

# DILIGENTA LIMITED

(Company Registration Number: 05535029)

## ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended  
31 December 2019



**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019**

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**Registered Office**

Lynch Wood  
Peterborough  
Cambridgeshire  
PE2 6FY

**Company Registration No: 05535029**

**DILIGENTA LIMITED**

**BOARD OF DIRECTORS**

N G Subramaniam  
Chairman

D Praveen  
Chief Executive Officer

R Reid  
Non-Executive Director

M Arthur  
Non-Executive Director

S Muthuswami  
Non-Executive Director

**Company Secretary**

A Jackson

## DILIGENTA LIMITED

### STRATEGIC REPORT

Diligenta Limited (the Company) is a private company, limited by shares. The Company has continued to successfully deliver a range of Life and Pension Administration services throughout the period. The Company is structured to share skills, knowledge and maximise the capabilities over all activities. This includes collaboration with wider group companies.

The directors are committed to explore other growth opportunities and continue to actively tender for contracts providing Life and Pension Administration services to the UK Financial Services sector.

#### FUTURE DEVELOPMENTS

The Company provides a range of Life and Pension Administration services to the UK Financial Services sector and this will continue to be the principal activity for the foreseeable future. The Company will also support wider group projects.

During the period ended 31 December 2019, the Company extended the services it provides to existing clients.

The Company has considered the emerging risks regarding Brexit. The impact of Brexit is expected to be limited to potential short term customer (policyholder) related transaction surges (such as a short term increase in Brexit related customer calls to our contact centres, or increased fund switching etc.) as the exit process moves forward. Diligenta has prepared Brexit Surge Plans which are regularly reviewed and which outline how we would respond to any surge activity to support it. Diligenta has a very small number of critical EU 3rd party suppliers, who provide services for a limited number of policies under administration. All Diligenta Clients are UK based. The majority of policies administered by Diligenta are UK based policies (the EU based policy books administered by Diligenta are small in comparison). Diligenta does not have large numbers of EU staff working in the UK. Finally, Diligenta financial arrangements are not significantly impacted by the £ to Euro exchange rates.

#### KEY PERFORMANCE INDICATORS

Details of the results for the year ended 31 December 2019 and the comparative previous period are set out in the financial statements and the related notes. The comparative figures published are not directly comparable as the accounting periods are of differing lengths.

The number of policies administered by the Company, on behalf of its clients, is a key performance indicator because this is directly linked to revenue. During the period, the number of policies being administered grew from 12 to 18 million.

Revenue grew to £387.7 million in the year (period to 31 December 2018: £239.6 million) which was driven by strong growth of discretionary change & multiple transformation from the clients. To provide services to new clients, typically staff and services are transferred to the Company from existing services providers at service commencement dates. This has resulted in operating expenses increasing to £346.3 million in the year ended 31 December 2019 from £221.3 million for the period 31 December 2018.

The Company made an after tax profit of £ 33.3 million for the year ended 31 December 2019 (period ended 31 December 2018: £15 million) stated after amortisation and depreciation charges for the year ended of £7.1 million (period ended 31 December 2018: £2.3 million).

The directors are of the opinion that there are no significant unmitigated risks affecting the Company in executing its contracts and that the Company continues to be fully supported by the infrastructure of its parent company.

The Company identifies risks and logs the key risks on a risk register. Each risk on the Key (top down) Risk Register is categorised as either an operational risk, strategic risk, regulatory risk, people risk, commercial risk or financial risk. All key (top down) risks have specified Owners who are responsible for setting the risk appetite, regularly assessing the risk using bottom up (functional level) risk and control data, and other relevant key risk indicators, and ensuring that appropriate management actions are taken in the event that a Key Risk is deemed out of appetite. These assessments are undertaken quarterly. Where a key risk is deemed outside of appetite, the assessment documents the key risk drivers (issues / adverse KRI's) and / or key control weaknesses which are making the residual risk out of appetite, and the key control improvements and / or other time bound mitigations being implemented to bring the risk back into appetite. The full Key Risk Register (including the detailed assessments and mitigations for those risks outside of appetite) is input to, and reviewed by, the quarterly internal RACC and BACC forums, with a Risk Dashboard also being provided to the Board.

The directors have completed financial forecasts including future cash flows and undertaken an extensive exercise of scenario planning, including downside sensitivities.

The Company has access to considerable committed financial resources together with long-term contracts with a number of customers and suppliers and as a consequence the directors believe that the Company is well placed to manage its business risks successfully despite the continued uncertain economic climate.

## DILIGENTA LIMITED

The Company also maintains internal key performance indicators to monitor, evaluate and respond to identified risks. These include metrics regarding performance of financial performance, service level performance and employee metrics for delivery of services to each client and at overall organisational level.

### IMPACT OF COVID19

The recent outbreak of the COVID-19 pandemic has presented a situation unparalleled in recent history.

The Company has commendably addressed this situation with priority being given to safeguard the health and wellbeing of its employees while continuing to support its customers' mission-critical activities. Some of these measures involved are:

- Regular communication with all of the Company's employees, both through human resources and management teams, to answer their questions related to COVID-19 and to offer them moral support ;
- Deployment of TCS' Secure Borderless Workspaces (SBWS™) infrastructure enabling employees to work remotely, thus responding to the containment measures, while ensuring continuity of service. The transition was swift and minimized the operational impact. This has demonstrated the Company's abilities of operational resilience and also received excellent feedback from customers and clients across accounts;
- The Company has continued to promote its digital propositions;
- Digital operating model (DOM) changes are being worked upon with relevant client account teams in order to deliver superior customer journeys and business efficiencies;
- Regular communication with customers and suppliers on the measures taken to report on the progress of their projects;
- Regular communication with the Financial Conduct Authority;
- Regular analysis of clients' business needs in the current context;
- Continuous monitoring of funds to maintain adequate level of liquidity in order to meet the Company's commitments.

The performance of the Company during the lockdown has seen an improvement as compared to the same period of the previous financial year and is in line with the budget for the financial year 2020 with cash and investment balances that have remained in line with the working capital and capex requirements of the Company.

The impact on the company as at the reporting date, consequent to COVID19 global pandemic is assessed under the following dimensions.

#### **(a) Going concern and liquidity assessment**

The Company is debt-free and has investments, cash and cash equivalents of £52.623 million as at 31 December 2019. The Investments part of cash and cash equivalents are short term liquidity and can be called in 2 days' notice. These balances are unencumbered and are at the free disposal of the Company. The aforesaid balances constitute 25% of gross total assets and thus assures liquidity for the Company.

The Company firmly believes that it has the financial strength and a portfolio of technology and business solutions which are even more relevant, in the current circumstances, in partnering with its customers to help them realise their goals. Reference is also drawn to Note-3a & b on "basis of preparation" & "Going concern" forming a part of the basis of preparation of financial statements.

#### **(b) Future revenue streams**

While the Company believes strongly that it has a rich portfolio of services to partner with customers, the impact on future revenue streams could come from the inability of the Company's customers to continue their businesses due to financial resource constraints or their services no-longer being availed by their customers. Based on

## DILIGENTA LIMITED

current information available, it would be premature to make a realistic estimate of the impact on future revenue streams. The Company believes that it can re-align its operating levers to navigate through the period of crisis in a financially prudent manner.

### (c) Property, Plant and Equipment and Right-of-use assets

These assets consist of cost carried towards the Company's office facilities, computer and office equipment. The Company does not foresee any large scale contraction in demand which could result in significant down-sizing of the Company's employee base rendering physical infrastructure redundant. The leases that the Company has entered with lessors towards properties are long term in nature and no changes in terms of those leases are expected due to the current crisis. Company is reassessing its location strategy to take account of the impacts of Covid-19 and the adoption of the TCS Secure Borderless Workspace model.

