Company Registration No. 06638751 (England and Wales)

CAPITA GLAMORGAN CONSULTANCY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

CAPITA GLAMORGAN CONSULTANCY LIMITED

COMPANY INFORMATION

Directors	M A Rees-Williams	
	S T Creedon	
	J P Davies	
	C Morris	
	P McDermott	
	M Crumbie	(Appointed 12 March 2020)
	O L Wildgoose	(Appointed 1 February 2021)
Secretary	Capita Group Secretary Limited	
Company number	06638751	
Registered office	65 Gresham Street London England EC2V 7NQ	
Auditor	KPMG LLP 1 Sovereign Square Sovereign St Leeds LS1 4DA	
Banker	Barclays Bank PLC 1 Chuchill Place London E14 5HP	

CAPITA GLAMORGAN CONSULTANCY LIMITED

CONTENTS

The Directors present their Directors' report and financial statements for the year ended 31 December 2020.

Principal activities and review of the business

Capita Glamorgan Consultancy Limited (the "Company") was incorporated to facilitate the partnership between Capita Property and Infrastructure Limited (5,100 ordinary-A shares issued at 1p each), Rhondda Cynon Taf County Borough Council (2,793 ordinary-B shares issued at 1p each), Bridgend County Borough Council (1,470 ordinary-B shares issued at 1p each) and Merthyr Tydfil County Borough Council (637 ordinary-B shares issued at 1p each).

The principal activity of the Company is the provision of engineering, design and consultancy services, primarily in the fields of highways and transportation engineering, project management and construction management. Capita Glamorgan Consultancy Limited is a legal entity which operates within the Civil Engineering and Property Consultancy market, within the Capita Specialist Services division of Capita plc. 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 amounts disclosed by the Company in 2019 in relation to purchases from and sales to the related parties in the notes to the financial statements were inclusive of value added tax. There were also some transactions misclassified between sales and purchases. This is incorrect, and accordingly, the related party disclosure for 2019 comparatives have been restated to reflect this change (refer note 15).

During the year, the Company reviewed its Joint Venture Agreement in conjunction with IAS 32, and in accordance with the terms and conditions of the agreement, the Company has a contractual obligation to pay the profits to shareholders. Such an obligation meets the definition of a financial liability. Therefore, the 'issued share capital' should be classified as a financial liability and the dividend on such shares are to be recognised as finance cost in the income statement. The management reviewed and concluded that the financial statements of 2019 should be restated to correct this error (refer note 19).

Results and dividends

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

The dividend for the year is £727,490 (2019: £505,063)

Directors

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

S R Lock	(Resigned 12 March 2020)
M A Rees-Williams	
C McAnulty	(Resigned 1 February 2021)
S T Creedon	
J P Davies	
C Morris	
P McDermott	
M Crumbie	(Appointed 12 March 2020)
O L Wildgoose	(Appointed 1 February 2021)

Political donations

The Company made no political donations and incurred no political expenditure during the year (2019: £nil).

Auditor

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

CAPITA GLAMORGAN CONSULTANCY LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Statement of Directors' responsibilities

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

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

- so far as theirector is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the irector 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.

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

M A Rees-Williams
Director
65 Gresham Street
London
England
EC2V 7NQ
16 December 2021

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CAPITA GLAMORGAN CONSULTANCY LIMITED

Opinion

We have audited the financial statements of Capita Glamorgan Consultancy Limited ("the company") for the year ended 31 December 2020 which comprise the Income Statement, the Balance Sheet, the 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 2020 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 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. The most recent financial statements of Capita plc include material uncertainties that may cast significant doubt on its ability to continue as a going concern. The reliance of the Company on Capita plc accordingly means that these events and conditions constitute a material uncertainty that may cast significant doubt on the Group's and in turn, the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Going concern basis of preparation

The directors have prepared the financial statements on the going concern basis. As stated above, they have concluded that a material uncertainty related to going concern exists.

Based on our financial statements audit work, we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.

Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the Company's channel for "whistleblowing" as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for management.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit and revenue targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

We performed procedures including identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management and those posted to unusual accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indicators of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery and employment law, recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CAPITA GLAMORGAN CONSULTANCY LIMITED

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

Auditor's responsibilities

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

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

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

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

Katharine L'Estrange (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign St
Leeds
LS1 4DA
16 December 2021

CAPITA GLAMORGAN CONSULTANCY LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	Restated* 2019 £
Revenue	3	8,794,761	5,950,677
Cost of sales		(7,293,349)	(4,455,318)
Gross profit		**1,501,412**	**1,495,359**
Administrative expenses		(605,137)	(875,793)
Operating profit	4	**896,275**	**619,566**
Net finance cost	5	(727,623)	(505,063)
Profit before tax		**168,652**	**114,503**
Income tax charge	6	(168,652)	(114,503)
Total comprehensive income for the year		-	-

* For details over restated 2019 balances, please refer to note 19.

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

There are no movements in other comprehensive income during the financial year.

The notes on pages 10 to 34 form an integral part of these financial statements.

CAPITA GLAMORGAN CONSULTANCY LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2020

	Notes	2020 £	Restated* 2019 £
Non-current assets			
Property, plant and equipment	7	-	116
Deferred tax	6	10,566	11,715
Total non-current assets		**10,566**	**11,831**
Current assets			
Trade and other receivables	8	1,864,531	1,013,110
Cash	9	1,419,630	1,098,445
Total current assets		**3,284,161**	**2,111,555**
Total assets		**3,294,727**	**2,123,386**
Current liabilities			
Trade and other payables	10	1,284,883	830,635
Financial liabilities	11	1,757,559	1,207,970
Income tax payable		252,185	84,681
Total current liabilities		**3,294,627**	**2,123,286**
Non-current liabilities			
Financial liabilities	11	100	100
Total liabilities		**3,294,727**	**2,123,386**
Net assets		-	-
Capital and reserves			
Issued share capital	11	-	-
Total equity		-	-

*For details over restated 2019 balances, please refer to note 19.

