23,112	**19,160**
Total assets		**25,512**	**21,652**
Current liabilities			
Trade and other payables	**11**	12,854	13,822
Deferred income	**12**	2,380	1,253
Financial liabilities	**13**	207	-
Income tax payable		678	90
		16,119	**15,165**
Total liabilities		**16,119**	**15,165**
Net assets		**9,393**	**6,487**

BALANCE SHEET (CONTINUED)

AS AT 31 DECEMBER 2019

	Notes	2019 £'000	2018 £'000
Capital and reserves			
Issued share capital	**15**	511	511
Share premium		2,648	2,648
Capital redemption reserve		30	30
Retained earnings		6,204	3,298
Total equity		**9,393**	**6,487**

The notes on pages 12 to 27 form an integral part of these financial statements.

Approved by the Board and authorised for issue on 7 September 2020

S N Taylor on behalf of Capita Corporate Director Limited
Director

Company Registration No. 04968329

KNOWLEDGEPOOL GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Share premium	Capital redemption reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000
At 1 January 2018	**511**	**2,648**	**30**	**3,527**	**6,716**
Total comprehensive expense for the year	-	-	-	(229)	**(229)**
At 31 December 2018	**511**	**2,648**	**30**	**3,298**	**6,487**
Total comprehensive income for the year	-	-	-	2,906	2,906
At 31 December 2019	**511**	**2,648**	**30**	**6,204**	**9,393**

Share capital
The balance classified as share capital is the nominal proceeds on issue of the Company's equity share capital, comprising 510,640 ordinary shares.

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

Capital redemption reserve
The Company can redeem shares by repaying the market value to the shareholder, whereupon the shares are cancelled. Redemption must be from distributable profits. The capital redemption reserve represents the nominal value of the shares redeemed.

Retained earnings
Net profits kept to accumulate in the Company after dividends are paid and retained in the business as working capital.

The notes on pages 12 to 27 form an integral part of these financial statements.

1 Accounting policies

1.1 Basis of preparation

Knowledgepool Group 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. In addition, the company has moved to new operating model with the aim of delivering more virtual courses.

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 certain services, such as administrative support services and should the Group be unable to deliver these services, the Company would have difficulty in continuing to trade;
- participation in the Group’s notional cash pooling arrangements, of which £995,547 was advanced as at 31 July 2020. In the event of a default by the Group, the Company may not be able to access this facility;
- recovery of receivables of £15,945,729 from fellow Group undertakings as of 31 July 2020. If these receivables are not able to be recovered when forecast by the Company, then the Company may have difficulty in continuing to trade; and

1 Accounting policies **(Continued)**

1.1 Basis of preparation (continued)

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

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

Ultimate parent undertaking – Capita plc

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

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

Material uncertainty

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

The Board is confident that the ESS disposal will be approved by shareholders and lenders, and based on this expectation believes that, even in a plausible but severe downside scenario, the Group will continue to have adequate financial resources to realise its assets and discharge its 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 cause significant doubt about the Group and therefore also the Company's ability to continue as a going concern.

1 Accounting policies (Continued)

1.2 Compliance with accounting standards

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

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

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

- A cash flow statement and related notes;
- Comparative period reconciliations for share capital, 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 IFRS;
- Certain disclosures as required by IFRS 15;
- Certain disclosures as required by IFRS 16 and
- Disclosures in respect of the compensation of key management personnel.

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

- Certain disclosures required by IFRS 2 Share Based Payments in respect of Group settled share based payments;
- Certain disclosures required by IAS 36 Impairments of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company, in the current and prior periods including the comparative period reconciliation for goodwill; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

1 Accounting policies **(Continued)**

1.3 Changes in accounting policies

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

Initial adoption of IFRS 16 Leases

IFRS 16 (effective 1 January 2019) replaces IAS 17 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. The Company has taken advantage of the exemptions in IFRS 16 in respect of short term leases and therefore the adoption of the above changes have had no impact on the financial statements of the Company.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 (effective 1 January 2019) addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. The Company has initially applied IFRIC 23 Uncertainty over Income Tax Treatments at 1 January 2019. The Company applies judgement in quantifying uncertainties over income tax treatments and has considered whether it should adjust its uncertain tax provisions in line with this new criteria. There is no impact on the Company's financial statements due to the application of IFRIC 23 (2018: £nil).

In addition, the Company has adopted the new amendments to standards detailed below but they do not have a material effect on the Company's financial statements:

New amendments or interpretation	Effective date
Prepayment features with negative compensation (Amendments to IFRS 9)	1 January 2019
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	1 January 2019
Plan amendment, curtailment or settlement (Amendments to IAS 19)	1 January 2019
Annual improvements to IFRS Standards 2015-2017 cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23)	1 January 2019

1.4 Revenue recognition

Revenue is earned within the United Kingdom.

The revenue and profits recognised in any period are based on the delivery of performance obligations and an assessment of when control is transferred to the customer.

Revenue is recognised either when the performance obligation in the contract has been performed (so 'point in time' recognition) or 'over time' as control of the performance obligation is transferred to the customer.