### (d) Current Assets

The current assets, excluding investments, cash and cash equivalents stand at £112.391 million as on 31 December 2019. The projects in respect of which the cost or unbilled revenue is being carried forward, are continuing projects. There is no information of discontinuance or cancellation of projects in respect of whom the Company is carrying cost/revenue in the balance sheet.

### (e) Liabilities

The Company has taken steps to assess the cost budgets required to complete its performance obligations in respect of fixed price projects and incorporated the impact of likely delays/increased cost in meetings its obligations.

The Company has also assessed the impact of delays and inability to meet contractual commitments and has taken actions such as engaging with its customers to agree on revised service level agreements (SLA's) in light of current crisis, invoking of force-majeure clauses, etc. to ensure that revenue recognition in such cases reflects realizable revenues.

## FINANCIAL RISK MANAGEMENT

The Company is exposed to financial risk through its financial assets and liabilities. The Company does not use hedging for any type of transactions. The exposure of the Company to credit risk is managed through regular reviews of the level and age profiles of amounts outstanding.

The Company takes a robust approach towards its business risks. A risk register is maintained and reviewed regularly by the Risk, Audit and Compliance Committee. This document identifies key risks, assesses the impact and likelihood of occurrence and a mitigation plan exists for all known areas of risk.

The directors do not consider that the Company and its activities are subject to any other significant financial risk.

## SECTION 172(1) STATEMENT

The directors acknowledge their duty to promote the success of the Company for the benefit of its shareholder, employees, customers, and regulator, as well as the wider community in which it operates.

This financial year has seen the introduction of a number of new initiatives for employee engagement, as well as the continuation of existing programmes. The Company has enhanced its employee communication intranet, the Hub, to facilitate the distribution of information about the Company, making it accessible to all employees across both existing and new site locations and accounts.

Employee satisfaction surveys have been undertaken, which cover all aspects of the working environment, and these have provided valuable feedback, which the directors have regard to in its decision making.

A diversity and inclusion council, made up of management and workforce, has been established to ensure that the Company represents a truly diverse and inclusive culture, that opportunities are provided for all employees and that the Company thrives to be a workplace that is understanding and welcoming of its diverse population with inclusion for all evident at the heart of its operations and culture.

Feedback and ideas have been sought from the workforce on suggestions for ways to improve process and operations and many of the inputs have been implemented with positive results.

## DILIGENTA LIMITED

The board of directors receives feedback directly from the Company's executive, through presentations at meetings and directors, particularly the independent non-executive directors, regularly attend the Company's office locations and interact directly with the workforce to see for themselves work in progress, seeking views directly from the workforce and observing the consistent fostering of the Company's culture, particularly amongst those who have joined the Company during the financial year.

Attrition of staff is always a key concern for the Company, with the need to ensure that knowledge is not lost. The directors have ensured that regular information is received so that any trends can be identified and positive action has been taken to address these.

The Company has complied with its obligation to produce a Gender Pay Gap report, which has been reviewed by directors to identify any issues that require to be addressed.

The Company has initiated a graduate engagement programme and participates in the government's apprenticeship levy scheme.

Directors have reviewed the financial position of the company's defined benefits pension scheme and have enhanced the contributions the Company makes, to ensure that the scheme's funding position remains strong.

On behalf of the Company's clients, directors have supported the Company to develop a new digital operating model, for delivery to the client's customers, online access to their financial arrangements and products in order to enhance the customer's access to important information.

Directors have engaged with clients to identify ways to improve their businesses, with the result that existing clients have entrusted the Company with significant new business opportunities, in particular the agreement reached to take on the administration of an open-book pensions portfolio which will see the Company progress into new lines of business in line with the Company's long-term strategy.

Engagement with clients is frequent, through a variety of forums, at all levels of the Company's hierarchy, to ensure a full understanding of the client's needs and to foster good client relations. Feedback is provided to directors by the executive and directors have attended clients, including attendance at the clients Audit Committee meetings, to ensure that direct feedback of the Company's performance is gained.

Directors receive and consider information and data, from external agencies, around the client's customer's satisfaction with the services provided by the Company to ensure that standards are both maintained and improved.

The Company reviews and assesses its payment practices regarding supplier's invoices and these are annually reported to Companies House. The Company has clear processes in place, which directors monitor, to ensure payment of Company liabilities are made promptly in line with agreed timescales. Directors review and approve the Company's Procurement and Supplier Management policy regularly.

The Company has engaged in a number of jobs fairs local to the Company's office locations. In the last year, a large neighbouring business collapsed, with the result that a large number of its workforce were made redundant. Participation in the jobs fair enabled the Company to offer alternative employment to a number of those affected employees.

The Company operates an annual charity partnership, raising funds through employee events which are fully supported by the Company.

The board of directors ensures that the Company's relationship with its regulator, the Financial Conduct Authority, is maintained and enhanced through regular interaction on all aspects of the Company's business. In this year, the Company has fully participated in the regulator's evaluation of the Company's business which has seen a number of initiatives being implemented and the Board undertaking an external review of its own effectiveness. The Board will consider all findings and will implement such change as is identified as being required.

The Company's recognises the need to meet the dividend expectations of its shareholder, Tata Consultancy Services Limited, and this is a high priority for directors. The Company has returned to profit in the most recent financial years and this has enabled directors to declare a dividend for its shareholder for the first time in a number of years.

## DONATIONS

Donations to charitable organisations in the year amounted to £15,000 (period ended 31 December 2018: £8,000).

## DILIGENTA LIMITED

### EMPLOYEES

The Company has an established practice of keeping employees informed of matters affecting them and the financial and economic factors affecting the performance of the Company. This is done through a comprehensive system of consultation and communication involving regular meetings between management and employees and information releases.

The Company operates a 'Zero Tolerance' approach towards acts of bribery and corruption. The Company will not engage in any form of bribery or corrupt behaviour and will take firm and vigorous action against any individual who does not comply with this policy. This may involve disciplinary action being taken, which the Company will normally treat as gross misconduct, which may lead to dismissal, and legal action where appropriate. This action would be taken irrespective of whether criminal proceedings are pursued by the authorities.


It is the policy of the Company that training, career development and promotion opportunities are available to all employees.

The Company is committed to providing equal opportunities to all employees irrespective of their sex, age, sexual orientation, marital status, religion, race or disability. It is the Company's policy to give positive consideration to disabled persons with respect to applications for employment, training, career development and promotion, having regard to each individual's particular aptitudes and abilities.

### CREDITOR PAYMENT POLICY

It is the Company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Company and its suppliers, provided that all trading terms and conditions have been complied with.

Approved by the Board and signed on its behalf by:

  
Daniel Praveen  
Chief Executive Officer  
Lynch Wood  
Peterborough  
Cambridgeshire  
PE2 6FY

Date: 23 July 2020

## DILIGENTA LIMITED

### DIRECTORS' REPORT

The directors have pleasure in presenting their annual report of the Company, together with the financial statements and auditor's report for the year ended 31 December 2019. The monetary amounts are reported in GBP (£) and are rounded to the nearest thousand.

Details of the results for the year ended 31 December 2019 and the comparative previous period are set out in the financial statements and the related notes. The comparative figures published are not directly comparable as the accounting periods are of differing lengths. The Company changed the accounting reference date to align to other subsidiaries of the parent Company.

#### PRINCIPAL ACTIVITIES

The principal activity of the Company is the provision of a range of Life and Pension Administration services to the UK Financial Services sector.

#### DIVIDENDS

The Company paid a dividend of £10 million on 19<sup>th</sup> March 2020 to the shareholders for the year ended 31 December 2019 (period ended 31 December 2018: £10 million).

#### DIRECTORS

The directors, who served through the period, except as noted, were as follows:

N G Subramaniam  
D Praveen  
R Reid  
M Arthur  
S Muthuswami

#### DIRECTORS INDEMNITIES

The parent undertaking TCS Limited has made qualifying third party indemnity provisions for the benefit of the directors which were made during the period and remain in force at the date of this report.

