

Company Registration No. 07066783 (England and Wales)

BRIGHTWAVE ENTERPRISES LIMITED
ANNUAL REPORT AND UNAUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

SATURDAY



AAD9PR82

A20

18/09/2021

#259

COMPANIES HOUSE

BRIGHTWAVE ENTERPRISES LIMITED

COMPANY INFORMATION

Directors	D C Manuel on behalf of Capita Corporate Director Limited C Karayannis	(Appointed 9 November 2020)
Secretary	Capita Group Secretary Limited	
Company number	07066783	
Registered office	65 Gresham Street London England EC2V 7NQ	

BRIGHTWAVE ENTERPRISES LIMITED

CONTENTS

	Page
Directors' report	1 - 2
Income statement	3
Balance sheet	4 - 5
Statement of changes in equity	6
Notes to the financial statements	7 - 20

BRIGHTWAVE ENTERPRISES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

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

Review of business

Brightwave Enterprises Limited ("the Company") is a wholly owned subsidiary (indirectly held) of Capita plc (the Company's ultimate parent). Capita plc along with its subsidiaries are hereafter referred to as "the Group". The Company operates within the Group's People Solutions division.

The principal activity of the Company was that of providing learning solutions, products and services to companies in order to deliver business objectives and increase employee engagement. The Directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

As shown in the Company's income statement on page 3, revenue for the year ended 31 December 2020 has increased to £1,120,001 (2019: £1,005,800). The position of the Company has changed from operating loss for the year ended 31 December 2019 of £210,073 to operating profit for the year ended 31 December 2020 of £138,427.

The balance sheet on pages 4 - 5 of the financial statements shows the Company's financial position at the year end. Net assets have increased to £576,957 as at 31 December 2020 (2019: £463,208). Details of amounts due from and to its parent Company and fellow subsidiary undertakings are shown in note 7 and 9 to the financial statements.

Results and dividends

The results for the year are set out on page 3.

No dividend was declared or paid during the year (2019: £nil).

Directors

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

D C Manuel on behalf of Capita Corporate Director Limited

A M Moffatt

(Resigned 1 May 2020)

S Booth

(Appointed 30 April 2020 and resigned 11 June 2021)

C Karayannis

(Appointed 9 November 2020)

Political donations

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

BRIGHTWAVE ENTERPRISES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Statement of Directors' responsibilities in respect of the Directors' Report and the Financial statements

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

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

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

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

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

Qualifying third party indemnity provisions

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

On behalf of the board



D C Manuel on behalf of Capita Corporate Director Limited

Director

3 August 2021

BRIGHTWAVE ENTERPRISES LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Unaudited 2020 £	Unaudited 2019 £
Revenue	3	1,120,001	1,005,800
Cost of sales		(558,544)	(515,617)
Gross profit		561,457	490,183
Administrative expenses		(423,030)	(700,256)
Operating profit/(loss)	4	138,427	(210,073)
Net finance income	5	3,549	-
Profit/(loss) before tax		141,976	(210,073)
Income tax (charge)/credit	6	(28,227)	39,914
Total comprehensive income/(expense) for the year		113,749	(170,159)

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

There are no recognised gains and losses other than those passing through the income statement.

The notes on pages 7 to 20 form an integral part of these financial statements.

BRIGHTWAVE ENTERPRISES LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2020

	Notes	Unaudited 2020 £	Unaudited 2019 £
Current assets			
Trade and other receivables	7	2,126,977	3,441,705
Income tax receivable		11,687	36,850
Cash	8	-	4,797
		<u>2,138,664</u>	<u>3,483,352</u>
Total assets		<u>2,138,664</u>	<u>3,483,352</u>
Current liabilities			
Trade and other payables	9	631,011	2,618,141
Deferred income	10	303,162	304,452
Financial liabilities	11	627,534	97,551
		<u>1,561,707</u>	<u>3,020,144</u>
Total liabilities		<u>1,561,707</u>	<u>3,020,144</u>
Net assets		<u>576,957</u>	<u>463,208</u>

BRIGHTWAVE ENTERPRISES LIMITED

BALANCE SHEET (CONTINUED)

AS AT 31 DECEMBER 2020

	Notes	Unaudited 2020 £	Unaudited 2019 £
Capital and reserves			
Issued share capital	12	1	1
Retained earnings		576,956	463,207
Total equity		<u>576,957</u>	<u>463,208</u>

For the year ending 31 December 2020, the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to small companies.


