

Civica NI Limited

Directors' report and financial statements

Registered number: NI 043987

30 September 2020



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Directors' report and strategic report

The directors present their report and the audited financial statements for the year ended 30 September 2020.

Principal activities

The principal activities of the Company are the provision of a range of software and consulting services to various markets including the telecoms market, devolved government and policing. The Company offers a range of software and services to clients.

Strategic Report

Business model

The Civica vision is to help organisations achieve better outcomes through more connected ways of working, enabled by the use of digital technology and automation. Civica NI deliver this vision through a business model which has four core areas of activity to deliver value to our customers:

- **Telecom OSS plan, build & deploy:** A service offering analysing telecom OSS, working out the best and most practical way forward for the launch of new products and business models, implementing that solution and then deploying to a live environment.
- **Criminal Justice Sharing Systems:** A integration hub solution that allows Police Forces using Case Management systems to integrate with other criminal justice systems to provide more data including Courts, Probation, Forensics and Prison's.
- **Mobile Working Platform:** A platform that allows Enterprises to build, deploy and support mobile applications quickly with pre-built functionality that customers can choose to add to the application.
- **Design-driven digital transformation:** a methodology which helps organisations that deliver essential every day services to rapidly transform their customer experiences and improve operational efficiency for Northern Ireland Public Services.
- **WanStaX, WinPath™ Expert Services, and Connected Devices Engineering:** a portfolio of licensable csoftware components and specialised embedded professional services which are designed to accelerate telecommunications product development.

Business review

During the year to 30 September 2020, turnover decreased to £7,409,000 (*year ended 30 September 2019: £7,866,000*) and operating profit decreased to £2,162,000 (*year ended 30 September 2019: £2,194,000*).

This period has been another period of investment in research and development of our product offerings. Whilst the markets we operate in remain competitive, the quality of our people, products and associated services means that we continue to meet customers' requirements with our high value for money propositions. We undertake complex assignments for our clients and our in-depth knowledge of their systems leads to repeat business from upgrades and ongoing development.

The investment made in research and development for the Mobile Working Platform has resulted in new product offerings across the Civica Group and additional functionality for existing products. The combination of this investment in R&D and delivery capacity will translate into new product lines and additional revenue in the years ahead.

Directors' report and strategic report *(continued)*

Corporate social responsibility

Projects are targeted at making a positive difference supported through both Company and individual initiatives. During the year the Company participated in a number of charitable causes, such as Byte Night sleep for Action for Children, SAMHI, Shelter NI, Comic Relief, Save the Children, NI Children's Hospice and Macmillan Cancer Care.

Key Performance Indicators

Management use various key performance indicators (KPIs) to routinely monitor the Company's performance and development. Those KPIs include:

- Turnover
- Operating profit

These KPIs for the year ended 30 September 2020 and for the previous 2 financial periods were:

	2020 £000	2019 £000	2018 £000
Turnover	7,409	7,866	6,516
Operating profit	2,162	2,194	1,672

Principal risks and uncertainties

The Directors are responsible for the Company's approach to assessing risk and accepts that in creating value for the Company, the Company must take on and accept some risk. The Directors are responsible for implementing the Company's policies on risk and control and monitoring compliance with these policies. This system is designed to manage, rather than eliminate, the risk of failure to achieve corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss.

The Company operates in a dynamic economic and technological environment and, as with all other organisations providing specialist software and systems to private and public sector organisations, the main risks and uncertainties facing the Company surround the level of funding available in future periods, the risks of technological advancement and the threat of competition.

Directors' report and strategic report *(continued)*

Future developments

The Company continues to increase its profile and is valued for its combination of people, technology and business process expertise. With a resilient business and well developed strategy, we believe the Company is extremely well placed as a strong and stable partner for our customers as they continue to respond to rapid and significant change.

Dividends

The Directors do not recommend the payment of a dividend in the current period (2019: £nil).

Directors

The Directors who served the Company during the period were as follows:

Mr W A Story	
Mr P D Rowland	
Mr G Leigh	
Mr M T Owens	
Mr S M Thorn	
Mrs S J Parkinson	
Mr Michael Stoddard	(appointed 25 May 2021)
Mr David Spicer	(appointed 27 May 2021)

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, KPMG LLP will be deemed to be reappointed and will therefore continue in office.

On behalf of the board



Phillip Rowland
Director

10 Weavers Court
Belfast
BT12 5GH

28 June 2021

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 judgments 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.

KPMG LLP

15 Canada Square
London
E14 5GL
United Kingdom

Independent auditor's report to the members of Civica NI Limited

Opinion

We have audited the financial statements of Civica NI Limited ("the company") for the year ended 30 September 2020 which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease their operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

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 period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of Civica NI Limited (continued)

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

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

Auditors' 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.