#### REPORTING IN ACCORDANCE WITH THE WATES CORPORATE GOVERNANCE PRINCIPLES FOR LARGE PRIVATE COMPANIES (THE "WATES PRINCIPLES")

The Company has applied the Wates Principles guidance in its entirety in the financial year ended 31 December 2019 and the report is set out below.

##### **Purpose and Leadership**

The Board of Directors ensures that the Company operates with a clear sense purpose and collective vision by publishing the Company's values to all stakeholders and through statements and communications issued by the Chief Executive Officer (CEO) and his Executive Management Team. The Board holds dialogue with the workforce and wider stakeholders, through trade union information and consultation, management forums and the participation of the workforce in voluntary bespoke confidential surveys. The Board, through the CEO also provides updates and corporate messages to the workforce via the company's intranet, through town hall sessions with the Chairman and through regular cascade messages to the workforce through the management team.

The Company's purpose and values have been explained and integrated into the different functions and operations of the business in a robust manner. The objective setting process forms the backbone of the setting of and adherence to the Company's core values, and these are reinforced via the intranet as well as through publicity material visible throughout the Company's sites. The Company has monitored culture by, conducting employee surveys, engagement with trade unions, reviewing absenteeism rates, conducting exit interviews and undertaking Board feedback sessions. The board has led on the establishment of transparent whistleblowing policies in relation to raising concerns about misconduct and unethical practices and put in place effective review processes.

##### **Board Composition**

The Board collectively demonstrates an excellent understanding of the Company's business needs and stakeholder interests. The Board is constituted of individuals with a wide range of industry and subject expertise. The Chairman

## DILIGENTA LIMITED

promotes open debate and facilitates constructive discussion. This enables the Board to be an open forum for discussion where varied views are tabled and challenge is issued to the executive team on various matters. The Chairman ensures that all Directors have appropriate information and that sufficient time is made available for meaningful discussion. Detailed inputs are provided five working days before the Board meets and meetings take place quarterly with sufficient time being allowed for discussion of issues to be covered. The Company has a commitment to the ongoing professional development of its board and Directors embrace such opportunities and ensure that they have sufficient time to discharge their duties.

The Company's policy on diversity and inclusion is underpinned throughout all of the Company's corporate policies in both spirit and practice, inclusive of a bespoke diversity and inclusion council which drives this agenda forward.

### **Director Responsibilities**

The Board has established and maintained corporate governance practices that provide clear lines of responsibility for individual Board members, including the non-executive directors, to support effective decision-making. The Company has a full suite of policies that it reviews regularly against a number of criteria, including regulation, best practice and alignment to client policies, which govern its internal affairs. Policies have formally assigned owners who are responsible to the Board. The Board has established formal and robust internal processes to ensure systems and controls are operating effectively, and that the quality and integrity of information provided to it is reliable.

The Board has agreed and set out how conflicts of interest should be identified and managed within the Company, through a conflicts of interest policy which is trained and tested across the whole workforce every year.

### **Opportunity and Risk**

The Board considers and assesses how the Company creates and preserves value over the long-term. The Company has processes for the identification of future opportunities for innovation and entrepreneurship, by operating in a variety of ways to ensure it remains innovative, including via market learning, in forums with its customers and by way of benefitting from the very extensive knowledge-based innovation which is a key strength of its parent company, Tata Consultancy Services Limited.

The Board has oversight of risk and how it is managed, and appropriate accountability to stakeholders. There are clear areas of responsibility within individual Board members, including for the non-executive directors, and all have identified areas of oversight over the key stakeholders and managers of the business. The Board has established formal and robust internal processes to ensure systems and controls are operating effectively, and that the quality and integrity of information provided to it is reliable.

### **Remuneration**

Remuneration for directors and senior managers is aligned with performance, behaviours, and the achievement of company purpose, values and strategy. The Company utilises specialist external agencies to provide pay comparability methodologies to assist with determining remuneration throughout the Company.

In setting director and senior manager remuneration, consideration has been given to remuneration throughout the organisation to reinforce a sense of shared purpose. The Board has established clear policies on remuneration structures and practices which enable effective accountability to shareholders, taking account of the broader operating context, including the pay and conditions of the wider workforce and the company's response to matters such as any gender pay gap, Living wage etc.

### **Stakeholder Relationships and Engagement**

The Company considers how its activities may impact both current and future stakeholders, including how these could impact on the environment in everything it does. This is carried out via the conduct risk framework; environmental policy; HR policies (including workforce surveys); formal governance and feedback surveys with customers; end customer satisfaction results and analysis; regular meetings and audits with Regulators; and charitable support, including formally supported charities.

The Company presents to stakeholders a fair, balanced and understandable assessment of the Company's position and prospects and makes this available on an annual basis through intranet communications and messages from executive management, results of workforce surveys and the publication of the Company's annual report and accounts.

The Board ensures that there is a range of formal and informal channels in place to receive appropriate feedback from discussions with stakeholders and the Company follows recognised international standards or frameworks. Workforce policies and practices are aligned with the Company's purpose and values.

## DILIGENTA LIMITED

### AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that:

- (a) so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware;  
And
- (b) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/ herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

KPMG LLP were appointed as auditors during the preceding year. Following an elective resolution passed on 14 February 2007 to dispense with the annual reappointment of auditors, KPMG LLP shall be deemed to be reappointed for the next financial year in accordance with section 487 of the Companies Act 2006.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Approved by the Board and signed on its behalf by:



Daniel Praveen  
Chief Executive Officer  
Lynch Wood  
Peterborough  
Cambridgeshire  
PE2 6FY

Date: 23 July 2020

## DILIGENTA LIMITED

### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

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, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## DILIGENTA LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DILIGENTA LIMITED

#### Opinion

We have audited the financial statements of Diligenta Limited ("the company") for the year ended 31 December 2019 which comprise the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

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

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

#### Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its 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 its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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

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

#### Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

## DILIGENTA LIMITED

### 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

### Directors' responsibilities

As explained more fully in their statement set out on page 8, 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](http://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.



**Michael Scrivener (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
100 Hills Road  
Cambridge  
CB2 1AR

23 July 2020

**DILIGENTA LIMITED**

**STATEMENT OF FINANCIAL POSITION**

	Note	As at 31 December 2019 £'000	As at 31 December 2018 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Right-of-use assets	7	13,044	-
Property, plant and equipment	8(a)	14,443	8,128
Intangible assets	8(b)	2,389	2,783
Deferred tax assets(net)	12	1,314	2,045
Unbilled receivables		2,131	299
Other assets	8(c)	13,870	9,150
Contract assets	8(c)	-	956
<b>Total non-current assets</b>		<b>47,191</b>	<b>23,361</b>
<b>Current assets</b>			
Other assets	8(c)	12,274	9,383
Contract assets	8(c)	64,746	20,289
Other financial assets	6(d)	415	1,093
Unbilled receivables		11,538	29,404
Trade receivables	6(c)	23,418	16,478
Investments	6(b)	46,000	39,500
Cash and cash equivalent	6(a)	6,623	11,240
<b>Total current assets</b>		<b>165,014</b>	<b>127,387</b>
<b>TOTAL ASSETS</b>		<b>212,205</b>	<b>150,748</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables	6(f)	66,800	55,538
Finance lease liability	6(f)	-	268
Lease liabilities	6(f)	3,157	-
Other financial liabilities	6(e)	2,912	2,507
Unearned and deferred revenue		5,706	1,660
Employee benefit obligations	13(a)	1,785	1,735
Income tax liabilities(net)		3,864	2,454
Other liabilities	8(d)	7,200	6,911
<b>Total current liabilities</b>		<b>91,423</b>	<b>71,073</b>
<b>Non-current liabilities</b>			
Lease liabilities	6(f)	9,955	-
Unearned and deferred revenue		6,579	-
Other liabilities	8(d)	-	61
<b>Total non-current liabilities</b>		<b>16,534</b>	<b>61</b>
<b>TOTAL LIABILITIES</b>		<b>107,957</b>	<b>71,134</b>