The notes on pages 10 - 34 form an integral part of these financial statements.

Approved by Board and authorised for issue on 16 December 2021

M A Rees-Williams
Director
Company Registration No. 06638751

CAPITA GLAMORGAN CONSULTANCY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Retained earnings	Total equity
	£	£	£
At 1 January 2019	**100**	**702,907**	**703,007**
Impact of restatement (refer note 19)	(100)	(702,907)	(703,007)
At 1 January 2019 - restated*	**-**	**-**	**-**
Total comprehensive income for the year - restated (refer note 19)	-	-	-
At 31 December 2019 - restated*	**-**	**-**	**-**
Total comprehensive income for the year	-	-	-
At 31 December 2020	**-**	**-**	**-**

* For details over restated 2019 balances, please refer to note 19.

The notes on pages 10 to 34 form an integral part of these financial statements.

CAPITA GLAMORGAN CONSULTANCY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

1.1 Basis of preparation

Capita Glamorgan Consultancy Limited is a company incorporated and domiciled in the UK.

The financial statements are prepared under the historical cost basis except where stated otherwise.

In determining the appropriate basis of preparation for the annual report and financial statements for the year ended 31 December 2020, the Company's Directors ("the Directors") are required to consider whether the Company can continue in operational existence 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, as set out below.

Board assessment

Base case scenario

The financial forecasts used for the going concern assessment are derived from the 2021-2023 financial projections for the Company which have been subject to review and challenge by management and the Directors. The Directors have approved the projections. The financial projections capture the benefits that the Capita group-wide transformation plan is anticipated to deliver, including sales growth together with margin improvements and cost out targets, and the costs to achieve these. Covid-19 has introduced unprecedented economic uncertainties and has led to increased judgement particularly in forecasting future financial performance. The forecast impact of Covid-19 has been incorporated within the base case forecasts, however the continuing uncertainty over how the Covid-19 pandemic might evolve, including the speed and timing of economic recovery, makes precise forecasting challenging.

Severe but plausible downside

In addition to the base case, the Directors considered severe but plausible downside scenarios, recognising the execution risk associated with the transformation programme and the broader uncertainty arising from COVID-19. The downside scenarios include trading downside risks, which assumes the transformation plan is not successful in delivering the anticipated revenue growth, together with increased attrition, and further impacts of COVID-19. In addition, the downside scenario includes potential adverse financial impacts that could arise from unforeseen operational issues leading to contract losses and cash outflows.

Offsetting these risks the Directors have considered available mitigations within the direct control of the Company, including continued reductions to variable pay rises, setting aside any bonus payments and limiting discretionary spend.

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 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 £1976,630 was held at 30 November 2021. In the event of a default by the Group, the Company may not be able to access its cash balance within the pooling arrangement.

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 6 months ended 30 June 2021.

1 Accounting policies **(Continued)**

1.1. Basis of preparation (continued)

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, when preparing the Group's condensed consolidated financial statements to 30 June 2021. These condensed consolidated financial statements were approved by the Board on 5 August 2021 and are available on the Group's website (www.capita.com/investors). Below is a summary of the position as at 5 August 2021:

Accounting standards specify that the foreseeable future for going concern assessment covers a period of at least 12 months from the date of approval of these condensed consolidated financial statements, although those standards do not specify how far beyond 12 months a Board should consider. In its going concern assessment, the Board has considered the period from the date of approval of these condensed consolidated financial statements to 31 December 2022 ('the going concern period'), in recognition of the fact that there are scheduled debt repayments totalling £433m over that period, including £156m scheduled in November 2022.

Absent any mitigating actions, liquidity headroom shown in the Group's financial forecasts under the severe but plausible downside scenario over the period to 31 December 2022 reduces substantially such that there is a risk of liquidity being insufficient.

There are mitigations, under the direct control of the Group, that could be implemented to address any immediate shortfalls. These includes reductions in variable pay rises, setting aside any bonus payments and limiting discretionary spend. While these are available as possible short-term mitigations and would be actioned if required to ensure sufficient liquidity, the Board is mindful that such restrictions may be detrimental to the longer-term success of the Group. In addition, such actions would not necessarily address potential liquidity requirements beyond the going concern period should all the downside risks materialise.

Accordingly, the principal mitigation to the possibility of insufficient liquidity is that the Board has approved a disposal programme which covers businesses that do not align with the longer-term strategy. In March 2021, the Group announced its target of realising future gross proceeds of £700m from the ongoing disposal programme. With around 75% of this target having been achieved through the ESS and AXELOS disposals, the Board is confident that the disposal programme will be delivered, thereby introducing substantial net cash proceeds to the Group, albeit with a corresponding removal of consolidated profits and cash flows associated with the disposal businesses.

In addition to the ongoing disposal programme, the Group may seek to mitigate the liquidity risks which might arise in the downside scenario by seeking further sources of financing beyond its existing committed funding facilities. Notwithstanding the extension of a Revolving Credit Facility from August 2022 to August 2023 agreed in June 2021 coupled with the ongoing successful delivery of the disposal programme, the Board continues to assess the potential for such a refinancing.

Material uncertainties related to the group:

The Board recognises that the disposal programme requires agreement from third parties, that major disposals may be subject to shareholder and, potentially, lender approval. Such agreements and approvals, and also any refinancing, are outside the direct control of the Company. Therefore, given that certain of the mitigating actions which might be taken to strengthen the Group's liquidity position in the severe but plausible downside scenario are outside the control of the group, this gives rise to material uncertainties, as defined in accounting standards, relating to events and circumstances which may cast significant doubt about the Group's ability to continue as a going concern and to realise its assets and discharge its liabilities in the normal course of business.

Reflecting the Board's confidence in the benefits expected from completion of the transformation programme and execution of the approved disposal programme coupled with the potential to obtain further financing beyond its existing committed funding facilities, the Group continues to adopt the going concern basis in preparing these condensed consolidated financial statements. The Board has concluded that 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 2022 (the "going concern period"). Consequently, these condensed consolidated financial statements do not include any adjustments that would be required if the going concern basis of preparation were to be inappropriate.

