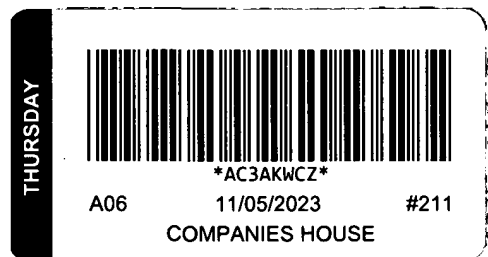


Civica UK Limited

Annual report and financial statements
Registered number 1628868
30 September 2022



Contents

| | Page |
|---|------|
| Directors' Report and Strategic Report | 1 |
| Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements | 9 |
| Independent auditor's report to the members of Civica UK Limited | 10 |
| Profit and loss account | 14 |
| Statement of Other Comprehensive Income | 15 |
| Balance sheet | 16 |
| Statement of Changes in Equity | 17 |
| Notes | 18 |

Directors' Report and Strategic Report

The directors present their report and the audited financial statements for the year ended 30 September 2022.

Principal activities

The principal activities of Civica UK Limited ("Civica", "the Company") are building the software to sustain and enhance public services, with a core focus in the United Kingdom.

Strategic Report

Business model

Civica provides software and associated services that sustain and enhance the delivery of public services, and support accelerating digitisation and automation across the sector. The Company is recognised as a leading partner for customers across local and regional government, central government, health and care, social housing and education. This is underpinned by specialist domain expertise, scale with an exceptional people-first culture.

Building on the foundation of our cloud software and applying local knowledge on a global scale, Civica delivers value to our customers through our business model. This comprises development, support and management of a broad range of software that delivers and improves core business activities and organisational efficiency. It includes sector-specific ('vertical') applications for individual markets and cross-sector ('horizontal') platforms for digital engagement, financial management, people and workforce management and governance, risk and compliance.

Our business model is supported by Civica's strong and purpose-driven culture, and we continue to invest in our people who are the key to delivering these capabilities. The Company combines deep domain expertise – with approximately one third of our team having direct experience of working in the public sector – with specialist technical capability including software design and implementation, digital technologies and data expertise.

Business review

While the extraordinary events of the last three years continued to bring rapid upheaval and enormous challenges for all, the Company continued to deliver a high performance across the 2022 financial year. This was driven by the capability of our software to deliver critical activities for the public sector and supported by our exceptional team, cloud technology and strong infrastructure.

Trading results

Civica delivered a very strong trading performance for the full year with progress across core markets and continued strategic development, underpinned by balanced investment in our people, our products and our platform.

Complementary acquisitions

The Company completed three acquisitions in 2022. We added capability and further scale for the health and care and local government sectors as well complementary products in people and workforce management, and governance, risk and compliance capabilities.

- For the health and care sector, we acquired Malinko Health and Care Technologies Limited, which provides an e-scheduling platform to enable effective co-ordination and delivery of care to citizens.
- Our governance, risk and compliance capability was expanded further with Point Progress Limited with its expenses management and compliance software, including a forthcoming carbon footprint reporting application; and Technology Forge Limited, which provides property and asset management software across the public sector.

Acquisitions are rapidly integrated to deliver greater value using our combined capability and expertise, including product cross-selling.

As we continued to deliver our strategy to focus on software, we have begun to transition our BPO (business process outsourcing) contracts back to our customers, where they will benefit from much improved services in-house. During the year, we also divested our remaining Licencing and Cloud and Software Lifecycle (LCSL) business in the UK, as this no longer supports the company's software- focused growth strategy.

Directors' Report and Strategic Report *(continued)*

Business review *(continued)*

Growth outlook

Civica has a sustainable platform-based business model focused around core markets and capabilities. We maintained momentum in 2022 based on our clear software focus, strong commercial relationships with customers and the Company's ongoing strategic development.

While expanding the use of Civica software we have delivered strong progress in key areas including cloud, digital enablement, technology innovation and data. The experience of the last three years has accelerated the focus on cloud and digital adoption, showing the speed with which it is possible to harness innovation. With a leading market position, Civica is strongly placed to respond to accelerating public sector digitisation and we remain committed to the further execution and evolution of our successful strategy. Our aim is to support the needs of our customers both to sustain and enhance services and transform digitally, and to achieve above-market growth for the Company.

We believe Civica is in a strong position to continue our momentum. With enhancements to our global platform, we expect to sustain our growth performance into 2023 and beyond.

Our people and our values

In a working world that's now quite different, we've embraced new approaches that give the Civica team the flexibility and autonomy they need, to perform at their best and grow as people. With our deep sector and software expertise and depth of leadership, we build durable long-term relationships based on a shared purpose and commitment.

Guided by our Civica Way framework, we continue to strategically invest in our team. We aim to recruit diverse colleagues from all backgrounds who share our strong purpose and values – offering continual training and development while empowering everyone to feel able to bring their true selves to work.

Our core values:

- **Knowledge:** With a deep understanding of our customers and of software, we are committed to developing and sharing our insight and expertise to help customers and colleagues achieve their goals.
- **Integrity:** Reinforced by our culture, we maintain consistently high standards as a trusted partner, always delivering what we promise and remaining open, straightforward and fair.
- **Action:** We focus on delivering timely and effective results, always looking to do more and go further with a desire to help customers and colleagues make a positive difference and fulfil their potential.

A leading employer

We work hard to ensure Civica remains a great place to work, with a leading brand to attract and retain diverse talent from across the globe. Re-accredited with Investors in People 'Gold' in 2022, we continuously invest in our people and business through sustained programmes for engagement, learning and development via our Civica Academy.

This dedicated focus on employee wellbeing, supporting diversity and effective leadership continues to be recognised. This was shown by an excellent 2022 Employee Net Promoter index of +45. We maintained our position as one of the top companies in the 2023 global Financial Times Diversity Leaders list, named as a top ten UK-based IT and software business.

An agile approach in the workplace

Flexibility has always been a differentiator for Civica. Under our blended working approach, everyone can be accountable for what they deliver regardless of when and where they are working. We empower our people to manage their own wellbeing and work life intelligently. This provides significant benefits for colleagues and the business as a whole and is allowing us to attract and retain the best talent.

Operating a 'blended working' model has required a greater emphasis on blended learning; combining both virtual and face-to-face delivery. We believe that in-person learning is still very important to help with wider networking and to retain our distinctive culture.

Directors' Report and Strategic Report *(continued)*

Our people and our values *(continued)*

An agile approach in the workplace (continued)

We've made great strides, making the most of technology for all-important collaboration and innovation and opting for face-to-face interaction where it adds the most value.

We offer all our managers the tailored training needed to support remote/blended teams and maintain collaboration and innovative ways of working. This is backed by our focus on positive health, with even greater access to support and advice, providing practical health and wellbeing support through programmes such as our Employee Assistance Programme and wellbeing initiatives.

We also have 35 Mental Health Champions, offering both virtual and in-person support for those looking for confidential help at work. All are trained in Mental Health First Aid. We run regular Health and Wellbeing virtual 1:1's with our partner provider Sander's Fitness, focused on improving mental and physical health and new resolutions sessions.

We've been making sure that we really embed the right behaviours and that our people's health and wellbeing remains a priority. We are encouraging our leaders across the business to lead by example, motivating everyone to build reflection and down time into their day.

Growth and skills

During the period, we welcomed new colleagues both through organic growth and via acquisition, supported by Civica's consistent approach to workforce planning and talent development, including our First Impressions on-boarding programme.

We encourage everyone to grow their skill set throughout their career and to reach their full potential. Through our Civica Academy, we delivered 178,000 hours of learning in 2022, including formal facilitated training, social and experiential learning.

Alongside structured coaching, mentoring, regular check-ins and personal development planning, we also encourage people to take ownership to drive their own careers and be their own 'Chief Learning Officers'.

We continue to develop our blended training and self-directed e-learning, continuously reviewing our current training, investing in new and improved modules and maximising our Civica Agylia learning management system.

Succession planning is a vital and consistent area of focus across our business. During the period, we've continued to build our online learning catalogue. We launched new senior leadership training and enhanced our current programmes for effective blended learning while meeting new business demands.

During the period, we expanded our Sales Excellence Programme to help all our teams perform to their best and provided optimum support for our customers. This included a new pathway from our pre-sales and bids community. We also grew our coaching programme with a new formal qualification available for people across the Group as a new 'Leaders as Coaches' module. Our successful mentoring programme continues to help people reach their full potential, find the best internal opportunities and feel even more supported in the workplace.