DILIGENTA LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

Equity			
Share capital	6(i)	1,000	1,000
Share premium		25,000	25,000
Retained earnings		36,248	11,614
Other reserve	6(i)	42,000	42,000
		<hr/>	<hr/>
TOTAL EQUITY		104,248	79,614
		<hr/>	<hr/>
TOTAL LIABILITIES AND EQUITY		212,205	150,748
		<hr/> <hr/>	<hr/> <hr/>

The financial statements were approved by the Board of Directors and authorised for issue on 23 July 2020.  
They were signed on its behalf by:



Daniel Praveen  
Chief Executive Officer

Company Registration No: 05535029

Notes 1 to 18 form part of the financial statements

**DILIGENTA LIMITED**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Note	Year ended 31 December 2019	Period ended 31 December 2018
		£'000	£'000
<b>Revenue</b>	9	<b>387,665</b>	239,580
<b>Operating expenses:</b>			
Employee benefits expenses	13	<b>(171,526)</b>	(105,942)
Depreciation and amortisation expense	8(a),8(b)	<b>(4,128)</b>	(2,271)
Right of use assets depreciation	7	<b>(2,977)</b>	-
Other operating expenses	10	<b>(167,623)</b>	(113,079)
<b>Total operating expenses</b>		<b>(346,254)</b>	(221,292)
<b>Operating profit</b>		<b>41,411</b>	18,288
<b>Other income / (expense):</b>			
Finance and other income	11(a)	<b>323</b>	208
Finance cost	11(b)	<b>(422)</b>	-
Other gains(net)		<b>2</b>	-
<b>Total other (expense) / income</b>		<b>(97)</b>	208
<b>Profit before taxes</b>		<b>41,314</b>	18,496
Income tax expense	12	<b>(8,063)</b>	(3,502)
<b>Profit for the Year / period</b>		<b>33,251</b>	14,994
<b>Other comprehensive (losses) / income, net of taxes</b>			
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Remeasurement of defined employee benefit plans		<b>1,928</b>	(118)
Deferred tax on remeasurement of defined employee benefit plans		<b>(366)</b>	22
<b>Total other comprehensive income / (losses), net of taxes</b>		<b>1,562</b>	(96)
<b>Total comprehensive income for the Year / period</b>		<b>34,813</b>	14,898

Notes 1 to 18 form part of the financial statements

## STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Other reserve £'000	Retained earnings £'000	Total Equity £'000
<b>Balance at 1 April 2018</b>	<u>1,000</u>	<u>25,000</u>	<u>42,000</u>	<u>(3,284)</u>	<u>64,716</u>
Profit for the period	-	-	-	14,994	14,994
Other comprehensive (loss)	-	-	-	(96)	(96)
<b>Total comprehensive income</b>	-	-	-	14,898	14,898
<b>Balance at 31 December 2018</b>	<u>1,000</u>	<u>25,000</u>	<u>42,000</u>	<u>11,614</u>	<u>79,614</u>
<b>Balance at 01 January 2019</b>	<u>1,000</u>	<u>25,000</u>	<u>42,000</u>	<u>11,614</u>	<u>79,614</u>
Transition impact of IFRS 16	-	-	-	(179)	(179)
<b>Restated balance as at 01 January 2019</b>	<u>1,000</u>	<u>25,000</u>	<u>42,000</u>	<u>11,435</u>	<u>79,435</u>
Profit for the year	-	-	-	33,251	33,251
Other comprehensive income	-	-	-	1,562	1,562
<b>Total comprehensive income</b>	-	-	-	34,813	34,813
<b>Dividend</b>	-	-	-	(10,000)	(10,000)
<b>Balance at 31 December 2019</b>	<u>1,000</u>	<u>25,000</u>	<u>42,000</u>	<u>36,248</u>	<u>104,248</u>

Other reserve of £42,000,000 (2018: £42,000,000) relates to a capital redemption reserve following the redemption of preference shares in previous years. This is a non – distributable reserve.

Notes 1 to 18 form part of the financial statements

## DILIGENTA LIMITED

### STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2019 £'000	Period ended 31 December 2018 £'000
<b>Cash flows from operating activities</b>			
Profit for the year / period		33,251	14,994
Income tax expense	12	8,063	3,502
<b>Adjustment to reconcile profit or loss to net cash provided by operating activities:</b>			
Depreciation and amortisation expense	7, 8(a), 8(b)	7,105	2,271
Finance costs		422	-
Dividend income		(271)	(177)
<b>Operating profit before working capital changes</b>		<b>48,570</b>	<b>20,590</b>
<b>Net change in :</b>			
Trade receivables		(6,940)	(14,979)
Unbilled receivables		16,034	(82)
Other financial assets		673	262
Other assets		(49,551)	(27,430)
Trade payables		11,262	26,684
Unearned and deferred revenue		10,625	978
Other financial liabilities		405	(1,095)
Other liabilities and provisions		373	2,728
<b>Cash generated from operations</b>		<b>31,451</b>	<b>7,656</b>
Taxes paid (net of refunds)		(6,247)	(1,827)
<b>Net cash generated from operating activities</b>		<b>25,204</b>	<b>5,829</b>
<b>Cash flows from investing activities</b>			
Purchase of investments		(154,000)	(71,000)
Payment for purchase of property, plant and equipment	8(a)	(10,197)	(7,879)
Proceeds from disposal / redemption of investments		147,500	82,500
Dividend received		276	153
<b>Net cash (used in) / provided from investing activities</b>		<b>(16,421)</b>	<b>3,774</b>
<b>Cash flows from financing activities</b>			
Dividend paid		(10,000)	-
Repayment of lease liabilities		(2,978)	-
Interest paid		(422)	-
<b>Net cash used in financing activities</b>		<b>(13,400)</b>	<b>-</b>
<b>Net change in cash and cash equivalents</b>		<b>(4,617)</b>	<b>9,603</b>
Cash and cash equivalents at the beginning of the year / period		11,240	1,637
Cash and cash equivalents at the end of the year / period		<b>6,623</b>	<b>11,240</b>

Notes 1 to 8 form part of the financial statements

## **DILIGENTA LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **1. General information**

The Company is incorporated in the United Kingdom under the Companies Act. The address of the registered office is Lynch Wood, Peterborough, Cambridgeshire PE2 6FY. The nature of the Company's operations and its principle activities are set out in the strategic and directors' reports.

#### **2. Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standard Board (IASB) as endorsed by the European Union and in accordance with the Companies Act 2006.

#### **3.a Basis of preparation**

The financial statements have been prepared on historical cost basis except for certain financial instruments which are measured at fair value at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

#### **3.b Going concern**

The financial statements have been prepared on the going concern basis. The directors have reviewed the budget and cash flow forecasts of the Company and considered severe but plausible downside scenarios in light of the possible impact of COVID19 for a period of not less than 12 months from the date of approving these financial statements and are confident that they show the Company will have sufficient resources to meet its liabilities as they fall due. Accordingly, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

The impact on the business of COVID 19 has so far been minimal and that in the year to date 2020, Diligenta have been trading close to the budgeted expectation with cash balance that have remained in line with the working capital and capex requirements of the Company.

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.

#### **4. Use of estimates and judgements**

The preparation of financial statements in conformity with the recognition and measurement principles of IFRS requires management to make estimates and judgements that affect the reported balances of assets and liabilities, disclosures of contingent liabilities at the date of the financial statements and the reported amounts of income and expenses for the periods presented.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and future periods are affected.