1 Accounting policies **(Continued)**

1.1. Basis of preparation (continued)

Conclusion

Although the Company has a reliance on the Group as 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 release its assets and discharge its liabilities as they fall due over the period to 31 December 2022 (the "going concern period"). Consequently, the annual report and financial statements have been prepared on the going concern basis.

However, as the Group's condensed consolidated financial statements have identified material uncertainties giving rise to significant doubt over the Group's ability to continue as a going concern in a severe but plausible downside scenario, and given the Company's reliance on the Group as set out above, this in turn gives rise to a material uncertainty relating to events and circumstances which may cast significant doubt about the Company's ability to continue as a going concern and, therefore, that the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments which would be required if the going concern basis of preparation were to be deemed inappropriate.

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 accounting standards in conformity with the requirements of 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 accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and are available to the public and may be obtained from Capita plc's website on www.capita.com/investors.

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;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Certain disclosures regarding IFRS 15 Revenue from Contracts with Customers;
- Disclosures in respect of the compensation of key management personnel.

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 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 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
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	1 January 2020
Definition of a Business (Amendments to IFRS 3)	1 January 2020

1.4 Revenue recognition

The revenue shown in the income statement 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 main revenue policies of fixed price contracts and time and material contracts are set out below.

Fixed Price Contracts
The Company recognises revenue on fixed price contracts using the percentage of completion method. Revenue is earned in proportion to total cost incurred, divided by total cost expected to be incurred. Recognition of revenue and profit under this method is dependent upon several factors, including accuracy of estimates, mainly labour and third-party cost. Accrued income represents the contract revenue recognised not yet billed pursuant to contract terms or accounts billed after the period end. Billings in excess of cost on uncompleted contracts represents the billings to date, as allowed under the terms of a contract, but not yet recognised as contract revenue using the percentage of completion accounting method and is shown as deferred income.

Time and Materials Price Contracts
Under time and materials contracts, the Company negotiates hourly or daily billing rates and charges its clients based on the actual time that it expends on a project. In addition, the client reimburses the Company for its actual out-of-pocket costs of materials and other direct incidental expenditures that it incurs in connection with its performance under the contract.

If time and materials contracts are subject to maximum contract values, these contracts are recognised as if they were a fixed price 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 civil 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.

1 Accounting policies **(Continued)**

1.5 Property, plant and equipment

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

Computer equipment	3 - 5 years

1.6 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.

1.7 Income Tax

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)**

1.8 Pensions

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

Contributions in respect of the defined contribution schemes payable by the Company during the year amounted to £118,917 (2019: £120,029).

The Rhondda Cynon Taf County Borough Council Pension Fund – Capita Glamorgan section (the "Fund")

The Company has current and former employees who are members of this public sector defined benefit pension scheme, which is part of the national Local Government Pension Scheme (LGPS). The Company has its own notional section in the Fund with no cross subsidies with any other company.

Responsibility for the governance of the Fund lies with the Fund Board (the "Board") which operates under a framework of corporate governance and is responsible for following the relevant statutory regulations. The funding regime is set out in the Local Government Pension Scheme (Administration) Regulations 2008 (as amended).

The assets of the Fund are held in a separate fund (administered on behalf of the Board) to meet long-term pension liabilities to beneficiaries. The Board invests the assets in line with the Investment Strategy Statement. The Investment Strategy Statement has been established after taking into consideration the liabilities of the Fund and the investment risk that the Board is willing to accept.

The Company participates in the Fund, via an admission agreement, for a finite period and there are some contractual protections in place allowing actuarial and investment risk to be passed on to the client. The Company is responsible for actuarial and investment risk arising during the contract term in relation to benefits accrued during the contract (i.e. it excludes any actuarial and investment risk in relation to benefits accrued prior to the start of the contract).

The Fund has not formally assessed the share of any actuarial and investment risk that the Company is responsible for. The Company therefore has insufficient information to accurately assess its share of the Fund; however, to provide context, the Company has estimated that, as at 31 March 2019 (the effective date of the last full funding assessment carried out for the Fund), under the terms of the admission agreement it would be responsible for around 24% of the Fund's liability. The estimate is based on information held by the Company and represents an average split of service before and after 2008 (the commencement of the contract with the client) on a salary-weighted basis. In addition, in the absence of any other information, it has been assumed that the Company's share of the assets is the same as the proportion of the liabilities (i.e. around 24%). It should be recognised that this is the Company's best estimate of the share of the actuarial and investment risks it is responsible for, but ultimately, they are not as accurate as calculations that would normally be carried out by the Fund at the contract cessation.

A full funding assessment of the Fund is carried out every three years by an independent actuary for the Board, with the last full assessment carried out at 31 March 2019. The 31 March 2019 assessment showed a funding surplus of £7.1m (this equates to a funding level of 141%) for the section as a whole. Therefore, the Company's share of the funding surplus is estimated to be £1.7m (i.e. 24% of the Fund's surplus). Due to the extent of the surplus, the Company was not required to pay any contributions to the Fund during 2020.

It is important to note that the LGPS regulations that allow a refund of surplus to employers were amended in March 2020 (and were retrospectively effective from 2018). Whilst the Company is taking on some of the actuarial and investment risk, and consequently why it is reasonable to assume that it may be eligible for a surplus repayment in the event a funding surplus exists at the end of the contract, it is recognised that such exit credits are no longer automatically paid to employers, and each LGPS fund now has the discretion to pay or withhold an exit credit to an employer and will determine any exit credit in relation to set criteria that is reviewed from time to time.

1 Accounting policies **(Continued)**

1.8 Pension (continued)

Judgement is required in determining the appropriate accounting treatment for the participation in this scheme, 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 this defined benefit arrangement is not material because of the contractual protections in place and the Fund being in a net surplus position. Furthermore, recognising the multi-employer nature of the scheme and in the absence of sufficient information, the costs in relation to the scheme is 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 this public sector defined benefit pension scheme is included in the above pension charge for the defined contribution pension schemes.