Via our successful Civica NorthStar innovation lab, we provide a range of activities to support innovation and act as an open portal for everyone to submit ideas. During the year, we held several internal and customer innovation workshops to develop new ideas and support innovation both internally and externally.

As a member of the 5% Club, we remain committed to our goal to make up 5% of Civica's workforce with early career starters. We also continue to invest in our current employees with the delivery of apprenticeship programmes to aid career development.

Focus on diversity, equity and inclusion

At Civica, we encourage everyone to bring their true selves to work - helping people to feel included and welcome at Civica regardless of race, gender or sexuality.

During the year, we took further steps to improve inclusivity to ensure a supportive work environment for our diverse community, including regular virtual diversity and inclusion training.

Directors' Report and Strategic Report (continued)

Our people and our values (continued)

Focus on diversity, equity and inclusion (continued)

We grew momentum in our Diversity, Equity and Inclusion (DE&I) strategy with continuous activity from our global affinity groups: these offer a safe space for everyone to hold discussions across a wide range of areas from menopause to the LGBTQIA community, accessibility, race and ethnicity, early careers and parents and guardians.

We continue to champion women in technology, increasing the number of female employees through development, promotion and recruitment. In 2022, we launched our MenoHub to provide all employees with more information and support on the menopause and hosted a series of roundtables on this important topic. We celebrated Pride Month, Black History Month and for the first time, South Asian Heritage Month, and were proud to share inspirational stories from around the business

A signatory to the Tech Talent Charter since 2019, we're committed to inclusive recruitment and benchmarking our progress against industry best practice. We were delighted to maintain our position as a Financial Times Diversity Leader in 2022/23.

We work with Young Enterprise with employees mentoring young people to consider a career in technology.

Engaging our people

We pride ourselves on keeping our people informed and engaged, and deliver an intentional and consistent rhythm of the Company, regional and divisional communications to bring our purpose and 'Civica story' to life.

We recognise the importance of ensuring our people understand how their roles not only contribute to our strategy, but also make a genuine difference to the world around them. We run a comprehensive programme of activity across multiple channels, so our people always feel connected, focussed and included in the conversation; and we empower them to have a voice and share their feedback and ideas throughout the year.

Our annual employee engagement and Employer Net Promoter Score surveys allow us to effectively track employee engagement and gain anonymous feedback so we can swiftly make positive improvements to their employee experience.

We also continue to build on all our employee support networks such as Yammer groups, all-hands calls and Connection Days - all of which are regularly promoted through internal communications such as our weekly Take Five e-newsletter and Intranet.

Charity at work

The Civica Foundation creates social value and helps make a difference to people and communities around the world. We encourage everyone to take their annual 'Donate-a-day' for a worthwhile cause and support nationwide and local charitable events throughout the year.

We support events in aid of our partner charities including #BoycottYourBed for Action for Children, Shelter and Water for Kids. A wide range of further charitable events during the year included a sponsored walk for WaterAid, support for the Peel Project and the Buddy Bag charity.

Reward and recognition

The Company provides a highly competitive benefits package, including flexible elements which people can tailor to their needs such as extra holiday and cycle-to-work schemes. During 2022, we have further extended our wellbeing programs to provide Financial Education sessions to employees to provide support and awareness into a range of financial wellbeing topics. We have also added menopause support into our private medical plan as part of our commitment to diversity and inclusion and employee wellbeing.

Civica is committed to ensuring that all entry positions are paid at least the rate recommended by the Real Living Foundation which is above the statutory minimum wage.

We recognise the immense efforts of our colleagues and their contribution to our performance – and always say thank you for a job well done. Our annual Civica Employee Awards, which recognise and reward our people who are actively going above and beyond, received more than 600 nominations in 2022.

Our 'Praise' scheme allows people to share their gratitude for colleagues online and our Civica Special Thanks and Recognition (CSTAR) programme rewards employees who have gone the extra mile.

Directors' Report and Strategic Report *(continued)*

Our people and our values *(continued)*

Anti-corruption and human rights

We are fully committed to sound and fair business practices including zero tolerance on anti-corruption. Prevention, deterrence and detection of fraud or bribery is the responsibility of all, and the company encourages employees to report any suspicions in confidence.

Civica recognises that work is crucial to a person's dignity, well-being and development. We are therefore committed to the creation of jobs and working conditions in which people can work in freedom, safety and dignity. Wherever they are based. We expect the same from all contractors, suppliers and other business partners across our global supply chain. We are committed to identifying and assessing any potential risks and eliminating the possibility of modern slavery and human trafficking in our business.

We also pledge to provide a workplace environment where colleagues are recognised as the most valuable asset, and treated with respect, dignity, and consideration. This commitment is built upon a framework of policies and procedures designed to ensure fairness throughout a colleague's employment lifecycle.

Civica embraces difference across all parts of the organisation. We will not tolerate any discriminatory practices in talent attraction, compensation, access to learning and development, promotion or exit practices, based on gender (including gender reassignment and pregnancy), marital status, family status, religious belief, disability, age, racial grounds, sexual orientation or any other area which could give rise to discrimination.

Key performance indicators

Management use various key performance indicators (KPIs) to routinely monitor the Company's performance and development. KPIs are separately disclosed for the whole Company and for Software as part of the ongoing strategy to focus on software related activities, with previous non-software related contracts reducing as they complete. Software is not reported in the financial statements as a segment in turnover note 2, as the various elements of turnover disclosed all include software activity. The remaining elements of non-software activity do not meet the definition of discontinued operations under FRS102.

Management considers these KPIs to be key, as they are output performance indicators which can be applied consistently, and their input drivers can be clearly understood by management. Those KPIs include:

- Turnover;
- Gross profit;
- Operating profit before amortisation and exceptional charges;
- Operating profit before depreciation, amortisation, exceptional charges and Project Centum costs (EBITDAE), as disclosed in the Profit and Loss Account and note 3 to the financial statements;

These KPIs for the year ended 30 September 2022 and for the previous 2 financial years were:

| £000 | Year ended 30 September 2022 | | Year ended 30 September 2021 (Reclassified) | | Year ended 30 September 2020 (Reclassified) | |
|---|---------------------------------|----------|---|----------|---|----------|
| | Total | Software | Total | Software | Total | Software |
| Turnover | 313,057 | 264,183 | 302,247 | 232,512 | 282,012 | 204,897 |
| Gross profit | 181,762 | 166,190 | 179,755* | 157,306* | 160,127* | 136,757* |
| % | 58.1% | 62.9% | 59.5% | 67.7% | 56.8% | 66.7% |
| Operating profit before amortisation and exceptional charges | 74,109 | 75,128 | 76,185 | 74,115 | 63,013 | 60,612 |
| % | 23.7% | 28.4% | 25.2% | 31.9% | 22.3% | 29.6% |
| EBITDAE | 82,589 | 82,660 | 82,246 | 79,045 | 68,535 | 65,103 |
| % | 26.4% | 31.3% | 27.2% | 34.0% | 24.3% | 31.8% |

Directors' Report and Strategic Report (*continued*)

Key performance indicators (*continued*)

* In the year ended 30 September 2022 the Company changed the methodology in how cost of sales and administrative expenses are categorised. As a result, the gross profit above has been restated for the prior 2 years to bring in line with the current year methodology. There is no change to the Company's operating profit, the only change is between cost of sales and administrative expenses.

The business also monitors a series of non-financial KPIs that underpin our approach to driving the business forward. These include net promoter score (customer and employee) and customer satisfaction metrics. There are also a number of operational performance indicators that are tracked within the business to ensure that the operations of the Company are monitored and managed effectively, with action plans to drive continuous improvement.

A sustainable business

As a major business, we take our responsibility to minimise our impact on the environment very seriously. We continuously review and strive to improve by working with employees, customers and suppliers. Our Environmental Social Governance (ESG) team is led by an Executive sponsor and made up of volunteers from across the business.

Civica's Environment and Social Governance (ESG) committee provides clear focus for the ongoing development and implementation of our environmental policy, which is supported by our ISO 14001 environmental standard. We are committed to working with our staff, customers, suppliers, contractors and partners to recognise and reduce the impact we all have on the environment. This goes hand-in-hand with optimising our services to support environmental and community initiatives.

We have a Carbon Reduction Plan (CRP) in place and a commitment to achieve Net Zero by 2040 at the latest. We are reviewing our energy mix and the materials we use and working with partners to begin to plant a 'Civica Forest'. In line with ISO14001, Civica is committed to continuous review and improvement.

In 2022, we launched our Civica Forest initiative, with tree planting activities for employees. We also ran an internal employee campaign to reduce energy and paper use, featuring our new mascot Leafy and partnered with food waste reduction charity WRAP for a consecutive year.