## DILIGENTA LIMITED NOTES TO THE FINANCIAL STATEMENTS

The Company uses the following critical accounting estimates in preparation of its financial statements:

### a. Revenue recognition

- The Company's contracts with customers could include promises to transfer multiple products and services to a customer. The Company assesses the services promised in a contract and identifies distinct performance obligations in the contract. Identification of a distinct performance obligation involves judgement to determine the deliverables and the ability of the customer to benefit independently from such deliverables.
- Judgement is also required to determine the transaction price for the contract. The transaction price could be either a fixed amount of customer consideration or variable consideration with elements such as volume discounts, service level credits, performance bonuses, price concessions and incentives. The transaction price is also adjusted for the effects of the time value of money if the contract includes a significant financing component. The Company has applied the practical expedient provided by IFRS 15, whereby the Company does not adjust the transaction price for the effects of the time value of money where the period between when the control on goods and services transferred to the customer and when payment thereof is due, is one year or less. Any consideration payable to the customer is adjusted to the transaction price, unless it is a payment for a distinct product or service from the customer. The estimated amount of variable consideration is adjusted in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and is reassessed at each reporting period. The Company allocates the elements of variable consideration to all the performance obligations of the contract unless there is observable evidence that they pertain to one or more distinct performance obligations.
- The Company uses judgement to determine an appropriate standalone selling price for a performance obligation. The Company allocates the transaction price to each performance obligation on the basis of the relative stand-alone selling price of each distinct product or service promised in the contract. Where standalone selling price is not observable, the Company uses the expected cost plus margin approach to allocate the transaction price to each distinct performance obligation.
- The Company exercises judgement in determining whether the performance obligation is satisfied at a point in time or over a period of time. The Company considers indicators such as how customer consumes benefits as services are rendered or who controls the asset as it is being created or existence of enforceable right to payment for performance to date and alternate use of such product or service, transfer of significant risks and rewards to the customer, acceptance of delivery by the customer, etc.
- Revenue for fixed-price contracts is recognised using percentage-of-completion method. The Company uses judgement to estimate the future cost-to-completion of the contracts which is used to determine the degree of completion of the performance obligation.
- Contract fulfilment costs are generally expensed as incurred except for certain software licence costs which meet the criteria for capitalisation. Such software cost is amortised over the economic life of the licence. 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 recovered

### b. Employee benefits

The accounting of employee benefit plans in the nature of defined benefit requires the Company to use assumptions. These assumptions have been explained under the employee benefits note.

## DILIGENTA LIMITED NOTES TO THE FINANCIAL STATEMENTS

### 5. Recent accounting standards

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRS Standards	References to Conceptual Framework <sup>1</sup>
Amendments to IAS 1 and IAS 8	Definition of Material <sup>1</sup>
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest rate Benchmark Reform <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 01 January 2020.

#### IFRS Standards – References to Conceptual Framework

In March 2018, International Accounting Standards Board (IASB) issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Amendments primarily either update those pronouncements so that they refer to the revised Conceptual Framework, instead of the earlier version of the Conceptual Framework or indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework. Entities which rely on the Conceptual Framework will need to consider whether their accounting policies are still appropriate under the revised Framework, with effect from 01 January 2020. The Company does not expect that the amendment to have any impact on its financial statements.

#### IAS 1 and IAS 8 – Definition of Material

In October 2018, the IASB issued Definition of Material (Amendments to IAS 1 and IAS 8), to introduce the following three aspects to the new definition of 'material':

- **Obscuring:** The existing definition only focused on omitting or misstating information, however, IASB concluded that obscuring material information with information that can be omitted can have a similar effect.
- **Could reasonably be expected to influence:** The existing definition referred to 'could influence' which IASB felt might be understood as requiring too much information as almost anything 'could' influence the decisions of some users even if the possibility is remote.
- **Primary users:** The existing definition referred only to 'users' which IASB feared might be understood too broadly as requiring to consider all possible users of financial statements when deciding what information to disclose. The Company does not expect that the amendment to have any impact on its evaluation of 'material' in relation to its financial statements.

#### IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform

In September 2019, IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7). The IASB felt that some hedge accounting requirements in IFRS 9 may be affected by uncertainties arising from the impact of the ongoing reform of some major interest rate benchmarks whereby efforts are being made to replace existing benchmarks with alternative, nearly risk free rates. Discontinuation of hedge accounting solely due to such uncertainties would not provide useful information to investors. Therefore, the IASB has amended specific hedge accounting requirements to provide exceptions during this period of uncertainty. The amendment primarily states that when determining whether a forecast transaction is highly probable, a Company shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform. The Company does not expect the amendment to have any significant impact because the Company hedges currency fluctuation risk and contractual cash flows of hedged items and hedging instruments do not vary significantly with changes in interest rate benchmarks.

## **DILIGENTA LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **6. Financial assets, financial liabilities and equity instruments**

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value measured on initial recognition of financial asset or financial liability.

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired.

#### **Cash and cash equivalents**

The Company considers all highly liquid financial instruments, which are readily convertible into known amounts of cash that are subject to an insignificant risk of change in value and having original maturities of three months or less from the date of purchase, to be cash equivalents. Cash and cash equivalents consist of balances with banks which are unrestricted for withdrawal and usage.

#### **Financial assets at amortised cost**

Financial assets are subsequently measured at amortised cost if these financial assets are held within a business whose objective is to hold these assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### **Financial assets at fair value through profit or loss**

Financial assets are measured at fair value through profit or loss unless they are measured at amortised cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are immediately recognised in statement of profit or loss.

The Company has deposits into Mutual Funds which are classified as financial assets measured through profit or loss. The Mutual Funds have a standard value of per unit which is the reference for any gains or losses on the holding. There has been no gain or loss on the holding of Mutual Funds.

#### **Financial liabilities**

Financial liabilities are measured at amortised cost using the effective interest method.

#### **Equity instruments**

An equity instrument is a contract that evidences residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments recognised by the Company are recognised at the proceeds received net of direct issue cost

#### **Impairment of financial assets (other than at fair value)**

The Company assesses at each date of statement of financial position whether a financial asset or a group of financial assets is impaired. IFRS 9 requires expected credit losses to be measured through a loss allowance. The Company recognises lifetime expected losses for all contract assets and / or all trade receivables that do not constitute a financing transaction. In determining the allowances for doubtful trade receivables the Company has used a practical expedient by computing the expected credit loss allowance for trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and is adjusted for forward looking information. The expected credit loss allowance is based on the ageing of the receivables that are due and rates used in the provision matrix. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

**DILIGENTA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**a. Cash and cash equivalents**

Cash and cash equivalents are held in a banking institution with a credit rating of AA- (Standard & Poor's) and consist of the following:

	<b>As at 31 December 2019</b>	<b>As at 31 December 2018</b>
	<b>£'000</b>	<b>£'000</b>
Cash in hand and at banks	<b>6,623</b>	11,240

**b. Investments**

Investments consist of the following:

<b>Investments - Current</b>	<b>As at 31 December 2019</b>	<b>As at 31 December 2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Investments carried at fair value through profit or loss</b>		
Mutual fund units	<b>46,000</b>	39,500
<b>Total</b>	<b>46,000</b>	39,500

The mutual fund balances are deposits in a fund with daily liquidity, where the aim is to provide investors with security of capital together with an investment return which is comparable to normal Sterling-denominated money market interest rates.

**DILIGENTA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**c. Trade receivables**

Trade receivables consist of the following:

<b>Trade receivables – Current</b>	<b>As at 31 December 2019</b>	<b>As at 31 December 2018</b>
	<b>£'000</b>	<b>£'000</b>
Trade receivables	<b>23,418</b>	16,478
Less: Allowance for doubtful trade receivables	-	-
<b>Total</b>	<b><u>23,418</u></b>	<b><u>16,478</u></b>

**d. Other financial assets**

Other financial assets consist of the following:

<b>Other financial assets – Current</b>	<b>As at 31 December 2019</b>	<b>As at 31 December 2018</b>
	<b>£'000</b>	<b>£'000</b>
Interest receivable	<b>18</b>	24
Employee loans and advances	<b>142</b>	97
Security deposits	<b>7</b>	972
Restricted cash with Bank *	<b>248</b>	-
<b>Total</b>	<b><u>415</u></b>	<b><u>1,093</u></b>

\*Diligenta Limited is the trustee under the Diligenta Group Life Assurance Scheme and, as such, receives funds ('trust money') from the insurers following the death of a member, and holds the trust money, as trustee.