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

1 Accounting policies **(Continued)**

1.4 Revenue recognition (continued)

For contracts with multiple components to be delivered such as transformation, transitions and the delivery of outsourced services, management applies judgement to consider whether those promised goods and services are (i) distinct - to be accounted for as separate performance obligations; (ii) not distinct - to be combined with other promised goods or services until a bundle is identified that is distinct or (iii) part of a series of distinct goods and services that are substantially the same and have the same pattern of transfer to the customer.

The Company infrequently sells standard products with observable standalone prices due to the specialised services required by customers and therefore the Company applies judgement to determine an appropriate standalone selling price. More frequently, the Company sells a customer bespoke solution, and in these cases the Company typically uses the expected cost-plus margin or a contractually stated price approach to estimate the standalone selling price of each performance obligation.

If performance obligations in a contract do not meet the over-time criteria, the Company recognises revenue at a point in time.

Deferred and accrued income

The Company's customer contracts include a range of payment schedules dependent upon the nature and type of goods and services being provided. These payment schedules may include performance-based payments or progress payments as well as regular monthly or quarterly payments for ongoing service delivery.

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

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

1.5 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:

Computer equipment	3 - 5 years

1.6 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.

1.7 Leasing

Rentals payable under leases for which the short term leases exemption in IFRS 16 has been taken are charged against income on a straightline basis over the lease term.

1 Accounting policies **(Continued)**

1.8 Taxation

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

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

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

Deferred tax liabilities are recognised for all taxable temporary differences:

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

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

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

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

1.9 Pensions

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

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

1.10 Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

1 Accounting policies **(Continued)**

1.11 Financial instruments

Investments and other financial assets

Classification

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

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

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

Recognition and derecognition

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

Measurement

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

Impairment

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

Trade and other receivables

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

Trade and other payables

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

Cash and cash equivalents

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

1 Accounting policies **(Continued)**

1.12 Impairment of non-financial assets

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

1.13 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost. The Company provides, on a discounted basis, for the future rent expense and related cost of leasehold property (net of estimated sub-lease income) where the space is vacant or currently not planned to be used for ongoing operations.

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 of revenue and profit recognition on certain contractual arrangements.

3 Revenue

	2019	2018
	£'000	£'000
Revenue analysed by geographical market		
United Kingdom	52,033	55,656
	52,033	**55,656**

4 Profit for the year

	2019	2018
	£'000	£'000
Profit for the year is stated after charging/(crediting):		
Net foreign exchange (gains)/losses	(254)	18
Depreciation of property, plant and equipment	83	109
Amortisation of intangible assets	11	120
Contract fulfilment asset utilisation, impairment and derecognition	40	-
Lease rentals - plant and machinery	53	144

Audit fees are borne by the ultimate parent undertaking, Capita plc. The audit fee for the current period was £22,042 (2018: £21,400). The Company has taken advantage of the exemption provided by regulations 6(2)(b) of The Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 not to provide information in respect of fees for other (non-audit) services as this information is required to be given in the Company accounts of the ultimate parent undertaking, which it is required to prepare in accordance with the Companies Act 2006.

5 Income tax

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

	2019 £'000	2018 £'000
Current tax		
UK Corporation tax	703	(53)
Adjustments in respect of prior periods	23	(58)
	726	**(111)**
Deferred tax		
Origination and reversal of temporary differences	(14)	(13)
Adjustment in respect of prior periods	(7)	-
	(21)	**(13)**
Total tax charge/(credit) reported in the income statement	**705**	**(124)**

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

	2019 £'000	2018 £'000
Profit/(loss) before taxation	3,611	(353)
Profit/(loss) before taxation multiplied by standard rate of corporation tax in the UK of 19% (2018:19%)	686	(67)
Taxation impact of factors affecting tax charge:		
Expenses not deductible for tax purposes	1	-
Impact of changes in statutory tax rates	2	1
Adjustments in respect of current income tax of prior periods	23	(58)
Adjustments in respect of deferred income tax of prior periods	(7)	-
Total adjustments	19	(57)
Total tax charge/(credit) reported in the income statement	**705**	**(124)**

5 Income tax (Continued)

	Balance sheet 2019 £'000	Balance sheet 2018 £'000	Income statement 2019 £'000	Income statement 2018 £'000
Deferred tax assets				
Accelerated capital allowances	(71)	(60)	(11)	(13)
Other short term timing differences	(10)	-	(10)	-
Net deferred tax (asset)	**(81)**	**(60)**		
Deferred tax charge/(credit)			**(21)**	**(13)**

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 £9,563.