Environmental policy

Civica is aware that operating its business has a potential impact on the environment. We believe that it is important to work with our customers, suppliers, partners and employees to follow sound sustainability practices to prevent pollution, reduce the negative and enhance the positive environmental and social impacts of our business activities.

To this end, Civica is committed to the following goals:

1. To identify and understand the direct and indirect impact Civica's facilities, operations, business practices, products and services may have on the environment in line with Civica's context. To operate our business in a manner that is sensitive to the needs and concerns of all stakeholders and the surrounding environment.
2. Where practical, to use the latest technology to develop environmentally conscious ways of providing our products and services.
3. To consider environmental issues in our decision making, whilst recognising that business concerns might affect the course of action.
4. To minimise the creation of waste and pollution in our operations and business activities. We will dispose of waste conscientiously and creatively by encouraging a "reduce/reuse/recycle" culture.
5. To educate and train our employees in environmentally conscious practices, recognising that no matter what their roles are, employees are also responsible for protecting the environment.
6. To increase employee contribution to environmental initiatives.
7. To ensure compliance with relevant environmental legislation, ISO 14001 and other requirements related to our operations.
8. To set and achieve environmental objectives and targets at all appropriate levels and in line with the company goals as part of an on-going programme of continuous improvement.
9. To have local, facility-based, environmental initiatives.

Directors' Report and Strategic Report *(continued)*

Streamlined Energy and Carbon Reporting (SECR)

Civica UK Limited's full SECR report is disclosed within Camelia Investment 1 Limited's annual report (10969863). Below is listed a short summary of energy consumption and annual GHG emissions for reference only. Please refer to Camelia Investment 1 Limited's SECR report for full details.

| Emissions Source | GHG Scope (GHG Protocol) | Reporting Units | Year ended 30 September 2021 | Year ended 30 September 2022 | Y.o.Y % Change |
|------------------|--------------------------|--------------------------|------------------------------|------------------------------|----------------|
| Electricity | Scopes 2 & 3 | Kilowatt hour | 874,649 | 1,201,929 | +37.4% |
| | | Tonnes CO ₂ e | 250.64 | 707.48 | +182.3% |

Civica's emissions footprint has significantly increased compared to the previous year, this is a result of a large increase in emissions from all business travel activities and company car use which is reflective of the company moving back to pre-pandemic levels of operation. With this in mind Civica is now using the year ended 30 September 2022 as our baseline year for future reduction plans and target setting as this is a better reflection of our operations.

Principal risks and uncertainties

The board is 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 executive directors are responsible for implementing the board'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.

As with all other entities providing specialist software and systems, digital solutions and managed services primarily to the public sector, the main risks and uncertainties facing the Company surround the level of public sector funding available in future periods, the risks of technological advancement and the threat of competition.

Credit risk

The Company offers standard market credit terms to customers, typically 30 days, and regularly assesses the credit risk of new and existing customers to the Company.

The Company operates predominantly in the public sector, where customers are seen as very low risk of default, and this is further mitigated by payment from customers being a key requirement of continuing to be licensed to use our business critical software applications.

Future developments

The Company continues to increase its profile and is valued for its combination of people, technology and business process expertise. With a sustainable 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

Dividends received in the year amounted to £nil (2021: £nil).

The directors do not recommend the payment of a dividend (2021: £nil).

Directors' Report and Strategic Report *(continued)*

Directors

The directors who held office during the year were as follows:

| | |
|------------------|------------------------------|
| Simon Downing | |
| Lee Perkins | (appointed 25 November 2022) |
| Wayne Story | (resigned 31 December 2022) |
| Martin Franks | (appointed 18 January 2022) |
| Phillip Rowland | (resigned 28 February 2022) |
| Michael Stoddard | |
| Anthony Hughes | |
| John Hood | |
| Gavin Leigh | |
| Jeffrey Hewitt | |
| Gary Bell | |
| Stephen Thorn | |
| David Spicer | (resigned 27 May 2022) |

Certain directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report.

Auditor

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

By order of the board



Martin Franks
Director

South Bank Central
30 Stamford Street
London
SE1 9LQ

2 May 2023

Statement of Directors' responsibilities in respect of the Annual Report and the Financial Statements

The directors are responsible for preparing the Annual 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 Company 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 its 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

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

Opinion

We have audited the financial statements of Civica UK Limited ("the Company") for the year ended 30 September 2022 which comprise the Profit and Loss Account, the Statement of Other Comprehensive Income, 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 30 September 2022 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 as applied to other entities of public interest. 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").

The Company is not reliant on additional financial support from the Group. However the Company's assets form part of the security arrangements for the Group's debt facilities. The Company's trade forms a large proportion of the Group forecasts. We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's available financial resources and/or metrics relevant to debt covenants over this period were:

- The risk of unsecured revenue failing to materialise;
- Decrease in operation cash conversion rates; and
- Delay in refinancing, with debt maturing in September 2024.

We also considered less predictable but realistic second order impacts, such as the erosion of customer or supplier confidence and accessibility of credit which could result in a rapid reduction of available financial resources.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the directors' sensitivities over the level of available financial resources and covenant thresholds indicated by the Group's financial forecasts taking account of severe, but plausible adverse effects that could arise from these risks individually and collectively. Our procedures also included:

- Critically assessing assumptions in base case and downside scenarios relevant to the Company's liquidity and/or covenant metrics, in particular in relation to revenue growth assumptions and cash conversion rates by comparing to historical trends in severe economic situations and overlaying knowledge of the Group's plans based on approved budgets and our knowledge of the entity and the sector in which it operates.
- We also compared past budgets to actual results to assess the directors' track record of budgeting accurately.
- We inspected the confirmation from the lender of the level of committed financing, and the associated covenant requirements. We have reviewed the progress made towards refinancing the maturing debt.
- We considered whether the going concern disclosure in note 1.2 to the financial statements gives a full and accurate description of the directors' assessment of going concern, including the identified risks and, dependencies, and related sensitivities.
- We assessed the completeness of the going concern disclosure.

Our conclusions based on this work:

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

Going concern (continued)

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the Company will continue in operation.

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, directors and sales staff.

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 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 not recognised in the correct accounting period when revenue is recognised from the sale of goods or delivery of service;
- The risk that inappropriate amount is estimated and recorded as revenue when revenue is recognised by reference to the stage of completion.

We did not identify any additional fraud risks.

We also 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 unexpected account pairings with revenue, cash and borrowings.
- Evaluated the business purpose of significant unusual transactions.
- Tested specific invoices relating to the period prior to 30 September 2022 to determine whether revenue was recognised in the correct accounting period.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to 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 indications 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.

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

Fraud and breaches of laws and regulations – ability to detect *(continued)*

Identifying and responding to risks of material misstatement related to compliance with laws and regulations (continued)

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, data protection laws, anti-bribery, employment law, and certain aspects of company legislation, 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 other management 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 fraud 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.

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.

We have nothing to report in these respects.

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

Directors' responsibilities

As explained more fully in their statement set out on page 9, 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.



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

5 May 2023

Profit and loss account

For the year ended 30 September 2022

| | <i>Note</i> | 2022 £000 | 2021 Restated £000 |
|--|-------------|----------------|--------------------------|
| Turnover | 2 | 313,057 | 302,247 |
| Cost of sales | | (131,295) | (122,492) * |
| Gross profit | | 181,762 | 179,755 |
| Administrative expenses | | (155,555) | (151,026) * |
| Operating profit before amortisation of intangible assets and exceptional charges | | 74,109 | 76,185 |
| Exceptional costs | 3 | (6,025) | (10,129) |
| Amortisation of intangible assets | 10 | (41,877) | (37,327) |
| Operating profit | 3 | 26,207 | 28,729 |
| Interest receivable and similar income | 6 | 341 | 75 |
| Interest payable and similar expenses | 7 | (5,628) | (4,029) |
| Gain on disposal of business | | 3,905 | - |
| Dividends Received | 23 | - | 4,375 ** |
| Amounts written off in investments | 23 | - | (4,314) ** |
| Profit before taxation | | 24,825 | 24,836 |
| Tax on profit on ordinary activities | 8 | (9,452) | (10,421) |
| Profit for the financial year | | 15,373 | 14,415 |

The notes on pages 18 to 39 form part of the financial statements.

All turnover and results are derived from continuing activities.

* In the year ended 30 September 2022 the Company changed the methodology of how cost of sales and administrative expenses are categorised. This relates to reclassifying staff costs that are directly involved in generating turnover to cost of sales to improve the quality of information for users. We have applied this change in presentation retrospectively and as a result the cost of sales and administrative expenses are comparable to the prior year. There is no change to the Company's operating profit.