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

30 June 2021

Profit and loss account

For the year ended 30 September 2020

		Year ended 30 September 2020 £000	Year ended 30 September 2019 £000
	<i>Note</i>		
Turnover	2	7,409	7,866
Cost of sales		(57)	(5)
Gross profit		<u>7,352</u>	<u>7,861</u>
Administrative expenses		(5,190)	(5,667)
Operating profit	3	<u>2,162</u>	<u>2,194</u>
Interest receivable and similar income	6	-	1
Interest payable and similar expenses	7	(4)	(1)
Profit before taxation		<u>2,158</u>	<u>2,194</u>
Tax charge on profit	8	(413)	(409)
Profit for the financial period		<u><u>1,745</u></u>	<u><u>1,785</u></u>

There are no recognised gains or losses other than the profit for the current and preceding financial year. As such no Statement of Other Comprehensive Income has been presented.

The notes on pages 10 to 19 form part of the financial statements.

All of the results of the Company derive from continuing operations.

Balance Sheet
At 30 September 2020

	<i>Note</i>	30 September		30 September	
		2020	2020	2019	2019
		£000	£000	£000	£000
Fixed assets					
Tangible assets	9		54		47
Current assets					
Debtors (including £12,821,000 (2019: £10,759,000) due after more than one year)	10	15,069		12,837	
Cash at bank and in hand		1,610		1,328	
		<u>16,679</u>		<u>14,165</u>	
Creditors: amounts falling due within one year	11	<u>(3,354)</u>		<u>(2,578)</u>	
Net current assets			13,325		11,587
Provision for liabilities and charges	12		(248)		(248)
Net assets			<u>13,131</u>		<u>11,386</u>
Capital and reserves					
Called up equity share capital	16		80		80
Capital contribution			1,156		1,156
Profit and loss account			11,895		10,150
Shareholders' funds			<u>13,131</u>		<u>11,386</u>

The notes on pages 10 to 19 form part of the financial statements.

These financial statements were approved by the Board of Directors on 28 June 2021 and were signed on its behalf by:



Phillip Rowland
Director

Statement of Change in Equity

	Share capital £000	Capital contribution £000	Profit and loss £000	Total equity £000
Balance at 1 October 2018	80	1,156	8,365	9,601
Total comprehensive income for the year				
Profit for the year	-	-	1,785	1,785
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	-	1,785	1,785
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 September 2019	80	1,156	10,150	11,386
	<hr/>	<hr/>	<hr/>	<hr/>
	Share capital £000	Capital contribution £000	Profit and loss £000	Total equity £000
Balance at 1 October 2019	80	1,156	10,150	11,386
Total comprehensive income for the year				
Profit for the year	-	-	1,745	1,745
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	-	1,745	1,745
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 September 2020	80	1,156	11,895	13,131
	<hr/>	<hr/>	<hr/>	<hr/>

The notes on pages 10 to 19 form part of the financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Civica NI Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 (September 2015) *The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102")*. The amendments to FRS 102 issued in December 2016 have been applied. The presentation currency of these financial statements is sterling, which is the functional currency of the company. All amounts in the financial statements have been rounded to the nearest £1,000, unless otherwise stated.

The company is included in the consolidated financial statements, of Camelia Investment 1 Limited and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the Company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included;
- No separate Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been disclosed.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 18.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The company is a subsidiary of the Group headed by Camelia Investment 1 Limited (the Group) and provides a range of software and consulting services to various markets including the telecoms market, devolved government and policing and offers a range of software and services to clients which are integral to the Group's business model. Consequently, the ability of the Company to continue as a going concern is based on the ability of the Group to continue as a going concern.

The Group has prepared financial forecasts comprising operating profit, balance sheet and cash flows to 30 September 2022. In preparing these forecasts, the Group has considered the principal areas of uncertainty within the forecasts and the underlying assumptions, in particular those relating to market and customer risks, cost management, working capital management. Specifically, the forecasts also consider the impact of COVID-19 including the potential uncertainty of demand for the services provided by the Group; disruption in deliveries and supply chains; and delays in receiving cash from customers. The Group continues to take actions as necessary to reduce the impact and has instituted measures to reduce costs and preserve cash.

The Group forecasts have been stress-tested to consider the sensitivity to severe but plausible downside scenarios, including the following potential circumstances: decrease in expected revenue by 4%, which is assessed with reference to unsecured revenue and pipeline data, which would result in a total decrease of EBITDA by 15% ignoring any cost savings, decrease in cash conversion by 10%, and LIBOR increasing by 1%. In assessing this sensitivity on revenues, the Group has had regard to its order book and the amount of revenues in the forecast which are already subject to contract, but the forecasts are nonetheless contingent on the Group attracting new customers and retaining existing ones. The ability to do this has been demonstrated historically, including during the COVID-19 pandemic in the later part of the year, and continued post year end. The downside scenarios are considered before any potential costs mitigations which are in the Group's control.

