Arvato Government Services Limited

Annual report and financial statements

Registered number 05429280

31 December 2019

Contents

Strategic report

Introduction

The directors of Arvato Government Services Limited present the Strategic report for the year ended 31 December 2019.

Business review

About Arvato

Arvato Government Services Limited is part of the global network of Arvato, a division of Bertelsmann Group. The company is 100% owned by Arvato Limited, which is in turn 100% owned by Bertelsmann UK Limited, which is ultimately owned by Bertelsmann SE & Co. KGaA, the ultimate parent company of Bertelsmann Group (Bertelsmann). Bertelsmann is an international media, services and education company which encompasses eight divisions: RTL Group, Penguin Random House, Gruner + Jahr and BMG are the Group's media businesses. Arvato and Bertelsmann Printing Group provide services. The Bertelsmann Education Group comprises the businesses in the third segment of education. More than 100 start-up investments are grouped in Bertelsmann Investments. In 2019 the group's businesses, with their more than 126,000 employees, generated revenues of €18.0 billion globally.

Bertelsmann is successfully established in international capital markets and is one of the largest issuers of EUR-bonds in the media-segment. As credit ratings and transparency are of great importance to Bertelsmann's financial security and independence, its financing policy is conservative and based on criteria ensuring that strong credit ratings are maintained.

Bertelsmann operations are centrally financed by Bertelsmann SE & Co. KGaA. As such, Arvato Government Services Limited benefits from Bertelsmann's financial strength and funds are provided by the subsidiary company as required on a loan basis.

Business Development

The company was established to be the initial growth vehicle for Arvato, building on the first local government contract win with East Riding of Yorkshire Council. The remaining local government contracts continue to be delivered by the company's subsidiary undertaking, Arvato Public Sector Services Limited. In 2019 Arvato Government Services Limited revenues were £Nil (2018: £Nil) with an operating profit of £Nil (2018: loss of £3,000).

Future Developments

Following the end of the exclusivity arrangements with East Riding of Yorkshire Council, this company will not actively bid for new business and will remain as a holding company for its subsidiary Arvato Public Sector Services Limited.

Principal Risks and Uncertainties

As the company does not actively trade, the main risk is for the subsidiary company to deliver local government services in line with contractually agreed KPI targets. Failure to achieve these would leave the subsidiary company with significant financial penalties.

Post Balance Sheet Events

The Coronavirus pandemic has presented a major challenge to all UK businesses in 2020, however the company has no operational activity and therefore this has had no impact on the company.

On behalf of the board

R. Parkin

Richard Parkin
Director
4 December 2020

Directors' report

The directors of Arvato Government Services Limited present the annual report and financial statements for the year ended 31 December 2019.

Principal Activities of the Business

Arvato Government Services Limited is a holding company for its subsidiary who provides outsourced services to the public sector.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

Debra Maxwell

Richard Parkin

Councillor Stephen Robert Parnaby (resigned 11 April 2019)

Our People

We confirm that Arvato Government Services Limited complies with the Disability Discrimination Act 1995, which replaced the Disabled Persons (Employment) Act 1944.

It is the company's policy to give full and fair consideration to applications for employment made by disabled persons, and to recruit individuals fairly and objectively on the basis of their particular skills, aptitudes and abilities.

Where existing employees become disabled, it is the company's policy wherever practical to provide continuing employment under normal terms and conditions and to provide training, career development and promotion wherever appropriate.

During the year, the policy of providing employees with information about the company has continued and employees are encouraged to present their suggestions and views on the company's performance. Regular meetings are held between management and employees to allow a free flow of information and ideas.

Corporate and Social Responsibility

The company made no political or charitable donations, nor incurred any political expenditure during the year.

Dividends

No dividend was paid during the year (2018: £Nil) and the directors do not recommend the payment of a dividend (2018: £Nil).

Future Developments

The directors' views of the factors which are key to the future success of the company are set out in the Strategic report.

Corporate Governance

The Arvato Government Services Limited Board of Directors is committed to a modern and responsible approach to corporate governance. Citizenship is one of our four core values and an integral part of our corporate culture. We are committed to responsible behaviour towards employees, customers, business partners and public sector organisations.

An example of this in practice is our Code of Conduct which is based on ethical principles, legal requirements and our own rules and regulations. It consists of 20 principles that govern corporate responsibility, workplace conduct, business and financial transactions and media and technology.