** Refer to prior period restatement note 23.

Statement of Other Comprehensive Income
For the year ended 30 September 2022

| | | 2022 | 2021 |
|---|-------------|---------------|--------------------|
| | <i>Note</i> | £000 | Restated * £000 |
| Profit for the year | | 15,373 | 14,415 |
| Other comprehensive income | | | |
| Re-measurement of the net defined benefit liability | 17 | 1,486 | 1,328 |
| Deferred tax on other comprehensive income | 8 | (420) | (252) |
| | | <hr/> | <hr/> |
| Other comprehensive income for the year, net of income tax | | 1,066 | 1,076 |
| | | <hr/> | <hr/> |
| Total other comprehensive income for the year | | <u>16,439</u> | <u>15,491</u> |

The notes on pages 18 to 39 form part of the financial statements.

* See note 23 for details of restatement

Balance sheet
At 30 September 2022

| | <i>Note</i> | 2022 £000 | 2021 Restated * £000 |
|---|-------------|----------------------------|----------------------------|
| Fixed assets | | | |
| Tangible assets | 9 | 9,843 | 11,174 |
| Intangible assets | 10 | 228,689 | 249,753 |
| Investments | 11 | 143,282 | 97,996 |
| | | <hr style="width: 100%;"/> | <hr style="width: 100%;"/> |
| | | 381,814 | 358,923 |
| Current assets | | | |
| Debtors | 12 | 145,437 | 191,116 |
| Cash at bank and in hand | | 13,350 | 32,946 |
| | | <hr style="width: 100%;"/> | <hr style="width: 100%;"/> |
| | | 158,787 | 224,062 |
| Creditors: amounts falling due within one year | 13 | (332,807) | (388,875) |
| | | <hr style="width: 100%;"/> | <hr style="width: 100%;"/> |
| Net current liabilities | | (174,020) | (164,813) |
| | | <hr style="width: 100%;"/> | <hr style="width: 100%;"/> |
| Total assets less current liabilities | | 207,794 | 194,110 |
| | | <hr style="width: 100%;"/> | <hr style="width: 100%;"/> |
| Provisions for liabilities and charges | 14 | (3,286) | (4,697) |
| Deferred tax liability | 15 | (17,672) | (17,224) |
| Pension (deficit) / surplus | 17 | 267 | (1,525) |
| | | <hr style="width: 100%;"/> | <hr style="width: 100%;"/> |
| Net assets | | 187,103 | 170,664 |
| | | <hr style="width: 100%;"/> | <hr style="width: 100%;"/> |
| Capital and reserves | | | |
| Called up share capital | 18 | 5 | 5 |
| Profit and loss account | | 187,098 | 170,659 |
| | | <hr style="width: 100%;"/> | <hr style="width: 100%;"/> |
| | | 187,103 | 170,664 |
| | | <hr style="width: 100%;"/> | <hr style="width: 100%;"/> |

* See note 23 for details of restatement

The notes on pages 18 to 39 form part of the financial statements.

These financial statements were approved by the board of directors on 2 May 2023 and were signed on its behalf by:



Martin Franks
Director

Statement of Changes in Equity
For the year ended 30 September 2022

| | Share capital £000 | Profit and loss £000 | Total equity £000 |
|--|--------------------------|----------------------------|-------------------------|
| Balance at 1 October 2020 | 5 | 155,168 | 155,173 |
| Total comprehensive income for the year | | | |
| Restated Profit for the year | - | 14,415 | 14,415 |
| Other comprehensive income | - | 1,076 | 1,076 |
| Total comprehensive income for the year | - | 15,491 | 15,491 |
| Restated balance at 30 September 2021 | 5 | 170,659 | 170,664 |

| | Share capital £000 | Profit and loss £000 | Total equity £000 |
|--|--------------------------|----------------------------|-------------------------|
| Restated balance at 1 October 2021 | 5 | 170,659 | 170,664 |
| Total comprehensive income for the year | | | |
| Profit for the year | - | 15,373 | 15,373 |
| Other comprehensive income | - | 1,066 | 1,066 |
| Total comprehensive income for the year | - | 16,439 | 16,439 |
| Balance at 30 September 2022 | 5 | 187,098 | 187,103 |

The notes on pages 18 to 39 form part of the financial statements.

Notes

(Forming part of the financial statements)

1 Accounting policies

Civica UK Limited (the “Company”) is a Company limited by shares and incorporated and domiciled in the UK.

These Company 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 January 2022 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 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 included.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. The only change is in how cost of sales and administrative expenses are categorised, with staff costs for service delivery now being included in cost of sales instead of administrative expenses. We have applied this change in presentation retrospectively.

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 22.

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 business-critical software and digital solutions which are integral to the Group’s business model. The company meets its day to day working capital requirements from cash generated from operations and intercompany loans. The directors have prepared cash flow forecasts for the company and performed a going concern assessment which indicates that, in both the base and reasonably possible downsides scenarios (such as rising inflation, reduced cash conversion and loss of unsecured budgeted revenue) the company will have sufficient funds to meet its liabilities as they fall due during 12 month period from the date of signing (“the going concern assessment period”). This assessment is dependent on Group not seeking repayment of the amounts currently due from the company, which at the balance sheet date amounted to £217,281,000. Camelia Investment 1 Limited, the ultimate parent, has indicated that they do not intend to seek repayment of these amounts currently due to the group during the going concern assessment period. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements they have no reason to believe that it will not do so.

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, as the company is a large subsidiary in the wider group banking arrangements. The Group has significant liquidity available during the going concern period, and 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 (“RCF”) under existing banking agreements, of which £28m was available at year end. However, the Group’s debt facilities begin falling due from September 2024 onwards, and the Group is currently in discussions with lenders to restructure the debt portfolio. The Group Directors have no reason to believe the re-finance will not be achieved; the Group has a strong relationship with lenders, have met covenant requirements, and as part of initial discussions with lenders the repayment date of the RCF has been extended from April 2024 to September 2024. Group expects to finalise revised financing arrangements by the summer of 2023 and therefore do not consider the maturity of its loans to be a factor that would cause a significant doubt on the Group’s and Company’s ability to continue as a going concern.

Notes (continued)

1 Accounting policies (continued)

1.2 Going concern (continued)

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.3 Basis of consolidation

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group accounts. These financial statements present information about the Company as an individual undertaking and not about its group.

1.4 Turnover

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

1.5 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.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

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. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Notes (continued)

1 Accounting policies (continued)

1.6 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.

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 provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax.

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.

1.7 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.

1.8 Business Combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity. At the acquisition date, the Company recognises goodwill as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

FRS 102.35 grants certain exemptions from the full requirements of FRS 102. The Company elected not to restate business combinations that took place prior to the transition date. In respect of acquisitions prior to that date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under old UK GAAP. Intangible assets previously included in goodwill, are not recognised separately.

Notes (continued)

1 Accounting policies (continued)

1.9 Intangibles and non-current assets

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Goodwill arises on the transfer of trade and assets from fellow subsidiaries, and relates to anticipated future growth opportunities and synergies, including the value of the workforce.

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Other intangible assets

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses. The cost of intangible assets acquired in a business combination are capitalised separately from goodwill if the fair value can be measured reliably at the acquisition date.

Amortisation

Amortisation is charged to the profit or loss over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. estimated useful lives are 3 years for software development costs, 4 to 5 years for software (own use) and 10 years for customer intangibles.

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 10 to 20 years.

The Company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date. Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

1.10 Investments

Investments in subsidiaries are held at cost less impairment.

1.11 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. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.5 above.

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

Notes (continued)

1 Accounting policies (continued)

1.11 Tangible fixed assets (continued)

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. Land is not depreciated. The estimated useful lives are as follows:

- buildings 50 years
- leasehold property 3 to 10 years
- computer equipment and fixtures and fittings 3 to 7 years

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.

1.12 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. Amounts recoverable on contracts represent accrued income balances that have not currently been billed to customers.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised at the value of future payments. An assessment of the value of interest-bearing borrowings has been undertaken as at the year end, and their fair value approximates their book value.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

1.13 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 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.

Notes (continued)

1 Accounting policies (continued)

1.13 Impairment excluding deferred tax assets (continued)

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.