The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006.

The Directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and for the preparation of financial statements.

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the Small Companies' regime.

The notes on pages 7 to 20 form an integral part of these financial statements.

Approved by Board and authorised for issue on 3 August 2021



**D C Manuel on behalf of Capita Corporate Director Limited
Director**

Company Registration No. 07066783

BRIGHTWAVE ENTERPRISES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Retained earnings	Total equity
	£	£	£
At 1 January 2019- unaudited	1	633,366	633,367
	<hr/>	<hr/>	<hr/>
Total comprehensive expense for the year	-	(170,159)	(170,159)
	<hr/>	<hr/>	<hr/>
At 31 December 2019- unaudited	1	463,207	463,208
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	113,749	113,749
	<hr/>	<hr/>	<hr/>
At 31 December 2020- unaudited	1	576,956	576,957
	<hr/>	<hr/>	<hr/>

The notes on pages 7 to 20 form an integral part of these financial statements.

Share capital

The balance classified as share capital is the nominal proceeds on issue of the Company's equity share capital, comprising 1 ordinary share of £1.

Retained earnings

Accumulated profits retained in the Company after dividends are paid and used as working capital.

BRIGHTWAVE ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

1.1 Basis of preparation

Brightwave Enterprises Limited is a company incorporated, registered and domiciled in the UK.

The financial statements are prepared under the historical cost basis except where stated otherwise and in accordance with applicable accounting standards.

In determining the appropriate basis of preparation for the annual report and financial statements for the year ended 31 December 2020, the Company's Directors ("the Directors") are required to consider whether the Company can continue in operational existence for the foreseeable future, being a period of at least 12 months following the approval of these accounts. The Directors have concluded that it is appropriate to adopt the going concern basis, having undertaken a rigorous assessment of the financial forecasts, key uncertainties, and sensitivities, as set out below.

Board assessment

Base case scenario

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

Severe but plausible downside

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

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

Finally, the assessment has considered the extent to which the Company is reliant on the Group. The Company is reliant on the Group in respect of the following:

- provision of certain services, such as administrative support services and should the Group be unable to deliver these services, the Company would have difficulty in continuing to trade;
- participation in the Group's notional cash pooling arrangements, of which £161,942 was held at 30 June 2021. In the event of a default by the Group, the Company may not be able to access its cash balance within the pooling arrangement;
- recovery of receivables of £1,436,186 from fellow Group undertakings as of 30 June 2021. If these receivables are not able to be recovered when forecast by the Company, then the Company may have difficulty in continuing to trade;
- additional funding that may be required if the company suffers potential losses in future.

Given the reliance the Company has on the Group, the Directors have considered the financial position of the ultimate parent undertaking as disclosed in its most recent financial statements, being for the year ended 31 December 2020.

BRIGHTWAVE ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Ultimate parent undertaking - Capita plc

The Capita plc Board ('the Board') concluded that it was appropriate to adopt the going concern basis, having undertaken a rigorous assessment of the financial forecasts, key uncertainties and sensitivities, when preparing the Group's consolidated financial statements to 31 December 2020. These financial statements were approved by the Board on 16 March 2021 and are available on the Group's website (www.capita.com/investors). Below is a summary of the position as at 16 March 2021:

Accounting standards require that the foreseeable future covers a period of at least 12 months from the date of approval of the financial statements, although they do not specify how far beyond 12 months a Board should consider. In the prior year, the Board considered an extended period out to 31 August 2022 (30 months) which aligned with the expiry of the revolving credit facility (RCF). The Board continued to consider the period out to 31 August 2022 for the purpose of the going concern assessment, which reflects a period of at least 18 months from the date of approval of the Group consolidated financial statements (the going concern period). While this is a shorter period, it does align with the expiry of the RCF which is a key consideration. The Board also considered any committed outflows beyond this period in forming their assessment.

To address the resilience of the Group to its severe but plausible downside scenarios, the Board has been exploring a refinancing of the debt maturities to reprofile the debt repayments to align with the completion of the transformation programme while also providing the financial support necessary to complete the required investments. While refinancing was not completed in 2020, the Board did successfully arrange backstop facilities in February and August 2020, is already in discussion with lenders, and is targeting completion of a refinancing in 2021.