Directors' report *(continued)*

Financial Risk Management

As set out in note 14, Arvato's business operations are financed by Bertelsmann SE & Co. KGaA. As such, Arvato Government Services Limited benefits from Bertelsmann's financial strength and funds are provided by the subsidiary company as required on a loan basis.

Other measures to control financial risks, such as hedging against foreign currency exposures, are managed on a case-by-case basis, backed by the support of the treasury department of Bertelsmann SE & Co. KGaA.

Basis of Preparation of Financial Statements

The directors have considered the trading position of the company and its business risks, and have prepared a cash flow forecast for a period of 12 months from the date of approval of the financial statements; including considering a severe but plausible downside case. The company also benefits from Bertelsmann's financial strength and funds are provided as required on a daily cash pooling basis. Based on the cash flow analysis performed and receipt of confirmation of financial support letter from Bertelsmann SE & Co. KGaA to support the company to enable them to meet the payment of debts and requests for cash advances resulting from the cash pooling agreement as and when they fall due, management has concluded the company will have access to sufficient liquidity to fund its operations for at least one year from the approval date of these financial statements. Accordingly, management has concluded that the going concern basis of preparation of the financial statements is reasonable and no material uncertainty exists

Statement of Directors' Responsibilities in Respect of the Financial Statements

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

Directors' report *(continued)*

Directors' Confirmations

In the case of each director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent Auditors

In accordance with section 494ZA of the Companies Act 2006, PricewaterhouseCoopers LLP will not be reappointed as auditors. A resolution to appoint KPMG LLP as auditors will be proposed at the forthcoming Annual General Meeting.

On behalf of the board

R. Parkin

Richard Parkin
Director
4 December 2020

One Fleet Place
London
United Kingdom
EC4M 7WS

Independent auditors' report to the members of Arvato Government Services Limited

Report on the audit of the financial statements

Opinion

In our opinion, Arvato Government Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; the statement of comprehensive income, the statement of cash flows, the statement of changes in shareholders' equity for the year then ended; and the notes to the financial statements, which include a description of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Independent auditors' report to the members of Arvato Government Services Limited *(continued)*

Reporting on other information

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditors' report to the members of Arvato Government Services Limited *(continued)*

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Randal Casson

Randal Casson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
4 December 2020

Statement of Comprehensive Income

for the year ended 31 December 2019

	Note	2019	2018
		£000	£000
Continuing operations			
Revenue	2	-	-
Operating costs			
Administrative expenses		-	(3)
Loss from operations	3	-	(3)
Financial expenses	5	**(55)**	(51)
Loss before taxation		**(55)**	(54)
Taxation	6	**11**	10
Loss for the year		**(44)**	(44)
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		**(44)**	(44)

The notes on pages 12 to 23 form part of the financial statements.

Statement of Financial Position

as at 31 December 2019

	Note	2019	2018
		£000	£000
Non-current assets			
Property, plant and equipment	7	-	-
Intangible assets	8	-	-
Investments in subsidiary undertakings	9	1	1
Total non-current assets		1	1
Current assets			
Trade and other receivables	10	11	11
Cash and cash equivalents	11	24	26
Total current assets		35	37
Total assets		36	38
Equity			
Share capital	13	1	1
Accumulated losses	13	(2,654)	(2,610)
Total equity		(2,653)	(2,609)
Current liabilities			
Trade and other payables	12	2,689	2,647
Total current liabilities		2,689	2,647
Total liabilities		2,689	2,647
Total equity and liabilities		36	38

The notes on pages 12 to 23 form part of the financial statements.

The financial statements of Arvato Government Services Limited (registered number 05429280) on pages 8 to 23 were approved by the Board of Directors on 4 December 2020 and were signed on its behalf by:

R. Parkin

Richard Parkin
Director

Statement of Changes in Shareholders' Equity

for the year ended 31 December 2019

	Share capital £000	Retained earnings/ (Accumulated losses) £000	Total equity £000
Opening balance at 1 January 2018	1	(2,566)	(2,565)
Loss for the year	-	(44)	(44)
Other comprehensive income for the year	-	-	-
Total comprehensive loss for the year	-	(44)	(44)
Closing balance at 31 December 2018	1	(2,610)	(2,609)
Opening balance at 1 January 2019	**1**	**(2,610)**	**(2,609)**
Loss for the year	-	**(44)**	**(44)**
Other comprehensive income for the year	-	-	-
Total comprehensive loss for the year	-	**(44)**	**(44)**
Closing balance at 31 December 2019	**1**	**(2,654)**	**(2,653)**

The notes on pages 12 to 23 form part of the financial statements.