Notes

(forming part of the financial statements)

1 Accounting policies (continued)

1.2 Going concern (continued)

The Group has significant liquidity available to cope with additional cash requirements related to potential impacts of COVID-19. The Group's forecasts indicate that even in the severe but plausible downside scenarios it would have sufficient funds to operate within the financial covenants on its loan facilities and to continue to meet its liabilities as they fall due for payment for the forecast period. This includes the availability of the revolving credit facility under existing banking agreements, of which £77.0m was available at year end.

Consequently, the directors have prepared the financial statements for the year ended 30 September 2020 on a going concern basis.

1.3 Turnover

Turnover comprises the value of sales of licences, support, hosting, maintenance and training services, consulting contracts, hardware and outsourcing services.

Revenue from the sale of initial licence fees is recognised at the point an irrevocable commitment to use the software is received from the customer. Revenue from the provision of annual licence fees, support, hosting and maintenance is recognised over the period to which the contracted service relates. Revenue from the provision of training and consultancy services is recognised when the services have been performed. Hardware sales are recognised on delivery. Hardware maintenance revenues are recognised evenly over the period to which they relate. Revenue from the delivery of managed services contracts is recognised over the life of the contract on a long term contract accounting basis.

The excess of amounts invoiced over revenue recognised is recorded as deferred income.

1.4 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

1.5 Taxation

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

Notes

(forming part of the financial statements)

1 Accounting policies *(continued)*

1.5 Taxation *(continued)*

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Timing differences are not provided for differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.6 Foreign currency

Transactions in foreign currencies are translated to the companies' functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. 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. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.7 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Lease payments are accounted for as described at 1.4 above.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives are as follows:

- computer equipment and fixtures and fittings 15-33% straight line

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Notes

(forming part of the financial statements)

1 Accounting policies (continued)

1.8 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable provisions. Trade and other creditors are recognised at transaction price. Subsequent to initial recognition they are measured at cost, less provisions according to any perceived risks.

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 cash flow statement.

1.9 Impairment excluding deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire group of entities into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes

(forming part of the financial statements)

1 Accounting policies (continued)

1.10 Employee benefits

Defined contribution pension plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.11 Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

2 Turnover

94.8% (2019: 92.7%) of the Company's turnover arises from trade within the United Kingdom and the EU.

3 Operating profit

Operating profit is stated after charging:

	2020 £000	2019 £000
Depreciation of owned fixed assets	26	31
Auditor's remuneration - audit	15	6
Operating lease costs – land and buildings	228	199
Exceptional costs – included in administrative expenses	102	246
	<hr/>	<hr/>

During the year the company incurred £102,000 (2019: £246,000) of costs relating to the strategic reorganisation of its operations which related to redundancy costs.

There were no non-audit services in the year (2019: nil).

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the period was as follows:

	2020 No.	2019 No.
Production Staff	71	75
Administrative staff	6	8
	<hr/>	<hr/>
	77	83
	<hr/>	<hr/>

Notes

(forming part of the financial statements)

4 Staff numbers and costs *(continued)*

The aggregate payroll costs (including directors) were as follows:

	2020 £000	2019 £000
Wages and salaries	3,550	3,750
Social security costs	363	396
Other pension costs	203	220
	<u>4,116</u>	<u>4,366</u>

5 Directors' remuneration

The Directors' aggregate remuneration in respect of qualifying services was:

	2020 £000	2019 £000
Remuneration receivable	170	208
Value of Company pension contributions to money purchase schemes	11	9
	<u>181</u>	<u>217</u>

Remuneration of highest paid director:

	2020 £000	2019 £000
Remuneration	123	125
Value of Company pension contributions to money purchase schemes	6	5
	<u></u>	<u></u>

2 directors (2019: 2) accrued benefits under Company money purchase pension schemes.

6 Interest receivable and similar income

	2020 £000	2019 £000
Bank interest receivable	-	1
	<u></u>	<u></u>

Notes

(forming part of the financial statements)

7 Interest payable and similar expenses

	2020 £000	2019 £000
Foreign exchange differences	4	1

8 Taxation on ordinary activities

	2020 £000	2019 £000
<i>Current tax</i>		
Corporation tax charge on income for the period	(412)	(405)
Adjustment in respect of prior periods	(4)	7
Total current tax	(416)	(398)
<i>Deferred tax</i>		
Origination and reversal of timing differences	4	1
Adjustments in respect of previous periods	(1)	(12)
Total deferred tax	3	(11)
Total tax	(413)	(409)