In addition to refinancing, the Board has approved a continuation of the previously announced disposal programme which covers businesses that do not align with the longer-term strategy for the Group. The Group has a strong track record of executing major planned disposals and the Board is confident that the disposal programme can be delivered given the strength of the underlying businesses and the value they deliver. The planned disposals will introduce considerable net cash proceeds to the Group, albeit with a corresponding removal of consolidated profits associated with these businesses.

Material uncertainty

The Board recognises that any refinancing, should the severe downside play out, would require third party agreements from lenders. Furthermore, the disposal programme requires agreement from third parties, and major disposals may be subject to shareholder and lender approval. Such agreements and approvals are outside the direct control of the Group. Accordingly, these events give rise to material uncertainties, as defined in auditing and accounting standards, relating to events and circumstances which may cast significant doubt about the Group's and Parent's ability to continue as a going concern and, therefore, that the Group and Company may be unable to realise their assets and discharge their liabilities in the normal course of business.

Reflecting the Board's confidence in the transformation programme, ability to refinance, and execution of the approved disposal programme, the Company continues to adopt the going concern basis in preparing the financial statements. The Board has concluded that the Group and Parent Company will continue to have adequate financial resources to realise their assets and discharge their liabilities as they fall due over the period to 31 August 2022. Consequently, these financial statements do not include any adjustments which would be required if the going concern basis of preparation is inappropriate.

BRIGHTWAVE ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Conclusion

Although the Company has a reliance on the Group as detailed above, even in a severe but plausible downside for both the Company and the Group, the Directors are confident the Company will continue to have adequate financial resources to release its assets and discharge its liabilities as they fall due over the period to 31 August 2022 (the “going concern period”). Consequently, the annual report and financial statements have been prepared on the going concern basis.

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

1.2 Compliance with accounting standards

The Company has applied FRS 101 – Reduced Disclosure Framework in the preparation of its financial statements. The Company has prepared and presented these financial statements by applying the recognition, measurement, and disclosure requirements of international accounting standards in conformity with the requirements of the Companies, Act 2006.

The Company’s ultimate parent undertaking, Capita plc, includes the Company in its consolidated statements. The consolidated financial statements are prepared in accordance with international accounting standards in conformity with the requirements of the Companies, Act 2006 and International Financial Reporting Standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and are available to the public and may be obtained from Capita plc’s website on <http://capita.com/investors>.

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

- A cash flow statement and related notes;
- Comparative period reconciliations for share capital, property, plant and equipment and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Certain disclosures regarding IFRS 15 Revenue from Contracts with Customers;
- Certain disclosures as required by IFRS 16 Leases; and
- Disclosures in respect of the compensation of key management personnel.

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

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

BRIGHTWAVE ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.3 Changes in accounting policies

The Company has adopted the new amendments to standards detailed below but they do not have a material effect on the Company's financial statements.

New amendments	Effective date
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	1 January 2020
Definition of a Business (Amendments to IFRS 3)	1 January 2020
COVID-19 - Related Rent Concessions (Amendments to IFRS 16)	1 June 2020

1.4 Revenue recognition

Revenue is earned within the United Kingdom.

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

In determining the amount of revenue and profits to record, and related balance sheet items (such as contract fulfilment assets, capitalisation of costs to obtain a contract, trade receivables, accrued income and deferred income) to recognise in the period, management is required to form a number of key judgements and assumptions. This includes an assessment of the costs the Company incurs to deliver the contractual commitments and whether such costs should be expensed as incurred or capitalised. These judgements are inherently subjective and may cover future events such as the achievement of contractual milestones, performance KPIs and planned cost savings. In addition, key assumptions are made concerning contract extensions and amendments, as well as opportunities to use the contract developed systems and technologies on other similar projects.

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

The Company determines if the arrangement with a customer creates enforceable rights and obligations.

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

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

At contract inception, the total transaction price is estimated, being the amount to which the Company expects to be entitled and has rights to under the present contract. This includes an assessment of any variable consideration where the Company's performance may result in additional revenues based on the achievement of agreed KPIs. Such amounts are only included based on the expected value or the most likely outcome method, and only to the extent that it is highly probable that no revenue reversal will occur.

BRIGHTWAVE ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.4 Revenue recognition (continued)

The transaction price does not include estimates of consideration resulting from change orders for additional goods and services unless these are agreed.