1.14 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.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The entity's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The entity determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the entity's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The entity recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

1.15 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.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company treats the guarantee contract as a contingent liability in its individual financial statements until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Notes (continued)

2 Analysis of turnover

| | 2022 £000 | 2021 £000 |
|-----------------------|--------------|--------------|
| Sale of goods | 64,192 | 70,353 |
| Rendering of services | 248,865 | 231,894 |
| | 313,057 | 302,247 |
| | 313,057 | 302,247 |

Substantially all the Company's turnover arises from trade within the United Kingdom. In the opinion of the directors, all turnover is generated from a single trading activity, the supply of IT software and associated services.

3 Expenses and auditor's remuneration

| | 2022 £000 | 2021 £000 |
|--|--------------|--------------|
| Included in profit/loss are the following: | | |
| Depreciation and other amounts written off owned tangible fixed assets | 3,959 | 3,947 |
| Amortisation | 41,877 | 37,327 |
| Exceptional costs – included in administrative expenses | 6,025 | 10,129 |
| Project Centum – included in administrative expenses | 4,521 | 2,114 |
| Amounts charged under operating leases | 4,453 | 5,097 |
| Profit on disposal of third party licensing business | 3,905 | - |
| | 39,739 | 68,614 |
| | 39,739 | 68,614 |

During the year the Company incurred exceptional costs of which £4,303,000 (2021: £6,039,000) related to the strategic reorganisation of its operations and property portfolio, £1,062,000 (2021: £nil) of executive transition costs, £724,000 (2021: £83,000) of aborted acquisition costs and (£64,000) (2021: £5,505,000) of sales preparation costs. The Company incurred exceptional income of which £nil (2021: £1,655,000) related to profit on disposal on the sale of freehold property. The net profit on disposal included in exceptional costs amounted to £nil (2021: £1,498,000). The company recognised a net profit on disposal of its licensing business which amounted to £3,905,000 (2021: £nil).

During the year the Company continued the secondary phase of Project Centum to build a stronger platform for growth. Costs incurred during 2022 were £4,521,000 (2021: £2,114,000). These costs are not core to the operations of the Company's activities and separate disclosure allows users of the accounts to better understand the underlying trading performance and to create a better comparative for future trading periods.

| | 2022 £000 | 2021 £000 |
|--|--------------|--------------|
| Auditor remuneration | | |
| Fees payable for the audit of the Company's financial statements | 186 | 171 |
| | 186 | 171 |
| | 186 | 171 |

Notes *(continued)*

4 Emoluments of directors

The emoluments of the directors for the period in which they served in such a capacity are stated below:

| | 2022 £000 | 2021 £000 |
|--|--------------|--------------|
| Aggregate emoluments | 4,536 | 2,865 |
| Pension contributions – defined contribution schemes | 29 | 26 |
| | 4,565 | 2,891 |
| | 4,565 | 2,891 |
| <i>In respect of the highest paid director:</i> | | |
| Emoluments | 907 | 517 |
| | 907 | 517 |
| | 907 | 517 |
| Retirement benefits are accruing to the following number of directors under: | | |
| Defined contribution schemes | 3 | 1 |
| | 3 | 1 |

5 Staff numbers and costs

The average number of people employed by the Company during the year was 3,010 (2021: 2,820).

The aggregate payroll costs of these people were as follows:

| | 2022 £000 | 2021 £000 |
|-----------------------|--------------|--------------|
| Wages and salaries | 130,859 | 124,736 |
| Social security costs | 14,267 | 12,862 |
| Other pension costs | 7,670 | 7,339 |
| | 152,796 | 144,937 |
| | 152,796 | 144,937 |

6 Interest receivable

| | 2022 £000 | 2021 £000 |
|---|--------------|--------------|
| Bank and other interest receivable | 12 | 75 |
| Interest receivable from group undertakings | 329 | - |
| | 341 | 75 |
| | 341 | 75 |

Notes (continued)

7 Interest payable and similar expenses

| | 2022 £000 | 2021 £000 |
|---|--------------|--------------|
| Net interest expense on net defined benefit liabilities (see note 17) | 21 | 43 |
| Interest payable to group undertakings | 4,365 | 3,947 |
| Exchange differences on intercompany loans | 1,242 | 39 |
| | 5,628 | 4,029 |
| | 5,628 | 4,029 |

8 Taxation

| | 2022 £000 | 2021 £000 |
|--|--------------|--------------|
| <i>Current tax</i> | | |
| Corporation tax on income for the period | 10,725 | 9,422 |
| Corporation tax adjustment in respect of prior periods | (833) | (84) |
| | 9,892 | 9,338 |
| <i>Deferred tax (see note 15)</i> | | |
| Origination and reversal of timing differences | (1,304) | (1,606) |
| Deferred tax change in rate | - | 3,058 |
| Adjustments in respect of previous periods | 1,284 | (117) |
| | (20) | 1,335 |
| Total tax | 9,872 | 10,673 |

| | 2022 Current tax £000 | 2022 Deferred tax £000 | 2022 Total tax £000 | 2021 Current tax £000 | 2021 Deferred tax £000 | 2021 Total tax £000 |
|--|-----------------------------|------------------------------|---------------------------|-----------------------------|------------------------------|---------------------------|
| Recognised in Profit and loss account | 9,892 | (440) | 9,452 | 9,338 | 1,083 | 10,421 |
| Recognised in other comprehensive income | - | 420 | 420 | - | 252 | 252 |
| | 9,892 | (20) | 9,872 | 9,338 | 1,335 | 10,673 |
| | 9,892 | (20) | 9,872 | 9,338 | 1,335 | 10,673 |

Notes (continued)

8 Taxation (continued)

Reconciliation of effective tax rate

| | 2022 £000 | 2021 £000 |
|---|--------------|--------------|
| Profit for the year | 15,373 | 14,415 |
| Total tax expense recognised in profit and loss | (9,452) | (10,421) |
| | <hr/> | <hr/> |
| Profit excluding taxation | 24,825 | 24,836 |
| Tax using the UK corporation tax rate of 19% (2021: 19%) | (4,717) | (4,719) |
| Non-taxable income/(expense) | (465) | (75) |
| Goodwill amortisation not deductible for tax purposes | (3,625) | (3,164) |
| Losses previously recognised now written off | - | (571) |
| Losses not previously recognised now utilised | - | 164 |
| Other timings differences | 300 | 121 |
| Corporation tax adjustment in respect of previous periods | 833 | 84 |
| Deferred tax adjustment in respect of previous periods | (1,284) | 117 |
| Deferred tax change of rate | (494) | (2,520) |
| Corporation tax not provided | - | 142 |
| | <hr/> | <hr/> |
| Total tax expense included in profit or loss | (9,452) | (10,421) |
| | <hr/> | <hr/> |

In the Spring Budget 2021, the UK Government announced that from 1 April 2023, the corporation tax rate would increase from 19% to 25%. This new rate was substantively enacted in the Finance Bill 2021 and received Royal Assent on 10 June 2021. The deferred tax assets and liabilities at 30 September 2022 have been calculated using the appropriate tax rate based on when the underlying balance is expected to crystallise.

9 Tangible fixed assets

| | Freehold property £000 | Leasehold property £000 | Computer equipment, fixtures and fittings £000 | Total £000 |
|---------------------------------------|------------------------------|-------------------------------|--|---------------|
| <i>Cost</i> | | | | |
| At beginning of year | 5,867 | 3,188 | 27,098 | 36,153 |
| Additions | 147 | 98 | 2,368 | 2,613 |
| Acquired through business combination | - | - | 15 | 15 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At end of year | 6,014 | 3,286 | 29,481 | 38,781 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| <i>Depreciation</i> | | | | |
| At beginning of year | 1,072 | 2,548 | 21,359 | 24,979 |
| Charge for the year | 157 | 408 | 3,394 | 3,959 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At end of year | 1,229 | 2,956 | 24,753 | 28,938 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| <i>Net book value</i> | | | | |
| At 30 September 2022 | 4,785 | 330 | 4,728 | 9,843 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 30 September 2021 | 4,795 | 640 | 5,739 | 11,174 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

Notes (continued)

10 Intangible assets

| | Note | Customer Intangibles £000 | Software (own use) £000 | Goodwill £000 | Software Development £000 | Total £000 |
|---------------------------------------|------|------------------------------|----------------------------|------------------|------------------------------|---------------|
| <i>Cost</i> | | | | | | |
| At beginning of the year | | 118,627 | 16,580 | 256,422 | 75,353 | 466,982 |
| Additions | | - | 2,862 | 1,333 | 7,245 | 11,440 |
| Acquired through business combination | | - | - | - | 875 | 875 |
| Reclassified from investments | 11 | 4,173 | - | 4,325 | - | 8,498 |
| At end of the year | | 122,800 | 19,442 | 262,080 | 83,473 | 487,795 |
| <i>Amortisation</i> | | | | | | |
| At beginning of the year | | 38,033 | 13,286 | 101,429 | 64,481 | 217,229 |
| Charge for the year | | 12,629 | 2,884 | 19,632 | 6,732 | 41,877 |
| At end of the year | | 50,662 | 16,170 | 121,061 | 71,213 | 259,106 |
| <i>Net book value</i> | | | | | | |
| At 30 September 2022 | | 72,138 | 3,272 | 141,019 | 12,260 | 228,689 |
| At 30 September 2021 | | 80,594 | 3,294 | 154,993 | 10,872 | 249,753 |

Amortisation charge

The amortisation charge is recognised in the administrative expenses line in the profit and loss account.