Factors affecting the corporation tax charge for the current period

The corporation tax charge for the period is higher (2019: lower) than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £000	2019 £000
Profit for the year	1,745	1,785
Total tax expense recognised in profit and loss	(413)	(409)
Profit excluding taxation	2,158	2,194
Tax using the UK corporation tax rate of 19% (2019: 19 %)	(410)	(417)
<i>Effects of:</i>		
Corporation tax adjustments in respect of previous periods	(4)	7
Deferred tax adjustments in respect of previous periods	(1)	(12)
Deferred tax change of rate	3	-
Non taxable income/(expense)	(1)	6
Other tax adjustments	-	7
Total tax expense included in profit or loss	(413)	(409)

Notes

(forming part of the financial statements)

8 Taxation on ordinary activities *(continued)*

The main rate of UK corporation tax for the year ended 30 September 2020 was 19%. In the Spring 2020 budget it was announced that the Corporation Tax rate would remain at 19% from 1 April 2020, rather than reducing to 17% as previously enacted. The rate of 19% was substantively enacted at the balance sheet date.

9 Tangible fixed assets

	Fixtures, Fittings & Equipment £000	Total £000
Cost		
At 30 September 2019	1,623	1,623
Additions	33	33
	<hr/>	<hr/>
At 30 September 2020	1,656	1,656
	<hr/>	<hr/>
Depreciation		
At 30 September 2019	1,576	1,576
Charge for period	26	26
	<hr/>	<hr/>
At 30 September 2020	1,602	1,602
	<hr/>	<hr/>
Net book value		
At 30 September 2020	54	54
	<hr/>	<hr/>
At 30 September 2019	47	47
	<hr/>	<hr/>

10 Debtors

	2020 £000	2019 £000
Trade debtors	1,086	952
Amounts owed by group undertakings	12,821	10,759
Prepayments and accrued income	1,134	1,100
Deferred tax	28	26
	<hr/>	<hr/>
	15,069	12,837
	<hr/>	<hr/>

Debtors include amounts owed by group undertakings of £12,821,000 (2019: £10,759,000) due after more than one year.

Notes

(forming part of the financial statements)

11 Creditors: amounts falling due within one year

	2020 £000	2019 £000
Trade creditors	44	5
Amounts owed to group undertakings	1,169	841
Other taxation and social security	765	421
Accruals and deferred income	964	906
Corporation tax	412	405
	<u>3,354</u>	<u>2,578</u>

12 Provisions for liabilities and charges

	Property Provision £000	Total Provisions £000
At beginning and end of period	<u>248</u>	<u>248</u>

13 Commitments under operating leases

Non-cancellable operating lease rentals are payable as follows:

	Land and buildings 2020 £000	2019 £000
Within one year	228	228
Between one and five years	304	532
	<u>532</u>	<u>760</u>

14 Contingencies

The Company may have to repay government grants to Invest NI if certain conditions are not met. The agreement expires in 2022. The research and development revenue grant, received in 2017, amounted to £390,545.

15 Related party transactions

The Company has taken advantage of the exemption available in FRS 102 and not disclosed any related party transactions with wholly owned subsidiaries of the Camelia Investment 1 Limited group. There are no transactions with any other related parties.

Notes

(forming part of the financial statements)

16 Share capital

	2020		2019	
	No.	£000	No.	£000
Allotted, called up and fully paid:				
Ordinary class A shares of £0.01 each	8,000,000	80	8,000,000	80

17 Ultimate parent company

The Company's immediate parent company is Asidua Holdings Limited, a company registered in Northern Ireland. The registered office is 10 Weavers Court, Belfast, BT12 5GH. The Company's ultimate parent company at the balance sheet date is Camelia Investment 1 Limited, a company registered in the United Kingdom. The registered office is South Bank Central, 30 Stamford Street, London, SE1 9LQ.

The smallest and largest group in which the results of the Company were consolidated was that headed by Camelia Investment 1 Limited. The consolidated accounts of this company are available from Companies House, Crown Way, Cardiff, CF14 3UZ.

18 Accounting estimates and judgements

Key sources of estimation uncertainty

The preparation of financial statements requires management to make estimates and judgements that affect the reported values of assets and liabilities, profits and losses, and associated disclosures. Estimates and judgements are continually evaluated based on historical experience and other factors such as expected future events. Actual values may differ to management estimates, and those estimates may be revised in the future either positively or negatively depending upon actual outcomes or changes in expectations.

Key assumptions and other sources of estimation uncertainty at the balance sheet date that may cause material adjustment to the carrying amounts of assets or liabilities within the next financial year are as follows:

Recoverability of debtors

Debtors are stated in the balance sheet at their nominal value less any appropriate provision for irrecoverable amounts. In determining whether provision is required against any debtors, the Directors are required to make a judgement regarding the overall recoverability of the debtor. In exercising this judgement, consideration is given to both the overall economic environment in which a debtor operates as well as specific indicators that the recovery of the nominal balance may be in doubt.

Calculating the appropriate level of provision against debtors involves a key source of estimation uncertainty, namely estimating the quantum of balances irrecoverable.