Once the total transaction price is determined, the Company allocates this to the identified performance obligations in proportion to their relative stand-alone selling prices and recognises revenue when (or as) those performance obligations are satisfied. The Company infrequently sells standard products with observable standalone prices due to the specialised services required by customers and therefore the Company applies judgement to determine an appropriate standalone selling price. More frequently, the Company sells a customer bespoke solution, and in these cases the Company typically uses the expected cost-plus margin or a contractually stated price approach to estimate the standalone selling price of each performance obligation.

The Company may offer price step downs during the life of a contract, but with no change to the underlying scope of services to be delivered. In general, any such variable consideration, price step down or discount is included in the total transaction price to be allocated across all performance obligations unless it relates to only one performance obligation in the contract.

For each performance obligation, the Company determines if revenue will be recognised over time or at a point in time. Where the Company recognises revenue over time for long term contracts, this is in general due to the Company performing and the customer simultaneously receiving and consuming the benefits provided over the life of the contract.

For each performance obligation to be recognised over time, the Company applies a revenue recognition method that faithfully depicts the Company's performance in transferring control of the goods or services to the customer. This decision requires assessment of the real nature of the goods or services that the Company has promised to transfer to the customer. The Company applies the relevant output or input method consistently to similar performance obligations in other contracts.

When using the output method, the Company recognises revenue on the basis of direct measurements of the value to the customer of the goods and services transferred to date relative to the remaining goods and services under the contract. Where the output method is used, for long term service contracts where the series guidance is applied (see below for further details), the Company often uses a method of time elapsed which requires minimal estimation. Certain long-term contracts use output methods based upon estimation of number of users, level of service activity or fees collected.

If performance obligations in a contract do not meet the over time criteria, the Company recognises revenue at a point in time (see below for further details).

The Company disaggregates revenue from contracts with customers by contract type, as management believe this best depicts how the nature, amount, timing and uncertainty of the Company's revenue and cash flows are affected by economic factors.

Long term contractual - greater than two years

The Company provides a range of services in various segments under customer contracts with a duration of more than two years.

The nature of contracts or performance obligations categorised within this revenue type is diverse and includes (i) long term outsourced service arrangements in the public sector; and (ii) active software licence arrangements (see definition below).

BRIGHTWAVE ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.4 Revenue recognition (continued)

The Company considers that the services provided meet the definition of a series of distinct goods and services as they are (i) substantially the same and (ii) have the same pattern of transfer (as the series constitutes services provided in distinct time increments (e.g., daily, monthly, quarterly or annual services)) and therefore treats the series as one performance obligation. Even if the underlying activities performed by the Company to satisfy a promise vary significantly throughout the day and from day to day, that fact, by itself, does not mean the distinct goods or services are not substantially the same. For the majority of long service contracts with customers in this category, the Company recognises revenue using the output method as it best reflects the nature in which the Company is transferring control of the goods or services to the customer.

Active software licences are those where the Company has a continuing involvement after the sale or transfer of control to the customer, which significantly affects the intellectual property to which the customer has rights. The Company is in a majority of cases responsible for any maintenance, continuing support, updates and upgrades and accordingly the sale of the initial software is not distinct. The Company's accounting policy for licences is discussed in more detail below.

Transactional (point in time) contracts

The Company delivers a range of goods or services in all reportable segments that are transactional services for which revenue is recognised at the point in time when control of the goods or services has transferred to the customer. This may be at the point of physical delivery of goods and acceptance by a customer or when the customer obtains control of an asset or service in a contract with customer-specified acceptance criteria.

The nature of contracts or performance obligations categorised within this revenue type is diverse and includes (i) provision of IT hardware goods; (ii) passive software licence agreements; (iii) commission received as agent from the sale of third party software; and (iv) fees received in relation to delivery of professional services.

Contract modifications

The Company's contracts are often amended for changes in contract specifications and requirements. Contract modifications exist when the amendment either creates new or changes the existing enforceable rights and obligations. The effect of a contract modification on the transaction price and the Company's measure of progress for the performance obligation to which it relates, is recognised as an adjustment to revenue in one of the following ways:

- a. prospectively as an additional separate contract;
- b. prospectively as a termination of the existing contract and creation of a new contract;
- c. as part of the original contract using a cumulative catch up; or
- d. as a combination of b) and c).