**e. Other financial liabilities**

Other financial liabilities consist of the following:

<b>Other financial liabilities – Current</b>	<b>As at 31 December 2019</b>	<b>As at 31 December 2018</b>
	<b>£'000</b>	<b>£'000</b>
Accrued payroll	<b><u>2,912</u></b>	<u>2,507</u>
<b>Total</b>	<b><u>2,912</u></b>	<b><u>2,507</u></b>

**DILIGENTA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**f. Financial instruments by category**

The carrying value of financial instruments by categories as at 31 December 2019 is as follows:

	Fair value through profit or loss	Amortised cost	Total carrying value
	£'000	£'000	£'000
<b>Financial assets</b>			
Cash and cash equivalents	-	6,623	<b>6,623</b>
Trade receivables	-	23,418	<b>23,418</b>
Investments	46,000	-	<b>46,000</b>
Unbilled receivables	-	13,669	<b>13,669</b>
Other financial assets	-	415	<b>415</b>
<b>Total</b>	<b>46,000</b>	<b>44,125</b>	<b>90,125</b>
<b>Financial liabilities</b>			
Trade payables	-	66,800	<b>66,800</b>
Lease liability	-	13,112	<b>13,112</b>
Other financial liabilities	-	2,912	<b>2,912</b>
<b>Total</b>	<b>-</b>	<b>82,824</b>	<b>82,824</b>

The carrying value of financial instruments by categories as at 31 December 2018 is as follows:

	Fair value through profit or loss	Amortised cost	Total carrying value
	£'000	£'000	£'000
<b>Financial assets</b>			
Cash and cash equivalents	-	11,240	<b>11,240</b>
Trade receivables	-	16,478	<b>16,478</b>
Investments	39,500	-	<b>39,500</b>
Unbilled receivables	-	29,404	<b>29,404</b>
Other financial assets	-	1,093	<b>1,093</b>
<b>Total</b>	<b>39,500</b>	<b>58,215</b>	<b>97,715</b>
<b>Financial liabilities</b>			
Trade payables	-	55,538	<b>55,538</b>
Finance lease liability	-	268	<b>268</b>
Other financial liabilities	-	2,507	<b>2,507</b>
<b>Total</b>	<b>-</b>	<b>58,313</b>	<b>58,313</b>

**DILIGENTA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

Carrying amounts of cash and cash equivalents, trade receivables, unbilled receivables and trade payables as at 31 December 2019 and 2018 approximate the fair value. Difference between carrying amounts and fair values of earmarked balances with banks, other financial assets, other financial liabilities and lease liabilities subsequently measured at amortised cost is not significant in each of the years presented.

£44 million of the trade payables balances represents amounts due to related undertaking (2018: £34.4 million).

**g. Fair value hierarchy**

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable and consists of the following three levels:

- Level 1 — Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 — Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 — Inputs are not based on observable market data (unobservable inputs). Fair values are determined in whole or in part using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

The following table summarises financial assets and liabilities measured at fair value on a recurring basis and financial assets that are not measured at fair value on a recurring basis (but fair value disclosures are required):

<b>As at 31 December 2019</b>	Level 1	Level 2	Level 3	<b>Total</b>
	£'000	£'000	£'000	<b>£'000</b>
<b>Financial assets:</b>				
Mutual fund units	46,000	-	-	<b>46,000</b>
<b>Total</b>	<b>46,000</b>	<b>-</b>	<b>-</b>	<b>46,000</b>
<hr/>				
<b>As at 31 December 2018</b>	Level 1	Level 2	Level 3	<b>Total</b>
	£'000	£'000	£'000	<b>£'000</b>
<b>Financial assets:</b>				
Mutual fund units	39,500	-	-	<b>39,500</b>
<b>Total</b>	<b>39,500</b>	<b>-</b>	<b>-</b>	<b>39,500</b>

## DILIGENTA LIMITED NOTES TO THE FINANCIAL STATEMENTS

### **h. Financial risk management**

The Company is exposed primarily to fluctuations in foreign currency exchange rates, credit, liquidity and interest rate risks, which may adversely impact the fair value of its financial instruments. The Company has a risk management policy which covers risks associated with the financial assets and liabilities. The risk management policy is approved by the Board of Directors. The focus of the risk management committee is to assess the unpredictability of the financial environment and to mitigate potential adverse effects on the financial performance of the Company.

#### **i. Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Such changes in the values of financial instruments may result from changes in the foreign currency exchange rates, interest rates, credit, liquidity and other market changes. The Company looks to mitigate the market risk by agreeing terms predominantly in the functional currency, securing fixed price borrowings and liquid investment.

##### **i. (a) foreign currency exchange rate risk**

The functional currency of the Company is GBP (£).

Foreign currency transactions are recorded at exchange rates prevailing on the date of the transaction. Foreign currency denominated monetary assets and liabilities are restated into the functional currency using exchange rates prevailing on the dates of statement of financial position. Gains and losses arising on settlement and restatement of foreign currency denominated monetary assets and liabilities are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currencies are not translated.

The Company's transactions are mainly in GBP, hence its exposure to foreign currency exchange rate risk is limited.

##### **i. (b) Interest rate risk**

The Company is not exposed to interest rate risk.

#### **ii. Credit risk**

Credit risk is the risk of financial loss arising from counterparty failure to repay or service debt according to the contractual terms or obligations. Credit risk encompasses of both, the direct risk of default and the risk of deterioration of creditworthiness as well as concentration of risks. Credit risk is controlled by analysing credit limits and creditworthiness of customers on a continuous basis to whom the credit has been granted after obtaining necessary approvals for credit. The credit risk of financial instruments has not increased since the initial recognition.

Financial instruments that are subject to concentrations of credit risk principally consist of trade receivables, unbilled receivables, investments, cash and cash equivalents and other financial assets. Investments include an amount of £46,000,000 held as mutual funds. None of the other financial instruments of the Company result in material concentration of credit risk.

#### **Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk was £90,125,000 and £98,014,000 as at 31 December 2019 and 31 December 2018, respectively, being the total of the carrying amount of balances with banks with high quality credit rating, trade receivables, unbilled receivables, other financial assets and investments.

#### **Trade Receivables and Contract assets**

The entity's exposure to credit risk with regards to trade receivables and contract assets is influenced mainly by the individual characteristics of each customer in relation to the industry practices and business environment in which they operate. The entity limits its exposure to credit risk from trade receivables by establishing a maximum payment period of 365 days for its customers after which they are in default (credit impaired). To manage this risk, the Company has a robust Credit Management process in place. The Company has adopted a policy of dealing only with creditworthy counterparties. The Company's exposure of the counterparties is continuously monitored and necessary changes to the credit terms are made. The carrying amounts of financial assets represent the maximum credit risk exposure. None of the customer balances have been written off and only a few customer balances have been credit impaired at the reporting date.

**DILIGENTA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**h. Financial risk management (continued)**

The following customers form more than 10% of outstanding trade receivable and unbilled receivables as at 31 December 2019 and 31 December 2018.

	£'000		£'000	
	As at 31 December 2019		As at 31 December 2018	
	Amount	%	Amount	%
Customer A	3,953	10.66	12,058	26.11
Customer B	11,310	30.50	13,617	29.49
Customer C	11,819	31.87	12,277	26.58
Customer D	7,065	19.05	-	-

**Geographic concentration of credit risk**

Geographic concentration of trade receivables (gross and net of allowances) and unbilled receivables is as follows:

	As at 31 December 2019		As at 31 December 2018	
	Gross%	Net %	Gross %	Net %
United Kingdom	100	100	100	100

Geographical concentration of trade receivables and unbilled receivables is allocated based on the location of the customers.