11 Investments in subsidiary companies

| | £000 |
|---|----------------|
| Restated Balance at the start of the year | 97,996 * |
| Additions in the year | 53,784 |
| Reclassification to intangible assets (see note 10) | (8,498) |
| Balance at the end of the year | 143,282 |

* Investments balance at the start of the year was restated to reflect the following companies that were filed for liquidation in June 2021:

- Alahar Limited
- WTG Technologies Group Limited
- IPL Group Limited

Prior to liquidation, all debts within these companies were settled and as a result there are no net assets held within these entities. The related investment balance has therefore been written off, with a net impact of £4,314,000. See Note 23 for details.

The additions in the year relate to:

- The purchase of the entire issued share capital of:
 - Malinko Health and Care Technologies Limited for consideration of £8,892,000 including costs.
 - Point Progress Limited for consideration of £5,725,000 including costs.
 - Technology Forge Holdings Limited and its subsidiary Technology Forge Limited for consideration of £39,368,000 including costs.
- Adjustment to consideration and costs on acquisitions in the prior year amounting to (£201,000).

Notes (continued)

11 Investments in subsidiary companies (continued)

During the year, the trade and assets of the following wholly owned subsidiary was hived up into Civica UK Limited at their respective book values, which were equal to fair values, and customer intangibles were recognised at fair value in accordance with FRS102.

| Subsidiary | Date of hive up |
|--|-----------------|
| Malinko Health and Care Technologies Limited | 30 June 2022 |

The cost of the Company's investment in the subsidiary reflected the underlying fair value of its net assets, goodwill and customer intangibles at the time of hive up. As a result of this transfer, the value of the Company's investment in this subsidiary fell below the amount at which it was stated in the Company's accounting records.

The directors consider, as there has been no overall loss to the Company, that diminution of the investment has been included in the purchase accounting for the trade and assets of the subsidiary, so as to recognise in the Company's individual balance sheet the effective cost to the Company of those net assets, goodwill and customer intangibles. The effect of this is to recognise goodwill of £4,325,000, customer intangibles of £4,173,000 and decrease the carrying value of investments by an equivalent amount.

Details of Civica UK Limited's subsidiaries at 30 September 2022 are given below:

| Company | Country of incorporation | Principal activities | Class and % of shares held |
|---|--------------------------|----------------------|----------------------------|
| <i>Active companies:</i> | | | |
| Asidua Holdings Limited | Northern Ireland | Holding company | Ordinary 100% |
| Civica NI Limited * | Northern Ireland | Trading ** | Ordinary 100% |
| Civica Ireland Limited * | Republic of Ireland | Trading ** | Ordinary 100% |
| Civica Resource Private Limited | India | Trading ** | Ordinary 100% |
| Civica Election Services Limited | United Kingdom | Trading ** | Ordinary 100% |
| Shaw & Sons Limited * | United Kingdom | Trading ** | Ordinary 100% |
| Fretwell-Downing Hospitality Holdings Limited | United Kingdom | Holding Company | Ordinary 100% |
| Thelma-EU Limited | United Kingdom | Trading ** | Ordinary 100% |
| Horcrux Holdings Limited # | United Kingdom | Holding company | Ordinary 100% |
| Point Progress Limited * # | United Kingdom | Trading ** | Ordinary 100% |
| The Technology Forge Limited * # | United Kingdom | Trading ** | Ordinary 100% |
| The Technology Forge Holdings Limited # | United Kingdom | Holding company | Ordinary 100% |
| <i>Dormant companies:</i> | | | |
| Civica Financial Systems Limited | United Kingdom | Inactive | Ordinary 100% |
| SFW Limited | United Kingdom | Inactive | Ordinary 100% |
| iCasework Holding Limited | United Kingdom | Inactive | Ordinary 100% |
| Carval Computing Limited | United Kingdom | Inactive | Ordinary 100% |
| Shaw & Sons (Holdings) Limited * | United Kingdom | Inactive | Ordinary 100% |
| Shaw & Sons Group Limited * | United Kingdom | Inactive | Ordinary 100% |
| Electoral Services Limited * | United Kingdom | Inactive | Ordinary 100% |
| Electoral Reform (Market Research) Limited * | United Kingdom | Inactive | Ordinary 100% |
| The Election Centre Limited * | United Kingdom | Inactive | Ordinary 100% |
| Warwick IC Systems Limited * | United Kingdom | Inactive | Ordinary 100% |
| Visionware EBT Trustee Limited * | Scotland | Inactive | Ordinary 100% |
| iCasework Inc. * | USA | Inactive | Ordinary 100% |
| OneStep Solutions (Resources) Limited | United Kingdom | Inactive | Ordinary 100% |
| OneStep Solutions LLP * | United Kingdom | Inactive | 100% |
| Nationwide Retail Systems Limited | United Kingdom | Inactive | Ordinary 100% |
| Visionware Limited | Scotland | Inactive | Ordinary 100% |
| iCasework Limited * | United Kingdom | Inactive | Ordinary 100% |

Notes (continued)

11 Investments in subsidiary companies (continued)

| Company | Country of incorporation | Principal activities | Class and % of shares held |
|---|--------------------------|----------------------|----------------------------|
| <i>Dormant companies (continued):</i> | | | |
| Membership Engagement Services Limited * | United Kingdom | Inactive | Ordinary 100% |
| Xpress Software Solutions Limited * | United Kingdom | Inactive | Ordinary 100% |
| Modern Mindset Limited * | United Kingdom | Inactive | Ordinary 100% |
| Trac Systems Limited | United Kingdom | Inactive | Ordinary 100% |
| Zedcore Systems Limited * | United Kingdom | Inactive | Ordinary 100% |
| Transend Solutions Limited | United Kingdom | Inactive | Ordinary 100% |
| Warwick International Computing Systems Limited | United Kingdom | Inactive | Ordinary 100% |
| Fretwell-Downing Hospitality Limited * | United Kingdom | Inactive | Ordinary 100% |
| Tecsys Limited * | United Kingdom | Inactive | Ordinary 100% |
| Agylia Limited | United Kingdom | Inactive | Ordinary 100% |
| Agilia Limited | United Kingdom | Inactive | Ordinary 100% |
| Content Master Limited * | United Kingdom | Inactive | Ordinary 100% |
| Content Masters Limited * | United Kingdom | Inactive | Ordinary 100% |
| CM Luminosity Limited * | United Kingdom | Inactive | Ordinary 100% |
| Content Master Inc * | USA | Inactive | Ordinary 100% |
| Chameleon Information Management Services Limited | United Kingdom | Inactive | Ordinary 100% |
| Flex Software Limited * | United Kingdom | Inactive | Ordinary 100% |
| Agylia Group Limited | United Kingdom | Inactive | Ordinary 100% |
| Agylia Care Limited * | United Kingdom | Inactive | Ordinary 100% |
| Civica HR Solutions Limited | United Kingdom | Inactive | Ordinary 100% |
| Parago Software Limited | United Kingdom | Inactive | Ordinary 100% |
| Calibrand Limited | United Kingdom | Inactive | Ordinary 100% |
| Caliqua Limited * | United Kingdom | Inactive | Ordinary 100% |
| Parago Software Inc * | USA | Inactive | Ordinary 100% |
| Ntropy Data Inc | USA | Inactive | Ordinary 100% |
| Malinko Health & Care Technologies Limited # | United Kingdom | Inactive | Ordinary 100% |
| Myexpensesonline Limited * # | United Kingdom | Inactive | Ordinary 100% |

* Interests held indirectly

** All trading companies' principal activities are in line with those of the Group, being the provision of business-critical software and digital solutions, primarily to the public sector and regulated markets.

Entity acquired in the year ended 30 September 2022.

Registered office addresses

United Kingdom: South Bank Central, 30 Stamford Street, London, SE1 9LQ.