Although the Company is not recognising this scheme on the balance sheet, for information purposes, a qualified actuary has assessed the funding position of the Fund in accordance with IAS19 as at 31 December 2020, and assuming the same financial assumptions as the Capita DB Scheme (as set out below), has estimated the Company's share of the accounting surplus would be £2.4m (with assets of £7.4m and liabilities of £5.0m) [2019: £2.3m (with assets of £6.4m and liabilities of £4.1m)]. (The whole section has been estimated to have a surplus of £11.0m (with assets of £30.5m and liabilities of £19.5m) [2019: £10.1m (with assets of £26.6m and liabilities of £16.5m)]). However, recognising that exit credits are no longer automatically paid in the LGPS and the surplus is not reliably measurable, this would be expected to be restricted to nil, resulting in the same balance sheet position as reporting on a defined contribution basis.

The Capita Pension and Life Assurance Scheme (the "Capita DB Scheme")

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

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

Responsibility for the operation and governance of the scheme lies with a Trustee Board (the CPLAS Trustees Limited) 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

A full statutory funding assessment of the Capita DB Scheme is carried out every three years by an independent actuary for the Trustee Board, with the last full assessment carried out at 31 March 2020. 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 Board and the Principal Employer (Capita Business Services Ltd, a fellow subsidiary undertaking). The 31 March 2020 assessment showed a funding deficit of £182m (31 March 2017: £185m). This equates to a funding level of 88.8% (31 March 2017: 86.1%).

1 Accounting policies **(Continued)**

1.8 Pension (continued)

In addition to the £176m deficit payments agreed as part of the 2017 statutory funding assessment (which were fully paid between 2018 and early 2021), and as a result of the 2020 statutory funding assessment, the Principal Employer and the Trustee Board have agreed the payment of additional contributions totalling £124m between July 2021 and December 2023 with the intention of removing the deficit calculated as at 31 March 2020 by December 2023 (after allowing for contributions made by the Principal Employer between the funding assessment date and the date of the funding agreement). Further to this, the Principal Employer has also agreed to pay an additional £45m between 2024 and 2026 in order to target a low-risk funding arrangement with low reliance on the covenant provided by the Group.

The Principal Employer also agreed an average employer contribution rate of 36.0% (excluding employee contributions made as part of a salary sacrifice arrangement) towards the expected cost of benefits accruing.

The next full funding assessment is expected to be carried out with an effective date of 31 March 2023.

For the purpose of the consolidated accounts of Capita plc, an independent qualified actuary projected the results of the 31 March 2020 funding assessment to 31 December 2020 taking account of the relevant accounting requirements.

The principal assumptions for the valuation at 31 December 2020 were as follows: rate of increase in the RPI/CPI price inflation – 2.9%pa/2.15%pa (2019: 3.0%pa/2.0%pa); rate of salary increase – 2.9%pa (2019: 3.0%pa); rate of increase for pensions in payment (where RPI inflation capped at 5%pa applies) – 2.85%pa (2019: 2.95%pa); discount rate – 1.3%pa (2019: 2.05%pa).

The Capita DB Scheme assets at fair value at 31 December 2020 totalled £1,568.8m (2019: £ 1,378.1m). The actuarially assessed value of Capita DB Scheme liabilities at 31 December 2020 was £1,810.6m (2019: £1,623.8m) indicating that the Capita DB Scheme had a net liability of £241.8m (2019: net liability of £245.7m). These figures are quoted gross of deferred tax. The full disclosure is available in the consolidated accounts of Capita plc. The above figures reflect that Capita's segregated section of a multi-employer defined benefit scheme (the Water Associated Employers Pension Scheme (WAEPS)) merged with the Capita DB Scheme on 31 March 2020 (with the 2019 comparators adjusted to include the WAEPS values for consistency).

For the purpose of these accounts, this Company's interest in the Capita DB Scheme is reported on a defined contribution basis recognising a cost equal to its contributions paid over the period. The pension charge for the Company in relation to the Capita DB Scheme for the year was £127,490 (2019: £105,259).

1 Accounting policies **(Continued)**

1.9 Financial instruments

Equity share capital

In accordance with the terms and conditions of the joint venture agreement read with the principles specified in IAS 32, the Company has a contractual obligation to pay the profits to the shareholders. Such an obligation meets the definition of a financial liability. Therefore, the 'issued share capital' has been classified as a financial liability and the dividend on such shares are to be recognised as finance cost in the income statement.

Trade and other receivables

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

Cash and cash equivalents

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

2 Significant accounting judgements, estimates and assumptions

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

3 Revenue

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

4 Operating profit for the year	**2020**	**2019**
	£	**£**
Operating profit for the year is stated after charging/(crediting):		
Net foreign exchange gains	-	(1)
Depreciation of property, plant and equipment	116	5,580
Operating lease rentals - plant and machinery	17,941	10,958
Operating lease rentals - other assets	-	41

Audit fees are borne by the ultimate parent undertaking, Capita plc. The audit fee for the current period was £10,500 (2019: £ 7,056). The Company has taken advantage of the exemption provided by regulations 6(2)(b) of The Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 not to provide information in respect of fees for other (non-audit) services as this information is required to be given in the Group accounts of the ultimate parent undertaking, which it is required to prepare in accordance with the Companies Act 2006.

5 Net finance costs		**Restated***
	2020	**2019**
	£	**£**
Other interest expenses	133	-
Dividend payable	727,490	505,063
	727,623	**505,063**

*For details over restated 2019 balances, please refer to note 19.