The Company uses an allowance matrix to measure the expected credit loss of trade receivable from customers. The expected credit loss allowance is based on the ageing of the days the receivables are due and are as follows:

As at 31 December 2019		in'000 £				
	Weighted average loss rate	Gross carrying amount*	Provision balance adjusted	Net Amount	Loss amount	Credit impaired
Ageing						
Not Due	0%	16,108	-	-	-	-
1-90 days	0%	6,611	-	-	-	-
91-180 days	0%	-	-	-	-	-
181-272 days	0%	-	-	-	-	-
273-364 days	0%	-	-	-	-	-
>365 days	100%	-	-	-	-	-
<b>TOTAL</b>		<b>22,719</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

\* Gross carrying amount excludes inter-Company receivables

**iii. Liquidity risk**

Liquidity risk refers to the risk that the Company cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements.

The Company does not face a significant liquidity risk with regard to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and when they fall due.

**DILIGENTA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**h. Financial risk management (continued)**

The Company consistently generated sufficient cash flows from operations to meet its financial obligations as and when they fall due.

The tables below provide details regarding the contractual maturities of significant financial liabilities as at 31 December 2019:

	Due 1 <sup>st</sup> year	Due 2 <sup>nd</sup> year	Due 3 <sup>rd</sup> to 5 <sup>th</sup> year	Due after 5 <sup>th</sup> year	Total
	£'000	£'000	£'000	£'000	£'000
Non derivative financial liabilities:					
Trade payables	66,800	-	-	-	66,800
Lease liability	3,393	3,343	7,088	-	13,824
Other financial liabilities	2,912	-	-	-	2,912
<b>Total</b>	<b>73,105</b>	<b>3,343</b>	<b>7,088</b>	-	<b>83,536</b>

The tables below provide details regarding the contractual maturities of significant financial liabilities as at 31 December 2018:

	Due 1 <sup>st</sup> year	Due 2 <sup>nd</sup> year	Due 3 <sup>rd</sup> to 5 <sup>th</sup> year	Due after 5 <sup>th</sup> year	Total
	£'000	£'000	£'000	£'000	£'000
Non derivative financial liabilities:					
Trade payables	55,538	-	-	-	55,538
Finance lease liability	268	-	-	-	268
Other financial liabilities	2,507	-	-	-	2,507
<b>Total</b>	<b>58,313</b>	-	-	-	<b>58,313</b>

**i. Equity instruments**

The authorised, issued, subscribed and fully paid up share capital consist of the following:

	As at 31 December 2019	As at 31 December 2018
	£'000	£'000
<b>(a) Authorised</b>		
Ordinary equity shares 2,000,000 of £1 each	2,000	2,000
Redeemable preference shares 50,000,000 of £1 each	50,000	50,000
<b>(b) Issued, Subscribed and Paid Up</b>		
1,000,001 ordinary equity shares of £1 each	1,000	1,000

Other reserve of £42,000,000 (2018: £42,000,000) relates to a capital redemption reserve following the redemption preference shares in previous years. This is a non – distributable reserve.

**DILIGENTA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**7. Leases**

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**Company as a lessee**

The Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract and allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Company recognises right-of-use asset representing its right to use the underlying asset for the lease term at the lease commencement date. The cost of the right-of-use asset measured at inception shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset or restoring the underlying asset or site on which it is located. The right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in profit or loss.

The Company measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses incremental borrowing rate. For leases with reasonably similar characteristics, the Company, on a lease-by-lease basis, may adopt either the incremental borrowing rate specific to the lease or the incremental borrowing rate for the portfolio as a whole. The lease payments shall include fixed payments, variable lease payments, residual value guarantees, exercise price of a purchase option where the Company is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. The lease liability is subsequently remeasured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. The Company recognises the amount of the re-measurement of lease liability due to modification as an adjustment to the right-of-use asset and profit or loss depending upon the nature of modification. Where the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognises any remaining amount of the re-measurement in profit or loss.

The Company has elected not to apply the requirements of IFRS 16 to short-term leases of all assets that have a lease term of 12 months or less and leases for which the underlying asset is of low value. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

***Transition to IFRS 16***

In January 2016, International Accounting Standards Board issued the final version of IFRS 16, Leases, which is effective for annual reporting periods beginning on or after 01 January 2019. IFRS 16 has replaced IAS 17 Leases, and its related interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. It introduces a single, on-balance sheet lease accounting model for lessees.

The Company has adopted IFRS 16, effective annual reporting period beginning 01 January 2019 and applied the standard to its leases, retrospectively, with the cumulative effect of initially applying the standard, recognised on the date of initial application (01 January 2019). Accordingly, the Company has not restated comparative information, instead, the cumulative effect of initially applying this standard has been recognised as an adjustment to the opening balance of retained earnings as on 01 January 2019.

**DILIGENTA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**7. Leases (Continued)**

**Company as a lessee**

**Operating leases**

For transition, the Company has elected not to apply the requirements of IFRS 16 to leases, which are expiring within 12 months from the date of transition by class of asset, and leases for which the underlying asset is of low value on a lease-by-lease basis. The Company has also used the practical expedient provided by the standard when applying IFRS 16 to leases previously classified as operating leases under IAS 17 and therefore, has not reassessed whether a contract, is or contains a lease, at the date of initial application, relied on its assessment of whether leases are onerous, applying IAS 37 immediately before the date of initial application as an alternative to performing an impairment review, excluded initial direct costs from measuring the right of use asset at the date of initial application and used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

On transition, the Company recognised a lease liability measured at the present value of the remaining lease payments. The right-of-use asset is recognised at its carrying amount as if the standard had been applied since the commencement of the lease, but discounted using the lessee's incremental borrowing rate as at 01 January 2019. Accordingly, a right-of-use asset of £11.31 Million and lease liability of £11.38 Million has been recognised. The cumulative effect on transition in retained earnings net of taxes is £0.18 million (including the deferred tax of £0.42 million). The principle portion of the lease payments have been disclosed under cash flow from financing activities. The lease payments for operating leases as per IAS 17 - Leases, were earlier reported under cash flow from operating activities. The weighted average incremental borrowing rate of 2.765% has been applied to lease liabilities recognised in the statement of financial position at the date of initial application.

On application of IFRS 16, the nature of expenses has changed from lease rent in previous periods to depreciation cost for the right-to-use asset, and finance cost for interest accrued on lease liability.

The difference between the future minimum lease rental commitments towards non-cancellable operating leases and finance leases reported as at 31 December 2018 compared to the lease liability as accounted as at 01 January 2019 is primarily due to inclusion of present value of the lease payments for the cancellable term of the leases, reduction due to discounting of the lease liabilities as per the requirement of IFRS 16 and exclusion of the commitments for the leases to which the Company has chosen to apply the practical expedient as per the standard.

The details of the right-of-use asset held by the Company are as follows:

	<b>Additions for the year ended 31 December 2019 £'000</b>	<b>Net Carrying amount as at 31 December 2019 £'000</b>
Buildings	4,008	12,314
Computer Equipment	-	37
Vehicles	-	12
Office equipment	704	681
<b>Total</b>	<b>4,712</b>	<b>13,044</b>

**DILIGENTA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**7. Leases (Continued)**

Depreciation on right – of – use asset is as follows:

	<b>Year ended 31 December 2019 £'000</b>
Buildings	2,833
Computer equipment	111
Vehicles	10
Office equipment	23
<b>Total</b>	<b>2,977</b>

Amounts recognised in the statement of profit and loss

	<b>Year ended 31 December 2019 £'000</b>
Depreciation	2,977
Interest in lease liability	346
Expense relating to short term leases and leases of low value assets	578
<b>Total</b>	<b>3,901</b>

Amount recognised in statement of cash flow

	<b>Year ended 31 December 2019 £'000</b>
Total cash outflow for leases	<b>3,676</b>

Lease contracts entered by the Company majorly pertains for buildings taken on lease to conduct its business in the ordinary course. The Company does not have any lease restrictions and commitment towards variable rent as per the contract.