Northern Ireland: 20 Weavers Court, 1st Floor, Belfast, BT12 5GH.

Republic of Ireland: 5th Floor, Beaux Lane House, Mercer Street Lower, Dublin 2

India: Notus Pride (1st Floor), Sarabhai Campus, Bhailal Amin Marg, Vadodara - 390007, India.

Scotland: 105 West George Street, Glasgow, Strathclyde, G2 1PB.

Notes (continued)

12 Debtors

| | 2022 | 2021 |
|------------------------------------|---------|-------------------|
| | £000 | Restated* £000 |
| Trade debtors | 46,355 | 34,290 |
| Amounts owed by group undertakings | 43,310 | 81,178 |
| Corporation tax | 455 | 488 |
| Prepayments and accrued income | 55,317 | 75,160 |
| | 145,437 | 191,116 |
| | 145,437 | 191,116 |

Debtors include amounts owed by group undertakings of £43,310,000 (2021: £81,178,000) due after more than one year. Recoverability of this debtor is reviewed annually and the intention of the Company not to recall it within less than one year is communicated to the relevant group undertaking. No interest is accrued, and the fair value is not materially different to the book value.

* See note 23 for details of the prior year restatement

13 Creditors: amounts falling due within one year

| | 2022 | 2021 |
|------------------------------------|---------|-------------------|
| | £000 | Restated* £000 |
| Trade creditors | 11,388 | 9,572 |
| Other taxation and social security | 10,940 | 10,260 |
| Accruals | 14,843 | 13,967 |
| Contingent consideration | 1,200 | 375 |
| Deferred income | 77,155 | 86,708 |
| Amounts owed to group undertakings | 217,281 | 267,993 |
| | 332,807 | 388,875 |
| | 332,807 | 388,875 |

Creditors due within one year include amounts owed to group undertakings of £217,281,000 (2021: £267,993,000). The prior year balances have been restated to move these balances to creditors due within one year as they are considered repayable on demand, however it is directors of the subsidiary companies' intention to not call them in during the next 12 months.

* See note 23 for details of the prior year restatement

Notes (continued)

14 Provisions for liabilities and charges

| | Total Provisions £000 |
|---------------------------|--------------------------------------|
| At beginning of the year | 4,697 |
| Created during the year | 852 |
| Utilised during the year | (2,263) |
| | 3,286 |
| At end of the year | 3,286 |

Property provisions relate to dilapidation and onerous lease provisions. Additional provisions were recognised during the year as a result of the company's strategic reorganisation of its property portfolio. These are utilised as costs are incurred.

15 Deferred taxation

Deferred tax asset and liabilities are attributable to the following:

| | Assets | | Liabilities | | Net | |
|----------------------------------|--------------|--------------|-----------------|-----------------|-----------------|-----------------|
| | 2022 £000 | 2021 £000 | 2022 £000 | 2021 £000 | 2022 £000 | 2021 £000 |
| Employee benefits | - | 363 | (79) | - | (79) | 363 |
| Accelerated capital allowances | 2,379 | 2,975 | - | - | 2,379 | 2,975 |
| Arising on business combinations | - | - | (20,533) | (21,153) | (20,533) | (21,153) |
| Other | 561 | 591 | - | - | 561 | 591 |
| | 2,940 | 3,929 | (20,612) | (21,153) | (17,672) | (17,224) |
| | 2,940 | 3,929 | (20,612) | (21,153) | (17,672) | (17,224) |

The amount of the net reversal of deferred tax liabilities expected to occur next year is £3,979,000 (2021: £3,459,000), relating to the reversal of existing timing differences on intangible fixed assets, and a net reversal of deferred tax assets of £791,000 (2021: £550,000) relating to the reversal of timing differences on tangible fixed assets and pension liabilities.

Notes *(continued)*

16 Acquisitions

During the year, the trade and assets of the following wholly owned subsidiary was hived up into Civica UK Limited at their respective book values, which were equal to fair values, and customer intangibles were recognised at fair value in accordance with FRS 102. Consideration equal to the book value was recognised as a transaction in the respective inter-company account, unless otherwise stated.

The expected useful life of goodwill and other intangible assets stemming from these acquisitions is 10 years.

The effects of each acquisition on the Company's assets and liabilities are as follows:

Malinko Health and Care Technologies Limited (30 June 2022)

| | Book values £000 | Fair value adjustments £000 | Recognised values on acquisition £000 |
|---|---------------------------------|--|--|
| Tangible fixed assets | 15 | - | 15 |
| Intangible assets | 1,067 | 8,498 | 9,565 |
| Trade and other debtors | 93 | - | 93 |
| Cash | 416 | - | 416 |
| Trade and other creditors | (1,212) | - | (1,212) |
| Deferred tax liability | 14 | (1,315) | (1,301) |
| | 393 | 7,183 | 7,576 |
| Net identifiable assets and liabilities | 393 | 7,183 | 7,576 |

Consideration equal to the fair value of assets acquired was paid for the trade and assets of Malinko Health and Care Technologies Limited, and recognised as a transaction in the inter-company account.

The business contributed £419,000 to the Company's revenue for the year. Overheads were subsumed into other operations following hive up and therefore net profit is not reported separately.

Notes (continued)

17 Employee benefits

Defined benefit plans

The Company operates a defined benefit scheme, the Radius Group Pension Scheme (“the Radius Scheme”), and is a participating employer in two other defined benefit pension schemes, The Sanderson Group Retirement Benefit Scheme (“the Group Scheme”) and The Pension and Life Assurance Plan of Sanderson Systems Limited (“the Systems Scheme”). The schemes are funded by the Company, based on the pension funds’ actuarial measurement frameworks.

Radius Scheme

The Radius Scheme is a self-administered pension scheme which provides retirement benefits to current and former employees. Prior to 1 October 2001, the scheme provided benefits on both a defined contribution and defined benefit basis. The defined benefit section was closed to members, with the exception of long service staff in January 1995. With effect from 1 October 2001 all future benefits for all staff have accrued on a defined contribution basis. The scheme is closed to new members, but certain employees continue to have deferred benefits accrued. The Company makes funding contributions to the scheme based on a separate actuarial valuation for funding purposes.

The latest actuarial valuation was at 5 April 2021.

Group Scheme and Systems Scheme

The Group Scheme and Systems Scheme are sectionalised, and the assets and liabilities attributable to the Company are ring-fenced. The Company has no accountability for the other participating employers’ assets and liabilities.

The employers are required to make contributions at a level that is set to make good any past service deficit, as the schemes are both closed to new members and future accrual. The funding arrangements have been agreed as a fixed percentage.

The latest actuarial valuation of the Group Scheme was at 31 March 2020, and the Systems Scheme was at 31 October 2020.

The Company includes the assets and liabilities of these arrangements in the balance sheet. Current service costs, curtailment and settlement gains and losses, and net interest on the net defined benefit liability are included in the profit and loss account in the period to which they relate. Actuarial gains and losses are recognised in other comprehensive income. The information disclosed below is in respect of the whole of the three plans of the Company.

The Company expects to pay £380,000 in contributions to these defined benefit plans in the year ending 30 September 2023.

Net pension liability

| | 2022 £000 | 2021 £000 |
|-------------------------------|--------------|--------------|
| Defined benefit obligation | (17,523) | (27,518) |
| Plan assets | 17,790 | 25,993 |
| | <hr/> | <hr/> |
| Net pension asset/(liability) | 267 | (1,525) |
| | <hr/> <hr/> | <hr/> <hr/> |

Notes *(continued)*

17 Employee benefits *(continued)*

Movements in present value of defined benefit obligation

| | 2022 £000 | 2021 £000 |
|--------------------------------|--------------|--------------|
| At 1 October | (27,518) | (28,909) |
| Insured annuities adjustment* | (407) | - |
| Interest expense | (521) | (471) |
| Remeasurement: actuarial gains | 9,276 | 1,043 |
| Benefits paid | 1,647 | 819 |
| | (17,523) | (27,518) |
| At 30 September | (17,523) | (27,518) |

Movements in fair value of plan assets

| | 2022 £000 | 2021 £000 |
|---|--------------|--------------|
| At 1 October | 25,993 | 25,892 |
| Insured annuities adjustment* | 407 | - |
| Interest income | 500 | 428 |
| Remeasurement: return on plan assets less interest income | (7,790) | 285 |
| Administrative expenses | (53) | (19) |
| Contributions by employer | 380 | 226 |
| Benefits paid | (1,647) | (819) |
| | 17,790 | 25,993 |
| At 30 September | 17,790 | 25,993 |

* In the current year, the valuation of the insured pensioners for the Group scheme has been included and therefore the opening assets and liabilities have been adjusted accordingly. The impact is to increase both the present value of obligation and fair value of assets by £407,000 as at 1 October 2021. There is no impact on the net position.