6 Income tax

The major components of income tax expense for the years ended 31 December 2020 and 2019 are:

	2020	2019
	£	£
Current income tax		
UK corporation tax	167,878	84,681
Adjustments in respect of prior periods	(374)	-
	167,504	84,681
Deferred income tax		
Origination and reversal of temporary differences	813	29,742
Adjustment in respect of prior periods	335	80
	1,148	29,822
Total tax charge reported in the income statement	**168,652**	**114,503**

The reconciliation between tax expense and the accounting profit multiplied by the UK corporation tax rate for the years ended 31 December 2020 and 2019 is as follows:

	2020	Restated* 2019
	£	£
Profit before tax	168,652	114,503
Profit at UK corporation tax rate of 19% (2019 - 19%)	32,044	21.755

	2020	Restated* 2019
	£	£
Taxation impact of factors affecting tax charge:		
Expenses not deductible for tax purposes	138,223	96.167
Non taxable income	(237)	-
Adjustments in respect of deferred income tax of prior periods	335	80
Impact of changes in statutory tax rates	(1,339)	(3,499)
Adjustments in respect of current income tax of prior periods	(374)	-
Total adjustments	136,608	92.748
Total tax charge reported in the income statement	**168,652**	**114,503**

*For details over restated 2019 balances, please refer to note 19.

(Continued)

6 Income tax

	Balance sheet		Income statement	
	2020	2019	2020	2019
	£	£	£	£
Deferred tax asset				
(Decelerated)/accelerated capital allowances	(10,505)	(11,168)	662	(772)
Other short term timing differences	(61)	-	486	-
Tax losses	-	-	-	31,141
Other timing differences	-	(547)	-	(547)
Net deferred tax asset	**(10,566)**	**(11,715)**		
Deferred income tax charge			**1,148**	**29,822**

Deferred Tax

A change to the main UK corporation tax rate was substantively enacted on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19 percent, rather than the previously enacted reduction to 17 percent. The UK deferred tax asset at 31 December 2020 has been calculated based on this rate, resulting in a £1,339 tax credit to the income statement in 2020.

On 3 March 2021, it was announced in the Budget that the UK tax rate will increase from 19% to 25% from 1 April 2023 onwards. This will potentially increase the company's future income tax charge from 2023. If this rate change had theoretically been applied to the deferred tax balances at 31 December 2020, the deferred tax asset would have increased by £3,337.

7 Property, plant and equipment

	Computer equipment
	£
Cost	
At 1 January 2020	345
Asset retirement	(345)
	-
Depreciation	
At 1 January 2020	229
Charge for the year	116
Asset retirement	(345)
	-
Net book value	
At 31 December 2020	-
At 31 December 2019	**116**

8 Trade and other receivables

	2020	2019
	£	£
Trade receivables	61,379	705,985
Accrued income	302,537	296,000
Prepayments	13,760	8,423
Amounts due from parent and fellow subsidiary undertaking	1,486,855	2,702
	1,864,531	**1,013,110**

9 Cash

	2020	2019
	£	£
Cash at bank and in hand	1,419,630	1,098,445
	1,419,630	**1,098,445**

10 Trade and other payables

	2020	2019
	£	£
Trade payables	141,010	57,371
Other payables	554	790
Other taxes and social security	433,558	292,976
Accruals	14,855	29.120
Deferred income	653,219	381,266
Amounts due to parent and fellow subsidiary undertaking	41,687	69,112
	1,284,883	**830,635**

11 Financial liabilities

		Restated*
	2020	2019
	£	£
Current		
Dividend payable	1,757,559	1,207,970
	1,757,559	**1,207,970**

11 Financial liabilities **(Continued)**

Non-current

Allotted, called up and fully paid 10,000 Ordinary shares of £0.01 each		
Shares classified as liabilities	100	100
Shares classified in shareholders' funds	-	-
	100	**100**

Refer to Note 1.9 Financial instruments – Equity share capital for further information on the classification of the shares

*For details over restated 2019 balances, please refer to note 19.

12 Employees

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

	2020 Number	2019 Number
Operations	71	66
Administration	2	2
	73	**68**

Their aggregate remuneration comprised:

Employee costs	**2020** **£**	**2019** **£**
Wages and salaries	2,229,765	2,000,789
Social security costs	243,029	222,265
Pension costs	162,561	225,288
	2,635,355	**2,448,342**

During the year, the Company furloughed employees unable to work as a result of the Covid-19 pandemic and applied to the Coronavirus Job Retention Scheme (CJRS) operated by the UK Government. Amounts received under CJRS are treated as a government grant and deducted from the relevant cost in the Company's income statement. During the year, the Company received £21,899 under CJRS. These amounts are included within the relevant cost headings in the table above.

13 Directors' remuneration

	2020	2019
	£	£
Remuneration for qualifying services	89,533	91,927
Pension contributions to defined contribution schemes	24,099	24,099
	113,632	**116,026**

One director is paid by the Company (2019: one). The other directors have not provided qualifying services to the Company and are paid by other companies within the Group. In addition to the above, the Directors of the Company were reimbursed for the expenses incurred by them whilst performing business responsibilities.

14 Employee benefits

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

Contributions in respect of the defined contribution schemes payable by the Company during the year amounted to £162,651 (2019: £120,029).

The Rhondda Cynon Taf County Borough Council Pension Fund – Capita Glamorgan section (the "Fund")

The Company has current and former employees who are members of this public sector defined benefit pension scheme, which is part of the national Local Government Pension Scheme (LGPS). The Company has its own notional section in the Fund with no cross subsidies with any other company.

Responsibility for the governance of the Fund lies with the Fund Board (the "Board") which operates under a framework of corporate governance and is responsible for following the relevant statutory regulations. The funding regime is set out in the Local Government Pension Scheme (Administration) Regulations 2008 (as amended).

The assets of the Fund are held in a separate fund (administered on behalf of the Board) to meet long-term pension liabilities to beneficiaries. The Board invests the assets in line with the Investment Strategy Statement. The Investment Strategy Statement has been established after taking into consideration the liabilities of the Fund and the investment risk that the Board is willing to accept.

The Company participates in the Fund, via an admission agreement, for a finite period and there are some contractual protections in place allowing actuarial and investment risk to be passed on to the client. The Company is responsible for actuarial and investment risk arising during the contract term in relation to benefits accrued during the contract (i.e. it excludes any actuarial and investment risk in relation to benefits accrued prior to the start of the contract).