6 Property, plant and equipment

	Computer equipment £'000
Cost	
At 1 January 2019	404
Additions	16
Intragroup transfer	(8)
Asset retirement	(43)
At 31 December 2019	**369**
Depreciation and impairment	
At 1 January 2019	210
Intragroup transfer	(2)
Charge for the year	83
Asset retirement	(43)
At 31 December 2019	**248**
Net book value	
At 31 December 2018	**194**
At 31 December 2019	**121**

7 Intangible assets

	Development Costs	Goodwill	Total
	£'000	**£'000**	**£'000**
Cost			
At 1 January 2019	-	4,605	4,605
Additions	193	-	193
Intragroup transfer	(182)	-	(182)
Asset retirement	(11)	-	(11)
At 31 December 2019	**-**	**4,605**	**4,605**
Amortisation and impairment			
At 1 January 2019	-	2,517	2,517
Amortisation	11	-	11
Asset retirement	(11)	-	(11)
At 31 December 2019	**-**	**2,517**	**2,517**
Net book value			
At 31 December 2018	**-**	**2,088**	**2,088**
At 31 December 2019	**-**	**2,088**	**2,088**

8 Contract fulfilment assets

	£'000
As at 1 January 2018 - unaudited	**-**
Additions	150
As at 31 December 2018	**150**
Additions	-
Utilised during the year	(40)
At at 31 December 2019	**110**

9 Trade and other receivables

	2019	2018
	£'000	£'000
Trade receivables	5,168	4,768
Other receivables	-	43
Accrued income	1,858	1,322
Prepayments	46	243
Amounts due from parent and fellow subsidiary undertakings	15,989	12,545
	23,061	**18,921**

10 Cash

	2019	2018
	£'000	£'000
Cash at bank and in hand	51	239
	51	**239**

11 Trade and other payables

	2019	2018
	£'000	£'000
Trade payables	8,992	9,491
Other payables	9	9
Other taxes and social security	2,084	3,098
Accruals	4	369
Amounts due to parent and fellow subsidiary undertakings	1,765	855
	12,854	**13,822**

12 Deferred income

	2019	2018
	£'000	£'000
Current		
Deferred income	2,380	1,253
	2,380	**1,253**

13 Financial liabilities

	2019	2018
	£'000	£'000
Overdrafts	207	-
	207	**-**

14 Pensions

The total costs charged to income in respect of defined contribution plans is £73,000 (2018: £115,000).

15 Issued share capital

	2019 Numbers	2018 Numbers	2019 £'000	2018 £'000
Allotted, called up and fully paid				
Ordinary shares of £1 each				
At 1 January	510,640	510,640	511	511
At 31 December	**510,640**	**510,640**	**511**	**511**

16 Directors' remuneration

The Directors have not provided qualifying services to the Company and are paid by other companies within the Capita Group. Such remuneration has not been allocated to the Company. In addition to the above, the Directors of the Company were reimbursed for the expenses incurred by them whilst performing business responsibilities.

17 Employees

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

	2019 Number	2018 Number
Sales	-	16
Operations	29	77
Administration	4	1
	33	**94**

Their aggregate remuneration comprised:

Employee costs	2019 £'000	2018 £'000
Wages and salaries	2,509	2,584
Social security costs	128	279
Pension costs	73	115
	2,710	**2,978**

The wages and salaries costs for 2019 include an intercompany recharge of £1,588,683 from Capita Business Services Limited (the immediate parent company). This relates to 62 employees in Capita Business Services Limited providing services to the Company who are not included in the number of employees above. The Company has been appropriately recharged for these resources.

18 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	£'000
Purchase of Goods/ Services			
	Urban Vision Partnership Limited	2019	-
		2018	-
	Entrust Support Services Limited	2019	-
		2018	-
	Axelos Limited	2019	7
		2018	13
	Fera Science Limited	2019	2
		2018	-
	Total		
		2019	**9**
		2018	**13**

Nature of Transaction	Name of Company	Year	£'000
Sales of Goods			
	Capita Glamorgan Consultancy Limited	2019	4
		2018	1
	Urban Vision Partnership Limited	2019	10
		2018	1
	Entrust Support Services Limited	2019	7
		2018	1
	Fera Science Limited	2019	19
		2018	-
	Axelos Limited	2019	89
		2018	114
	Fera Science Limited	2019	-
		2018	19
	Total		
		2019	**129**
		2018	**136**

18 Related party transactions **(Continued)**

Closing balance of Related Parties

Nature of Transaction	**Name of Company**	**Year**	**£'000**
Trade Receivables			
	Urban Vision Partnership Limited	2019	1
		2018	-
	Entrust Support Services Limited	2019	-
		2018	-
	Axelos Limited	2019	4
		2018	13
	Capita Glamorgan Consultancy Limited	2019	-
		2018	1
	Fera Science Limited	2019	1
		2018	8
	Total		
		2019	**6**
		2018	**22**

Terms and conditions of transactions with related parties
All transactions were undertaken at normal market prices

19 Controlling party

The Company is controlled by its immediate parent Capita Business Services 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, England, W1T 3LR.

20 Post balance sheet event

On 11 March 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. Many governments are taking increasingly stringent steps to help contain or delay the spread of the virus. Currently, there is a significant increase in economic uncertainty which the Directors have assessed in considering the going concern assumption. For the Company’s 31 December 2019 financial statements, the Coronavirus outbreak and the related impacts are considered as non-adjusting events. The Directors have assessed that there is no impact on the recognition and measurement of assets and liabilities due to the economic uncertainty associated with COVID-19.