Expense recognised in the profit and loss account

| | 2022 £000 | 2021 £000 |
|---|--------------|--------------|
| Net interest on net defined benefit liability | (21) | (43) |
| Administrative expenses | (53) | (19) |
| | (74) | (62) |
| Total expense recognised in profit or loss | (74) | (62) |

The total recognised in the statement of other comprehensive income are remeasurement gain of £1,486,000 (2021: £1,328,000).

Notes (continued)

17 Employee benefits (continued)

The fair value of the plan assets and the return on those assets were as follows:

| | 2022 Fair value £000 | 2021 Fair value £000 |
|------------------------------|----------------------------|----------------------------|
| Equities | 2,894 | 7,317 |
| Fixed income bonds | 8,450 | 11,637 |
| Cash | 548 | 840 |
| Property | 186 | 283 |
| Guaranteed annuity rates | 2,445 | 4,263 |
| Other | 3,267 | 1,653 |
| | <u>17,790</u> | <u>25,993</u> |
| Actual return on plan assets | <u>(7,790)</u> | <u>285</u> |

Principal actuarial assumptions at the year-end and the range of values (expressed as weighted averages) applied to the schemes were as follows:

| | 2022 % | 2021 % |
|--------------------------|-----------|-----------|
| Discount rate | 5.3-5.5 | 1.9 – 2.0 |
| Inflation rate (RPI) | 3.6-3.7 | 3.4 – 3.8 |
| Future pension increases | 3.1-3.6 | 3.1 – 5.0 |

In valuing the liabilities of the pension funds at 30 September 2022, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 22.2 years (male), 23.9 to 24.7 years (female).
- Future retiree upon reaching 65: 23.5 years (male), 25.4 to 26.2 years (female).

In valuing the liabilities of the pensions funds at 30 September 2022 we have seen a significant decrease in the value of plan assets and liabilities which can be explained by large movements in bond yields and the impact of high inflation.

It is noted that the Radius scheme is now in a net surplus position. We have assessed the recoverability of the surplus and note there are no restrictions in the scheme membership rules and therefore we have recognised the surplus on balance sheet.

GMP equalisation

On 26 October 2018, the High Court issued a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgement arise in relation to many other defined benefit pension schemes, including the three that the Company operates or participates in. The Company has included an estimate for the potential additional liabilities relating to the Company's schemes.

On 20 November 2020, the High Court handed down a further judgement on the Guaranteed Minimum Pension (GMP) equalisation case in relation to the Lloyds banking group pension schemes. This latest judgement confirms that Defined Benefit (DB) schemes which provide GMPs need to revisit and where necessary top up historic Cash Equivalent Transfer Values that were calculated based on unequalised benefits. The issues determined by the judgement arise in relation to many other defined benefit pension schemes. The schemes have experienced a small number of historical transfers out which will be subject to adjustment as a result of this second ruling. At this stage the trustees are not yet in a position to obtain a reliable estimate of the impact of the backdated benefits and related interest. Therefore no provision has been made within these financial statements. A provision will be recognised as a past service cost within the financial statements when a reliable estimate is able to be produced.

Notes (continued)

17 Employee benefits (continued)

Defined contribution plans

The Company operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £7,670,000 (2021: £7,339,000).

18 Called up share capital

| | 2022 £ | 2021 £ |
|---|--------------|--------------|
| <i>Allotted, called up and fully paid</i> | | |
| 5,000 ordinary shares of £1 each | 5,000 | 5,000 |
| | <u>5,000</u> | <u>5,000</u> |

19 Contingent liabilities and commitments

The Company has entered into cross guarantee arrangements with certain of its parent companies and other group subsidiaries to guarantee the bank facilities of the group headed by Camelia Investment 1 Limited. Bank facilities are secured by fixed and floating charges over the Company's property, assets and undertakings. At the balance sheet date the total outstanding in relation to these arrangements amounted to £729,514,000 (2021: 692,014,000).

Non-cancellable operating lease rentals are payable as follows:

| | 2022 £000 | 2021 £000 |
|----------------------------|---------------|---------------|
| Within one year | 3,471 | 3,868 |
| Between one and five years | 9,968 | 11,358 |
| After five years | 5,047 | 7,020 |
| | <u>18,486</u> | <u>22,246</u> |

20 Intermediate and ultimate parent company

The Company's immediate parent company is Civica Holdings Limited. The Company's ultimate parent company at the balance sheet date is Camelia Investment 1 Limited. Both companies are incorporated in the United Kingdom, and their 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.

21 Related parties

The Company has taken advantage of the exemptions available in FRS 102 not to disclose related party transactions with wholly owned subsidiaries of the Group headed by Camelia Investment 1 Limited. There are no transactions with any other related parties.

Notes (continued)

22 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:

Pension assumptions

The Company makes assumptions regarding variables used in calculating the defined benefit pension scheme valuations and disclosures. These assumptions are made in conjunction with advice from independent actuaries, and are disclosed in note 17.

Revenue recognition

Accounting judgements are applied to recognition of revenue, in particular the 'unbundling' of different elements of certain multi-element contracts and selection of the most appropriate revenue model where contracts are long term in nature.

In both of these cases a range of acceptable outcomes are possible. Therefore, it is important that the approach and methodologies adopted are appropriate and consistently applied.

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.

Business combinations

Fair values of identifiable intangible assets recognised in business combinations relate to customer contracts and relationships at the date of each acquisition, as disclosed in note 16.

The key assumptions to calculate the fair values are the existence and value of customer intangibles, rates of customer attrition, and the weighted average cost of capital.

In addition, judgement is involved in determining the useful life of intangible assets acquired, particularly customer intangibles whereby useful economic life is based on management's judgement on the future likelihood and length of acquired contract renewals after the contracted term ends.

Goodwill impairment

The company assesses the carrying value of goodwill on an annual basis for any indications of impairment, with the key assumptions being the future profit and cash generating ability of the underlining asset. The directors are satisfied that no impairment provision is required. Management have assessed the assets at the company level rather than individual CGU level as most acquisitions have been hived up into the company and therefore goodwill cannot be deemed to be allocated to individual CGU's on a non-arbitrary basis. On this basis the impairment of goodwill is determined using the recoverable amount of the company in its entirety.

Notes (continued)

23 Prior year adjustment

1. In the prior year, creditors owed to group undertakings were classified as due after more than one year. Although it is not the Group management's intention to call them in within 12 months following the balance sheet date, there are no formal legal agreements for certain balances, and therefore the creditors are considered repayable on demand as the company does not have the unconditional right to defer payment for 12 months. The financial statements for the year ended 30 September 2021 have therefore been restated to move those creditors owed to group undertakings to creditors due within one year. This has no impact on the net assets, however creditors: amounts falling due within one year have increased by £285,670,000.
2. During the year it was identified that certain intercompany balances were settled in the year 30 ended September 2021. These related to historic balances with a number of dormant group companies which were settled as part of a corporate simplification exercise, including dividends being received and investment values written down, and therefore the prior year results have been restated to reflect this as set out below. The net impact on the profit and loss account is to increase profit before tax by £61,000 in the financial year ending 30 September 2021. Creditors owed to group undertakings as at that date decreased by £17,677,000 and debtors owed by group undertakings decreased by £13,302,000. They were all non-cash transactions. The dormant companies were placed into voluntary liquidation in June 2021 and have no net assets nor liabilities.

| | As at and for the period ended 30 September 2021 as previously reported £000 | Restatement (1) £000 | Restatement (2) £000 | As at and for the period ended 30 September 2021 as restated £000 |
|---|--|----------------------------|----------------------------|---|
| Amounts recognised in Balance sheet | | | | |
| Investments | 102,310 | | (4,314) | 97,996 |
| Debtors | 204,418 | - | (13,302) | 191,116 |
| Creditors: amounts falling due within one year | (120,882) | (285,670) | 17,677 | (388,875) |
| <i>Net current assets / (liabilities)</i> | 116,482 | (285,670) | 4,375 | (164,813) |
| Creditors: amounts falling due after more than one year | (285,670) | 285,670 | - | - |
| <i>Net assets</i> | 170,664 | - | - | 170,664 |
| Amounts recognised in Profit and Loss account | | | | |
| Dividend Received | - | - | 4,375 | 4,375 |
| Amounts written off on investments | - | - | (4,314) | (4,314) |
| <i>Profit for the financial year</i> | 14,354 | - | 61 | 14,415 |