The Fund has not formally assessed the share of any actuarial and investment risk that the Company is responsible for. The Company therefore has insufficient information to accurately assess its share of the Fund; however, to provide context, the Company has estimated that, as at 31 March 2019 (the effective date of the last full funding assessment carried out for the Fund), under the terms of the admission agreement it would be responsible for around 24% of the Fund's liability. The estimate is based on information held by the Company and represents an average split of service before and after 2008 (the commencement of the contract with the client) on a salary-weighted basis. In addition, in the absence of any other information, it has been assumed that the Company's share of the assets is the same as the proportion of the liabilities (i.e. around 24%). It should be recognised that this is the Company's best estimate of the share of the actuarial and investment risks it is responsible for, but ultimately, they are not as accurate as calculations that would normally be carried out by the Fund at the contract cessation.

A full funding assessment of the Fund is carried out every three years by an independent actuary for the Board, with the last full assessment carried out at 31 March 2019. The 31 March 2019 assessment showed a funding surplus of £7.1m (this equates to a funding level of 141%) for the section as a whole. Therefore, the Company's share of the funding surplus is estimated to be £1.7m (i.e. 24% of the Fund's surplus). Due to the extent of the surplus, the Company was not required to pay any contributions to the Fund during 2020.

It is important to note that the LGPS regulations that allow a refund of surplus to employers were amended in March 2020 (and were retrospectively effective from 2018). Whilst the Company is taking on some of the actuarial and investment risk, and consequently why it is reasonable to assume that it may be eligible for a surplus repayment in the event a funding surplus exists at the end of the contract, it is recognised that such exit credits are no longer automatically paid to employers, and each LGPS fund now has the discretion to pay or withhold an exit credit to an employer and will determine any exit credit in relation to set criteria that is reviewed from time to time.

(Continued)

14 Employee benefits

Judgement is required in determining the appropriate accounting treatment for the participation in this scheme, 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 this defined benefit arrangement is not material because of the contractual protections in place and the Fund being in a net surplus position. Furthermore, recognising the multi-employer nature of the scheme and in the absence of sufficient information, the costs in relation to the scheme is 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 this public sector defined benefit pension scheme is included in the above pension charge for the defined contribution pension schemes.

The pension charge for this public sector defined benefit pension scheme is included in the above pension charge for the defined contribution pension schemes. Although the Company is not recognising this scheme on the balance sheet, for information purposes, a qualified actuary has assessed the funding position of the Fund in accordance with IAS19 as at 31 December 2020, and assuming the same financial assumptions as the Capita DB Scheme (as set out below), has estimated the Company's share of the accounting surplus would be £2.4m (with assets of £7.4m and liabilities of £5.0m) (2019: £2.3m (with assets of £6.4m and liabilities of £4.1m)). (The whole section has been estimated to have a surplus of £11.0m (with assets of £30.5m and liabilities of £19.5m) (2019: £10.1m (with assets of £26.6m and liabilities of £16.5m))). However, recognising that exit credits are no longer automatically paid in the LGPS and the surplus is not reliably measurable, this would be expected to be restricted to nil, resulting in the same balance sheet position as reporting on a defined contribution basis.

The Capita Pension and Life Assurance Scheme (the "Capita DB Scheme")

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

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

Responsibility for the operation and governance of the scheme lies with a Trustee Board (the CPLAS Trustees Limited) 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

A full statutory funding assessment of the Capita DB Scheme is carried out every three years by an independent actuary for the Trustee Board, with the last full assessment carried out at 31 March 2020. 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 Board and the Principal Employer (Capita Business Services Ltd, a fellow subsidiary undertaking). The 31 March 2020 assessment showed a funding deficit of £182m (31 March 2017: £185m). This equates to a funding level of 88.8% (31 March 2017: 86.1%).

14 Employee benefits

In addition to the £176m deficit payments agreed as part of the 2017 statutory funding assessment (which were fully paid between 2018 and early 2021), and as a result of the 2020 statutory funding assessment, the Principal Employer and the Trustee Board have agreed the payment of additional contributions totalling £124m between July 2021 and December 2023 with the intention of removing the deficit calculated as at 31 March 2020 by December 2023 (after allowing for contributions made by the Principal Employer between the funding assessment date and the date of the funding agreement). Further to this, the Principal Employer has also agreed to pay an additional £45m between 2024 and 2026 in order to target a low-risk funding arrangement with low reliance on the covenant provided by the Group.

The Principal Employer also agreed an average employer contribution rate of 36.0% (excluding employee contributions made as part of a salary sacrifice arrangement) towards the expected cost of benefits accruing.

The next full funding assessment is expected to be carried out with an effective date of 31 March 2023.

For the purpose of the consolidated accounts of Capita plc, an independent qualified actuary projected the results of the 31 March 2020 funding assessment to 31 December 2020 taking account of the relevant accounting requirements.

The principal assumptions for the valuation at 31 December 2020 were as follows: rate of increase in the RPI/CPI price inflation 2.9%pa/2.15%pa (2019: 3.0%pa/2.0%pa); rate of salary increase 2.9%pa (2019: 3.0%pa); rate of increase for pensions in payment (where RPI inflation capped at 5%pa applies) – 2.85%pa (2019: 2.95%pa); discount rate – 1.3%pa (2019: 2.05%pa).

The Capita DB Scheme assets at fair value at 31 December 2020 totalled £1,568.8m (2019: £ 1,353.1m). The actuarially assessed value of Capita DB Scheme liabilities at 31 December 2020 was £1,810.6m (2019: £1,585.9m) indicating that the Capita DB Scheme had a net liability of £241.8m (2019: net liability of £232.8m). These figures are quoted gross of deferred tax. The full disclosure is available in the consolidated accounts of Capita plc. The above figures reflect that Capita's segregated section of a multi-employer defined benefit scheme (the Water Associated Employers Pension Scheme (WAEPS)) merged with the Capita DB Scheme on 31 March 2020 (with the 2019 comparators adjusted to include the WAEPS values for consistency).