Statement of Cash Flows

For the year ended 31 December 2019

	Note	2019	2018
		£000	£000
Net cash generated from/(used in) operating activities	16	**12**	(2)
Cash flows used in investing activities			
Acquisition of property, plant and equipment		-	-
Acquisition of intangible assets		-	-
Net cash used in investing activities		-	-
Cash flows used in financing activities			
Interest paid		**(14)**	(51)
Net cash used in financing activities		**(14)**	(51)
Net decrease in cash and cash equivalents		**(2)**	(53)
Cash and cash equivalents at 1 January		**(2,574)**	(2,521)
Cash and cash equivalents at 31 December	11	**(2,576)**	(2,574)

The notes on pages 12 to 23 form part of the financial statements.

Notes *(forming part of the financial statements)*

1. Accounting policies

Arvato Government Services Limited (the "company") is a private company limited by shares, incorporated and domiciled in London, England, United Kingdom.

The company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the European Union ("Adopted IFRSs"), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements are presented in pounds sterling, rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The directors have considered the trading position of the company and its business risks, and have prepared a cash flow forecast for a period of 12 months from the date of approval of the financial statements, including considering a severe but plausible downside case. The company also benefits from Bertelsmann's financial strength and funds are provided as required on a daily cash pooling basis. Based on the cash flow analysis performed and receipt of confirmation of financial support letter from Bertelsmann SE & Co. KGaA to support the company to enable them to meet the payment of debts and requests for cash advances resulting from the cash pooling agreement as and when they fall due, management has concluded the company will have access to sufficient liquidity to fund its operations for at least one year from the approval date of these financial statements. Accordingly, management has concluded that the going concern basis of preparation of the financial statements is reasonable and no material uncertainty exists.

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments classified as fair value through profit or loss or as available-for-sale, trade and other receivables, trade and other receivables from group companies, trade and other payables and trade and other payables to group companies. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

Foreign currency

Transactions in foreign currencies are translated to the company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

Notes *(continued)*

1. Accounting policies *(continued)*

Property, plant and equipment

Property, plant and equipment are stated at deemed cost less accumulated depreciation and impairment losses.

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Computer and office equipment - 4 years

Intangible assets

Intangible assets that are acquired by the company are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets are amortised from the date they are available for use.

The estimated useful lives are as follows:

Computer software and licences - 3 to 4 years

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

Trade and other receivables

Trade and other receivables at the statement of financial position date comprise amounts receivable from the sale of services to third parties. Trade and other receivables from group companies comprise amounts receivable from recharge of costs to fellow subsidiaries of the Bertelsmann group.

Trade and other receivables are stated at fair value which approximates cost less impairment losses.

Trade and other payables

Trade and other payables are stated at cost and principally comprise amounts outstanding for trade purchases and ongoing costs. Trade and other payables to group companies comprise amounts payable to fellow subsidiaries of the Bertelsmann group in respect of services received and costs incurred on the company's behalf.

Trade and other payables are stated at fair value which approximates cost.

Impairment

The carrying amounts of the company's assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Calculation of recoverable amount

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Notes *(continued)*

1. Accounting policies *(continued)*

Revenue

Revenue is recognised in accordance with the IFRS 15 contract-based five-step model. Revenue from services rendered over a period of time are recognised as each performance obligation of the contract is satisfied and control of the service passes to the customer. Revenue is measured at the fair value of the consideration receivable for the service, net of any related customer rebates, cash discounts and value added taxes.

Net financing costs

Net financing costs comprise interest payable, interest receivable on funds invested and foreign exchange gains and losses that are recognised in the statement of comprehensive income.

Interest income and interest payable is recognised in the statement of comprehensive income as it accrues, using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

Taxation

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

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Changes in accounting policy and disclosures

New and amended standards adopted by the company

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2019 that would be expected to have a material impact on the company.

New standards and interpretations not yet adopted

Certain new standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the company. These standards and interpretations are not expected to have a material impact on the company in the current or future reporting periods or on foreseeable future transactions.

2. Revenue

An analysis of the company's revenue is as follows:

	2019	2018
	£000	£000
Sales of services	-	-
	-	-

The company is a subsidiary of parent company Bertelsmann SE & Co. KGaA and is therefore exempt from producing a segmental analysis under IFRS 8.