For contracts for which the Company has decided there is a series of distinct goods and services that are substantially the same and have the same pattern of transfer where revenue is recognised over time, the modification will always be treated under either a) or b). d) may arise when a contract has a part termination and a modification of the remaining performance obligations.

Judgement is applied in relation to the accounting for such modifications where the final terms or legal contracts have not been agreed prior to the period end as management need to determine if a modification has been approved and if it either creates new or changes existing enforceable rights and obligations of the parties. Depending upon the outcome of such negotiations, the timing and amount of revenue recognised may be different in the relevant accounting periods. Modification and amendments to contracts are undertaken via an agreed formal process. For example, if a change in scope has been approved but the corresponding change in price is still being negotiated, management use their judgement to estimate the change to the total transaction price. Importantly any variable consideration is only recognised to the extent that it is highly probable that no revenue reversal will occur.

BRIGHTWAVE ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.4 Revenue recognition (continued)

Contract related assets and liabilities

As a result of the contracts which the Company enters into with its customers, a number of different assets and liabilities are recognised on the Company's balance sheet. These include but are not limited to:

Property, plant and equipment*
Contract assets derived from costs to obtain a contract
Trade receivables*
Accrued income
Deferred income

* No change in the accounting policies for these assets as a result of the adoption of IFRS 15.

When determining the appropriate accounting treatment for such costs, the Company firstly considers any other applicable standards. If those other standards preclude capitalisation of a particular cost, then an asset is not recognised under IFRS 15.

If other standards are not applicable to contract fulfilment costs, the Company applies the following criteria which, if met, result in capitalisation:

(i) the costs directly relate to a contract or to a specifically identifiable anticipated contract;
(ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered.

The assessment of this criteria requires the application of judgement, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable. The Company regularly incurs costs to deliver its outsourcing services in a more efficient way (often referred to as 'transformation' costs).

These costs may include process mapping and design, system development, project management, hardware (generally in scope of the Company's accounting policy for property, plant and equipment), software licence costs (generally in scope of the Company's accounting policy for intangible assets), recruitment costs and training.

The Company has determined that, where the relevant specific criteria are met, the costs for (i) process mapping and design; (ii) system development; and (iii) project management are likely to qualify to be capitalised as contract fulfilment assets.

Deferred and accrued income

The Company's customer contracts include a diverse range of payment schedules dependent upon the nature and type of goods and services being provided. The Company often agrees payment schedules at the inception of long term contracts under which it receives payments throughout the term of the contracts. These payment schedules may include performance-based payments or progress payments as well as regular monthly or quarterly payments for ongoing service delivery. Payments for transactional goods and services may be at delivery date, in arrears or part payment in advance.

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

BRIGHTWAVE ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.5 Taxation

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

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

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

Deferred tax liabilities are recognised for all taxable temporary differences:

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

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

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

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

BRIGHTWAVE ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.6 Financial instruments

Investments and other financial assets

(i) Classification

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

- those to be measured subsequently at fair value (either through other comprehensive income (FVOCI) or profit or loss (FVPL)); and
- those to be measured at amortised cost.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

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

(iii) Measurement

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

(iv) Impairment

The Company assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Trade and other receivables

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

Cash and cash equivalents

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

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at their fair value less any directly attributable transaction costs.

BRIGHTWAVE ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.7 Impairment of non-financial assets

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

1.8 Pensions

The Company participates in defined contribution pension schemes and contributions are charged to the Income Statement in the year in which they are due. These schemes are funded and the payment of contributions is made to separately administered trust funds. The assets of these schemes are held separately from the Company. The Company remits monthly pension contributions to Capita Business Services Limited, a fellow subsidiary undertaking, which pays the Group liability centrally. Any unpaid contributions at the year-end have been accrued in the accounts of that Company.

1.9 Foreign exchange

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

1.10 Related party transactions

The Company has taken advantage of the exemption FRS 101 : Related Party Disclosures not to disclose transactions entered into between two or more members of Capita plc., provided that any subsidiary undertakings which is a party to the transactions is wholly owned by a member of that Company.

2 Significant accounting judgements, estimates and assumptions

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

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are the revenue and profit recognition on certain contractual arrangements. There are judgements to be applied for measurement of revenue and resulting profit recognition. These include the measurement and timing of revenue recognition and the recognition of assets and liabilities, including an assessment of onerous contract, that result from the performance of the contract (see 1.4).