For the purpose of these accounts, this Company's interest in the Capita DB Scheme is reported on a defined contribution basis recognising a cost equal to its contributions paid over the period. The pension charge for the Company in relation to the Capita DB Scheme for the year is included in the above defined contribution amount.

15 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	Holding Company	Total
Purchase of Goods/ Services					
	Capita IT Services Limited	December 31, 2020	8,499	-	8,499
		December 31, 2019	9,300	-	9,300
	Capita Customer Management Limited	December 31, 2020	27	-	27
		December 31, 2019 (restated*)	-	-	-
	Capita Learning Limited (Formerly known as KnowledgePool Group Limited)	December 31, 2020	477	-	477
		December 31, 2019	4,159	-	4,159
	Fera Science Limited	December 31, 2020	776	-	776
		December 31, 2019	1,452	-	1,452
	GL Hearn Limited	December 31, 2020	79,888	-	79,888
		December 31, 2019 (restated*)	-	-	-
	Capita Travel & Events Limited	December 31, 2020	3,864	-	3,864
		December 31, 2019 (restated*)	11,353	-	11,353
	Capita Resourcing Limited	December 31, 2020	50,936	-	50,936
		December 31, 2019 (restated*)	18,370	-	18,370
	Capita Property and Infrastructure Limited	December 31, 2020	-	3,544,171	3,544,171
		December 31, 2019 (restated*)	-	2,083,097	2,083,097
	Capita plc	December 31, 2020	-	73,671	73,671
		December 31, 2019 (restated*)	-	49,572	49,572
	Capita Business Services Limited	December 31, 2020	37,029	-	37,029
		December 31, 2019 (restated*)	76,141	-	76,141
	Urban Vision Partnership Limited	December 31, 2020	-	-	-
		December 31, 2019	37,590	-	37,590
	BCS Design Limited	December 31, 2020	-	-	-
		December 31, 2019	2,211	-	2,211
	Capita Secure Information Solutions Limited	December 31, 2020	-	-	-
		December 31, 2019	843	-	843

15 Related party transactions **(Continued)**

Nature of Transaction	Name of Company	Year	Fellow Subsidiary	Holding Company	Total
Purchase of Goods/ Services					
	Rhondda Cyon Taf County Borough Council	December 31, 2020	-	-	-
		December 31, 2019	-	20,805	20,805
	Right Document Solutions Limited	December 31, 2020	-	-	-
		December 31, 2019 (restated*)	49,659	-	49,659
	Total	**December 31, 2020**	**181,496**	**3,617,842**	**3,799,338**
		December 31, 2019 (restated*)	**211,078**	**2,153,474**	**2,364,552**

Nature of Transaction	Name of Company	Year	Fellow Subsidiary	Holding Company	Total
Sales of Goods/Services					
	Capita Property and Infrastructure Limited	December 31, 2020	-	347,619	347,619
		December 31, 2019 (restated*)	-	603,093	603,093
	Rhondda Cyon Taf County Borough Council	December 31, 2020	-	6,963,369	6,963,369
		December 31, 2019 (restated*)	-	3,746,556	3,746,556
	Bridgend County Borough Council	December 31, 2020	-	1,097,510	1,097,510
		December 31, 2019 (restated*)	-	940,884	940,884
	Merthyr Tydfil County Borough Council	December 31, 2020	-	318,880	318,880
		December 31, 2019 (restated*)	-	318,980	318,980
	Total	**December 31, 2020**	**-**	**8,727,378**	**8,727,378**
		December 31, 2019 (restated*)	**-**	**5,609,513**	**5,609,513**

15 Related party transactions **(Continued)**

Nature of Transaction	Name of Company	Year	Fellow Subsidiary	Holding Company	Total
Finance costs					
	Capita Property and Infrastructure Limited	December 31, 2020	-	694,227	694,227
		December 31, 2019 (restated*)	-	476,269	476,269
	Rhondda Cyon Taf County Borough Council	December 31, 2020	-	18,960	18,960
		December 31, 2019 (restated*)	-	16,413	16,413
	Bridgend County Borough Council	December 31, 2020	-	9,979	9,979
		December 31, 2019 (restated*)	-	8,638	8,638
	Merthyr Tydfil County Borough Council	December 31, 2020	-	4,324	4,324
		December 31, 2019 (restated*)	-	3,743	3,743
		December 31, 2020	**-**	**727,490**	**727,490**
		December 31, 2019 (restated*)	**-**	**505,063**	**505,063**

***Restatement**

In the financial statements of 2019, the disclosure relating to sales and purchases from/to the related parties were inclusive of value added tax. There were also some transactions misclassified between sales and purchases. As a result, the purchases and sales disclosed in 2019 were overestimated to an extent of £294,245 and £889,943 respectively. Consequently, the comparative numbers in the disclosures above have been restated to reflect this change. There is no impact on the total profit for the year, net assets or retained earnings as a result of this change in amounts disclosed for 2019. In addition, please refer to Note 19 for details over the restatement of the finance costs and dividend payable for 2019.