Notes *(continued)*

3. Loss from operations

Loss from operations has been arrived at after charging:

	2019	2018
	£000	£000
Depreciation of tangible assets	-	-
Amortisation of intangible assets	-	-
Auditors' remuneration:		
Audit of these financial statements	-	-

4. Directors' remuneration

Directors' emoluments are borne by another group company. No recharge has been made in respect of directors' emoluments in the current year (2018: £Nil).

5. Financial expenses

	2019	2018
	£000	£000
Interest charges	55	51
	55	51

Interest charges represent interest charged by the subsidiary company in respect of loan facilities provided in the United Kingdom.

6. Taxation

	2019	2018
	£000	£000
Current taxation:		
UK corporation tax – current year	(11)	(10)
UK corporation tax – prior year	-	-
	(11)	(10)

The current year tax credit represents amounts receivable from fellow UK subsidiaries of the Bertelsmann group in respect of current year tax losses surrendered in the United Kingdom. The standard rate of corporation tax in the United Kingdom is 19%. Accordingly the company's profits are taxed at an effective rate of 19% (2018: 19%).

The credit for the year can be reconciled to the loss before taxation per the statement of comprehensive income as follows:

	2019	2018
	£000	£000
Loss before taxation	(55)	(54)
Tax using the UK corporation tax rate of 19% (2018: 19%)	(10)	(10)
Effects of:		
Expenses not deductible for tax purposes	(1)	-
Total tax in statement of comprehensive income	(11)	(10)

Notes *(continued)*

7. Property, plant and equipment

	Computer equipment £000	Office equipment £000	Total £000
Cost			
At 1 January 2018	20	15	35
Additions	-	-	-
Disposals	-	-	-
At 31 December 2018	20	15	35
At 1 January 2019	**20**	**15**	**35**
Additions	-	-	-
Disposals	**(20)**	**(15)**	**(35)**
At 31 December 2019	-	-	-
Accumulated depreciation			
At 1 January 2018	20	15	35
Charged for the year	-	-	-
Disposals	-	-	-
At 31 December 2018	20	15	35
At 1 January 2019	**20**	**15**	**35**
Charged for the year	-	-	-
Disposals	**(20)**	**(15)**	**(35)**
At 31 December 2019	-	-	-
Net book value			
At 31 December 2019	-	-	-
At 31 December 2018	-	-	-

The depreciation charge is recognised in the statement of comprehensive income under the line administrative expenses.

Notes *(continued)*

8. Intangible assets

	Computer software £000	Total £000
Cost		
At 1 January 2018	2	2
Additions	-	-
Disposals	-	-
At 31 December 2018	2	2
At 1 January 2019	**2**	**2**
Additions	-	-
Disposals	**(2)**	**(2)**
At 31 December 2019	-	-
Accumulated amortisation		
At 1 January 2018	2	2
Charged for the year	-	-
Disposals	-	-
At 31 December 2018	2	2
At 1 January 2019	**2**	**2**
Charged for the year	-	-
Disposals	**(2)**	**(2)**
At 31 December 2019	-	-
Net book value		
At 31 December 2019	-	-
At 31 December 2018	-	-

The amortisation charge is recognised in the statement of comprehensive income under the line administrative expenses.

Notes *(continued)*

9. Investments in subsidiary undertakings

	Total £000
Cost	
At 1 January 2018 and 31 December 2018	1
At 1 January 2019	1
Additions	-
Disposals	-
At 31 December 2019	1
Impairment	
At 1 January 2018 and 31 December 2018	-
At 1 January 2019	-
Charged for the year	-
Disposals	-
At 31 December 2019	-
Net book value	
At 31 December 2019	1
At 31 December 2018	1

Subsidiary undertaking	Registered address	Principal activity	Class and percentage of shares held
Arvato Public Sector Services Limited	One Fleet Place, London, United Kingdom EC4M 7WS	Local government services	100% ordinary

The directors believe that the carrying value of the investment is supported by its underlying value.