3 Revenue

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

BRIGHTWAVE ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

4 Operating profit/(loss)

	Unaudited 2020 £	Unaudited 2019 £
Operating profit/(loss) for the year is stated after charging:		
Net foreign exchange losses	462	1,485

5 Net finance income

	Unaudited 2020 £	Unaudited 2019 £
Interest received from Group undertakings	3,549	-
	<u>3,549</u>	<u>-</u>

6 Income tax

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

	Unaudited 2020 £	Unaudited 2019 £
Current tax		
UK corporation tax	26,975	(39,914)
Adjustments in respect of prior periods	1,252	-
Total tax expense/(credit) reported in the income statement	<u>28,227</u>	<u>(39,914)</u>

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

	Unaudited 2020 £	Unaudited 2019 £
Profit/(loss) before tax	<u>141,976</u>	<u>(210,073)</u>
Profit/(loss) before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2019 - 19%)	26,975	(39,914)
Adjustments in respect of current income tax of prior years	1,252	-
Total tax expense/(credit) reported in the income statement	<u>28,227</u>	<u>(39,914)</u>

BRIGHTWAVE ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

6 Income tax

(Continued)

A change to the main UK corporation tax rate was substantively enacted on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19 percent, rather than the previously enacted reduction to 17 percent. This has no material impact on the Company.

On 3 March 2021, it was announced in the Budget that the UK tax rate will increase from 19% to 25% from 1 April 2023 onwards. This will increase the Company's future income tax charge from 2023.

7 Trade and other receivables

	Unaudited 2020 £	Unaudited 2019 £
Current		
Trade debtors	80,549	38,700
Accrued income and prepayments	113,845	203,174
Amounts due from parent and fellow subsidiary undertaking	1,932,583	3,199,831
	<u>2,126,977</u>	<u>3,441,705</u>

8 Cash

	Unaudited 2020 £	Unaudited 2019 £
Cash at bank and in hand	-	4,797
	<u>-</u>	<u>4,797</u>

9 Trade and other payables

	Unaudited 2020 £	Unaudited 2019 £
Current		
Trade creditors	11,530	21,796
Other taxes and social security	5,295	1,701
Accruals	62,000	10,000
Amounts due to parent and fellow subsidiary undertaking	552,186	2,584,644
	<u>631,011</u>	<u>2,618,141</u>

BRIGHTWAVE ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

10 Deferred income

	Unaudited 2020 £	Unaudited 2019 £
Current		
Deferred income	303,162	304,452
	<u>303,162</u>	<u>304,452</u>

11 Financial liabilities

	Unaudited 2020 £	Unaudited 2019 £
Current		
Overdrafts	627,534	97,551
	<u>627,534</u>	<u>97,551</u>

12 Issued share capital

	Unaudited 2020 Number	Unaudited 2019 Number	Unaudited 2020 £	Unaudited 2019 £
Ordinary shares of £1 each				
At 1 January	1	1	1	1
	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
At 31 December	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

The balance classified as share capital is the nominal proceeds on issue of the Company's equity share capital, comprising 1 ordinary share of £1.

13 Employee benefits

The total costs charged to income for the year ended 31 December 2020 in respect of defined contribution plans is £17,837 (2019: £26,023).

BRIGHTWAVE ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

14 Employees

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

	Unaudited 2020 Number	Unaudited 2019 Number
Operations	7	9
	<u>7</u>	<u>9</u>

Their aggregate remuneration comprised:

	Unaudited 2020 £	Unaudited 2019 £
Employee costs		
Wages and salaries	251,931	193,068
Social security costs	30,226	33,705
Pension costs	17,837	26,023
	<u>299,994</u>	<u>252,796</u>

Directors' remuneration was borne by another subsidiary of Capita plc. No Directors' remuneration has been allotted to the Company as no significant time was spent by the Directors on the Company's affairs.

15 Controlling party

The Company's immediate parent undertaking is Brightwave Holdings Limited, a Company incorporated in England and Wales.

The Company's ultimate parent undertaking is Capita plc, a Company incorporated in England and Wales. The annual report and consolidated financial statements of Capita plc are available from the registered office at 65 Gresham Street, London, England, EC2V 7NQ.

16 Post balance sheet events

There have been no significant events that have occurred after the Balance Sheet date.