15 Related party transactions **(Continued)**

Closing balance of Related Parties

Nature of Transaction	Name of Company	Year	Fellow Subsidiary	Holding Company	Total
Trade Payables					
	Capita IT Services Limited	December 31, 2020	686	-	686
		December 31, 2019	764	-	764
	GL Hearn Limited	December 31, 2020	13,350	-	13,350
		December 31, 2019	-	-	-
	Capita Travel & Events Limited	December 31, 2020	-	-	-
		December 31, 2019	425	-	425
	Capita Resourcing	December 31, 2020	6,412	-	6,412
		December 31, 2019	-	-	-
	Capita Property and Infrastructure Limited	December 31, 2020	-	13,264	13,264
		December 31, 2019	-	44,377	44,377
	Capita plc	December 31, 2020	-	2,478	2,478
		December 31, 2019	-	2,116	2,116
	Capita Business Services Limited	December 31, 2020	5,497	-	5,497
		December 31, 2019	-	-	-
	Capita Gwent Consultancy Limited	December 31, 2020		-	-
		December 31, 2019	1	-	1
	Urban Vision Partnership Limited	December 31, 2020	-	-	-
		December 31, 2019	37,590	-	37,590
	Total	**December 31, 2020**	**25,945**	**15,742**	**41,687**
		December 31, 2019 (restated*)	**38,780**	**46,493**	**85,273**
Trade Receivables					
	Bridgend County Borough Council	**December 31, 2020**	-	78,200	78,200
		December 31, 2019	-	112,840	112,840
	Capita Property and Infrastructure Limited	December 31, 2020	-	-	-
		December 31, 2019	-	16,160	16,160
	Capita Business Services Limited	December 31, 2020	-	-	-
		December 31, 2019	4,673	-	4,673
	Merthyr Tydfil County Borough Council	December 31, 2020	-	21,500	21,500
		December 31, 2019	-	12,576	12,576
	Rhondda Cyon Taf County Borough Council	December 31, 2020	-	1,387,155	1,387,155
		December 31, 2019	-	489,794	489,794
	Total	**December 31, 2020**	**-**	**1,486,855**	**1,486,855**
		December 31, 2019	**4,673**	**631,370**	**636,043**

15 Related party transactions **(Continued)**

Dividend payable

Name of Company	Year	Fellow Subsidiary	Holding Company	Total
Capita Property and Infrastructure Limited	December 31, 2020	-	1,724,296	1,724,296
	December 31, 2019 (restated*)	-	1,179,176	1,179,176
Rhondda Cyon Taf County Borough Council	December 31, 2020	-	18,960	18,960
	December 31, 2019 (restated*)	-	16,413	16,413
Bridgend County Borough Council	December 31, 2020	-	9,979	9,979
	December 31, 2019 (restated*)	-	8,638	8,638
Merthyr Tydfil County Borough Council	December 31, 2020		4,324	4,324
	December 31, 2019 (restated*)	-	3,743	3,743
	December 31, 2020	**-**	**1,757,559**	**1,757,559**
	December 31, 2019	**-**	**1,207,970**	**1,207,970**

16 Contingent liabilities

At 31 December 2020, indemnities provided through the normal course of its business, performance bonds and bank guarantees of £245,000 (2019 : £196,000) .

17 Controlling party

The Company is controlled by its immediate parent company Capita Property and Infrastructure Limited, a company registered in England and Wales with a holding of 51%.

The remaining 49% of the shares are held by Bridgend County Borough Council with a holding of 14.7%, Merthyr Tydfil County Borough Council with a holding of 6.37% and Rhondda Cynon Taf County Borough Council with a holding of 27.93%.

The ultimate parent company undertaking of Capita Property and Infrastructure Limited is Capita plc, a company registered in England and Wales. The accounts of Capita plc are available from the registered office at 65 Gresham Street, London, England, EC2V 7NQ.

18 Post balance sheet events

There are no significant events which have occurred after the reporting date.

19 Prior year adjustment relating to review of Joint Venture Agreement

During the year, the Company reviewed its Joint Venture Agreement in conjunction with IAS 32, and in accordance with the terms and conditions of the agreement, the Company has a contractual obligation to pay the profits to shareholders. Such an obligation meets the definition of a financial liability. Therefore, the 'issued share capital' should be classified as a financial liability and the dividend on such shares are to be recognised as finance cost in the income statement.

In prior years, the Company has recorded the entire issued share capital as 'equity' instead of 'financial liability'. In addition, the Company has inadvertently not provided for or paid such dividend since its inception.

The management reviewed and concluded that the financial statements of 2019 should be restated to correct this error and the effect of restatement is summarised below :

A Net finance cost (2019) : Adjusted by £505,063 to provide for the relevant adjustment in relation to dividend on shares wholly recognised as liabilities are recognised as expenses in the same way as interest on a bond.

B Current financial liabilities (2019) : Adjusted to provide for the dividend liability as at the financial year ending on 31 December 2019 as mentioned above

C Non-current financial liabilities (2019) : Adjusted by £100 to classify equity share capital as financial liability as mentioned above.

The following shows the effect of the prior year adjustment made to the income statement for the year ended 31 December 2019 :

	Footnote	As previously reported 2019 £	Restatement impact £	Restated 2019 £
Revenue		5,950,677	-	5,950,677
Cost of sales		(4,455,318)	-	(4,455,318)
Gross profit		**1,495,359**	-	**1,495,359**
Administrative expenses		(875,793)	-	(875,793)
Operating profit		**619,566**	-	**619,566**
Net finance cost	A	-	(505,063)	(505,063)
Profit before tax		**619,566**	**(505,063)**	**114,503**
Income tax charge		(114,503)	-	(114,503)
Total comprehensive income for the year		**505,063**	**(505,063)**	**-**

The following shows the effect of the prior year adjustment made to the Balance sheet as at 31 December 2019:

		As previously reported 2019	Restatement impact	Restated 2019
		£	£	£
Non-current assets				
Property, plant and equipment		116	-	116
Deferred tax		11,715	-	11,715
Total non-current assets		**11,831**	**-**	**11,831**
Current assets				
Trade and other receivables		1,013,110	-	1,013,110
Cash		1,098,445	-	1,098,445
Total current assets		**2,111,555**	**-**	**2,111,555**
Total assets		**2,123,386**	**-**	**2,123,386**
Current liabilities				
Trade and other payables		830,635	-	830,635
Financial liabilities	**B**	-	1,207,970	1,207,970
Income tax payable		84,681	-	84,681
Total current liabilities		**915,316**	**1,207,970**	**2,123,286**
Non-current liabilities				
Financial liabilities	**C**	-	100	100
Total non-current liabilities		**-**	**100**	**100**
Total liabilities		**915,316**	**1,208,070**	**2,123,386**
Net assets		**1,208,070**	**(1,208,070)**	**-**
Capital and reserves				
Issued share capital	**C**	100	(100)	-
Retained earnings	**A,B**	1,207,970	(1,207,970)	-
Total equity		**1,208,070**	**(1,208,070)**	**-**