10. Trade and other receivables

	2019 £000	2018 £000
Due within one year:		
Trade and other receivables	-	-
Trade and other receivables from group companies	11	11
	11	11

Notes *(continued)*

11. Cash and cash equivalents

	2019	2018
	£000	£000
Bank balances	**24**	26
Cash and cash equivalents	**24**	26
Subsidiary loan balance	**(2,600)**	(2,600)
Cash and cash equivalents per statement of cash flows	**(2,576)**	(2,574)

Cash and cash equivalents comprise cash balances and call deposits. Subsidiary loan balances have been included in cash and cash equivalents and presented as such in the statement of cash flows. The parent company has confirmed that balances are in the nature of overdrafts and financial support will be provided to enable the company to meet the payment of debts.

12. Trade and other payables

	2019	2018
	£000	£000
Due within one year:		
Trade and other payables	**-**	47
Trade and other payables to group companies	**2,689**	2,600
	2,689	2,647

13. Capital and reserves

Reconciliation of movement in capital and reserves:

	Share capital £000	Retained earnings/ (Accumulated losses) £000	Total equity £000
At 1 January 2018	1	(2,566)	(2,565)
Total comprehensive loss for the year	-	(44)	(44)
At 31 December 2018	1	(2,610)	(2,609)
At 1 January 2019	**1**	**(2,610)**	**(2,609)**
Total comprehensive loss for the year	**-**	**(44)**	**(44)**
At 31 December 2019	**1**	**(2,654)**	**(2,653)**

Retained earnings relate wholly to the company's ultimate parent as detailed in note 18.

Share capital	2019	2018
	£000	£000
Issued and fully paid:		
801 ordinary 'A' shares of £1 each (2018: 801)	**801**	801
199 ordinary 'B' shares of £1 each (2018: 199)	**199**	199
	1,000	1,000

The holder of ordinary 'A' shares ("A shareholder") and holder of ordinary 'B' shares ("B shareholder") are entitled to receive dividends as declared from time to time in proportion to the nominal value that issued 'A' shares and issued 'B' shares respectively bear to the combined nominal value of the issued shares.

Notes *(continued)*

13. Capital and reserves *(continued)*

The 'A' and 'B' shares rank pari-passu in all respects, except:

Appointment/Removal of directors

The 'A' shareholder can appoint up to five directors and is entitled at any time to remove or substitute any directors so appointed. The 'B' shareholder can appoint one director and is entitled at any time to remove or substitute any director so appointed.

Shareholders' guarantees

In the event that a third party requires a guarantee, indemnity or covenant from the shareholders in order to secure the indebtedness or obligations of the company, such guarantee shall subject to the prior written approval of the terms by the 'A' shareholder, be given by the 'A' shareholder and nothing shall oblige the 'B' shareholder to provide any guarantee, indemnity or covenant to secure the indebtedness and obligations of the company.

Disposal or charging of shares

The 'A' shareholder may transfer all (but not some only) of the shares held to any other company within the Bertelsmann SE & Co. KGaA group. The 'B' shareholder may transfer all or any of the 'B' shares to any person without the prior consent of the other shareholder.

The 'A' shareholder acquired the 'B' shares from the 'B' shareholder on 11 April 2019.

Restrictions on shareholders

The 'B' shareholder may not be concerned or in any other way interested in any other business in competition with the business of the company.

14. Financial instruments

Exposure to credit, interest rate and currency risks arises in the normal course of the company's business. IFRS 7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

All of the company's financial instruments fall into hierarchy level 2.

(a) Fair values of financial instruments

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the statement of financial position date if the effect is material.

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the statement of financial position date if the effect is material.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the statement of financial position date.

Interest-bearing borrowings

Fair value, which after initial recognition is determined for disclosure purposes only, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the statement of financial position date.

Notes *(continued)*

14. Financial instruments *(continued)*

(a) Fair values of financial instruments (continued)

Fair values
The fair values for each class of financial assets and financial liabilities together with their carrying amounts shown in the statement of financial position are as follows:

	Carrying amount 2019	Fair value 2019	Carrying amount 2018	Fair value 2018
	£000	£000	£000	£000
Trade and other receivables	-	-	-	-
Trade and other receivables from group companies	11	11	11	11
Cash and cash equivalents	24	24	26	26
Trade and other payables	-	-	(47)	(47)
Trade and other payables to group companies	(2,689)	(2,689)	(2,600)	(2,600)
	(2,654)	(2,654)	(2,610)	(2,610)
Unrecognised gains/losses		-		-

(b) Credit risk

Financial risk management
Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers.
The company's principal financial assets are bank balances, trade and other receivables which represent the company's maximum exposure to credit risk in relation to financial assets. The company bears the bad debt risk on all trade receivables. The company's directors make assessments on new customers before work is carried out, based on their knowledge of the industry and the customer's acceptance of imposed credit terms.
The amounts presented in the statement of financial position are net of allowances for doubtful receivables. These have been estimated by the company's directors using the Bertelsmann group expected credit loss model, based on historical credit loss information and assessment of the current and future economic environment.

Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the statement of financial position date was £Nil (2018: £Nil) being the total of the carrying amount of trade and other receivables, shown in the table above.

(c) Liquidity risk

Financial risk management
Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. Liquidity is managed by group as required on a loan basis.

Capital management
Capital is managed by the ultimate parent company.

Notes *(continued)*

14. Financial instruments *(continued)*

(d) Market risk

Financial risk management
Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the company's income or the value of its holdings of financial instruments.

Market risk - Foreign currency risk
The company does not undertake any foreign currency transactions.

Market risk – Interest rate risk
The company's exposure to interest rate risk arises from the fluctuations in the rate of interest charged on cash and cash equivalent balances payable as impacted on by the changes in the Bank of England base rate. The company utilises a loan facility from its subsidiary company, on which interest is charged at specific rates, based on the Bank of England base rate.

Sensitivity analysis – Interest rate risk
A change of one percent in interest rates at the statement of financial position date would have impacted the company's result by the amounts shown below. This calculation assumes that the change occurred at the statement of financial position date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates. The analysis is performed on the same basis as for 31 December 2018.

At the year end it is estimated that an increase of one percentage rise in the Bank of England base rate would increase the company's loss before taxation by approximately £26,000 (2018: £26,000).

15. Related parties

Identity of related parties

The company has a related party relationship with fellow subsidiaries of the group headed by Bertelsmann SE & Co. KGaA and with its directors and executive officers.

Related party transactions

During the year the company entered into the following transactions with fellow subsidiary companies of the group. The transactions were priced on an arm's length basis.

	Sale / (purchase) of goods £000	Sale / (purchase) of assets £000	Deliver / (receive) services £000	Balance receivable / (payable) £000
Arvato Public Sector Services Limited	-	-	(55)	(2,689)
Bertelsmann UK Limited – Tax Pooling	-	-	11	11
At 31 December 2019	-	-	(44)	(2,678)

The total amounts receivable and payable to related parties are disclosed in the statement of financial position as follows:

	2019 £000	2018 £000
Trade and other receivables from group companies	11	11
Trade and other payables to group companies	(2,689)	(2,600)
	(2,678)	(2,589)

Trade receivables from and trade payables to group companies arose in the ordinary course of business and are on substantially the same terms as for comparable transactions with third party counterparties.

Notes *(continued)*

16. Notes to the statement of cash flows

Cash flows from operating activities

	2019	2018
	£000	£000
Loss before taxation	(55)	(54)
Adjustments for:		
Depreciation of property, plant and equipment	-	-
Amortisation of intangible assets	-	-
Financial expenses	55	51
Operating profit/(loss) before movements in working capital	-	(3)
Decrease in receivables	-	-
Increase/(decrease) in payables	2	(7)
Cash generated from/(used in) operations	2	(10)
Tax received	10	8
Net cash generated from/(used in) operating activities	12	(2)

17. Accounting estimates and judgements

The preparation of these financial statements requires the directors to make judgements, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The directors consider that the nature of the judgements and estimates used within the calculation of asset impairment are the only key estimates or judgements identified that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Impairment calculations are prepared each financial year comparing forecast discounted cash flows to carrying values and any previous impairments.

Recoverability of receivables

The company reviews overdue trade receivables on a regular basis and makes provisions against those balances considered most at risk.

18. Ultimate parent company and controlling party

The immediate parent company is Arvato Limited, a company incorporated in the United Kingdom.

The ultimate parent company and ultimate controlling party is Bertelsmann SE & Co. KGaA, a company incorporated and registered in Germany. The consolidated financial statements of this group are available to the public and may be obtained from Bertelsmann SE & Co. KGaA, Carl Bertelsmann Strasse 270, Postfach 111, D-33311, Gütersloh, Germany.

No other group financial statements include the results of the company.

19. Post balance sheet events

The Coronavirus pandemic has presented a major challenge to all UK businesses in 2020, however the company has no operational activity and therefore this has had no impact on the company. Consequently the company has concluded that no adjustments are required to these financial statements in respect of this event.