**Extension Option**

Some property leases contain extension options that the Company may exercise up to eleven months before the end of the non-cancellable contract period. The extension options maintained are exercisable by both the Company and the lessor. The Company evaluates on the start date of the lease if it is reasonably safe to exercise the extension options.

The Company has estimated that possible future lease payments of £5.4 million, in case of exercising the extension option, would result in an increase in lease liabilities of £5.10 million.

**Finance lease**

The Company has leases that were classified as finance leases applying IAS 17. For such leases, the carrying amount of the right-of-use asset and the lease liability at the date of initial application of IFRS 16 is the carrying amount of the lease asset and lease liability on the transition date as measured applying IAS 17. Accordingly, an amount of £0.15 million has been reclassified from property, plant and equipment to right-of-use assets. An amount of £0.27million has been reclassified from borrowings – current to lease liability – current.

**DILIGENTA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**8. Non-financial assets and liabilities**

**a. Property, plant and equipment**

Property, plant and equipment are stated at cost comprising of purchase price and any initial directly attributable cost of bringing the asset to its working condition for its intended use, less accumulated depreciation (other than freehold land) and impairment loss, if any.

Depreciation is provided for property, plant and equipment so as to expense the cost less residual values over their estimated useful lives based on a technical evaluation. The estimated useful lives and residual values are reviewed at the end of each reporting period, with the effect of any change in estimate accounted for on a prospective basis. The estimated useful lives are as mentioned below:

Type of asset	Method	Useful lives
Leasehold improvements	Straight line	Lease term
Computer equipment	Straight line	4 years
Furniture and fixtures	Straight line	5 years
Office equipment and other assets	Straight line	5 years

Depreciation is not recorded on capital work-in-progress until construction and installation are complete and the asset is ready for its intended use. Capital work-in-progress includes capital advances.

Property, plant and equipment with finite life are evaluated for recoverability whenever there is any indication that their carrying amounts may not be recoverable. If any such indication exists, the recoverable amount (i.e. higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss.

Property, plant and equipment consist of the following:

	Computer equipment	Leasehold improvements	Capital work in progress	Total
	£'000	£'000	£'000	£'000
Cost as at 01 January 2019	24,270	310	271	<b>24,851</b>
Additions	9,365	832	-	<b>10,197</b>
Transition impact of IFRS 16 (refer note 7)	(6,708)	-	-	<b>(6,708)</b>
Transfers	190	81	(271)	-
<b>Cost as at 31 December 2019</b>	<b>27,117</b>	<b>1,223</b>	<b>-</b>	<b>28,340</b>
Accumulated Depreciation as at 01 January 2019	16,586	137	-	<b>16,723</b>
Depreciation for the year	3,515	219	-	<b>3,734</b>
Transition impact of IFRS 16 (refer note 7)	(6,560)	-	-	<b>(6,560)</b>
<b>Accumulated Depreciation as at 31 December 2019</b>	<b>13,541</b>	<b>356</b>	<b>-</b>	<b>13,897</b>
<b>Net carrying amount as at 31 December 2019</b>	<b>13,576</b>	<b>867</b>	<b>-</b>	<b>14,443</b>

**DILIGENTA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**8(a). Property, plant and equipment (continued)**

	Computer equipment	Leasehold Improvements	Capital work in progress	Total
	£'000	£'000	£'000	£'000
Cost as at 1 April 2018	16,719	253	-	16,972
Additions	<u>7,551</u>	<u>57</u>	<u>271</u>	<u>7,879</u>
<b>Cost as at 31 December 2018</b>	<b><u>24,270</u></b>	<b><u>310</u></b>	<b><u>271</u></b>	<b><u>24,851</u></b>
Accumulated Depreciation as at 1 April 2018	14,794	97	-	14,891
Depreciation for the period	<u>1,792</u>	<u>40</u>	<u>-</u>	<u>1,832</u>
<b>Accumulated Depreciation as at 31 December 2018</b>	<b><u>16,586</u></b>	<b><u>137</u></b>	<b><u>-</u></b>	<b><u>16,723</u></b>
<b>Net carrying amount as at 31 December 2018</b>	<b><u>7,684</u></b>	<b><u>173</u></b>	<b><u>271</u></b>	<b><u>8,128</u></b>

Net carrying amount of property, plant and equipment under finance lease arrangements were as follows:

	As at 31 December 2019 £'000	As at 31 December 2018 £'000
Computer equipment	<u>-</u>	<u>148</u>

**b. Other Intangible assets**

Intangible assets purchased, are measured at cost as at the date of acquisition, as applicable, less accumulated amortisation and accumulated impairment, if any.

Intangible assets are amortised on a straight line basis.

Intangible assets consist of Pre-contract costs, rights under licensing agreement and software licences. The following table summarises the nature of intangibles and their estimated useful lives.

Nature of intangible	Useful lives
Pre-contract costs	10-12 years
Software license	License period
Rights under licensing agreement	2-5 years

Intangible assets with finite life are evaluated for recoverability whenever there is any indication that their carrying amounts may not be recoverable. If any such indication exists, the recoverable amount (i.e. higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss.

**DILIGENTA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**8(b) other intangible assets (Continued)**

Intangible assets consist of the following:

	<b>Pre-Contract costs</b>	<b>Rights under licensing agreement and software licences</b>	<b>Total</b>
	£'000	£'000	£'000
Cost as at 01 January 2019	5,162	6,905	<b>12,067</b>
<b>Cost as at 31 December 2019</b>	<b>5,162</b>	<b>6,905</b>	<b>12,067</b>
Accumulated amortisation as at 01 January 2019	5,162	4,122	9,284
Amortisation for the year	-	394	394
<b>Accumulated amortisation as at 31 December 2019</b>	<b>5,162</b>	<b>4,516</b>	<b>9,678</b>
<b>Net carrying amount as at 31 December 2019</b>	<b>-</b>	<b>2,389</b>	<b>2,389</b>
	<b>Pre-Contract costs</b>	<b>Rights under licensing agreement and software licences</b>	<b>Total</b>
	£'000	£'000	£'000
Cost as at 1 April 2018	5,162	6,905	<b>12,067</b>
<b>Cost as at 31 December 2018</b>	<b>5,162</b>	<b>6,905</b>	<b>12,067</b>
Accumulated amortisation as at 1 April 2018	5,153	3,692	8,845
Amortisation for the period	9	430	439
<b>Accumulated amortisation as at 31 December 2018</b>	<b>5,162</b>	<b>4,122</b>	<b>9,284</b>
<b>Net carrying amount as at 31 December 2018</b>	<b>-</b>	<b>2,783</b>	<b>2,783</b>

**DILIGENTA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**c. Other assets**

Other assets consist of the following:

**Other assets – Current**

	<b>As at 31 December 2019</b>	<b>As at 31 December 2018</b>
	<b>£'000</b>	<b>£'000</b>
Advance to suppliers	164	-
Indirect tax recoverable	340	400
Prepaid expenses**	3,285	8,631
Contract fulfilment costs *	8,485	176
Prepaid rent	-	176
<b>Total</b>	<b>12,274</b>	<b>9,383</b>

**Other assets – Non current**

	<b>As at 31 December 2019</b>	<b>As at 31 December 2018</b>
	<b>£'000</b>	<b>£'000</b>
Prepaid expenses**	1,713	7,548
Contract fulfilment costs *	8,255	-
Net pension asset – refer note 13b	3,902	1,602
<b>Total</b>	<b>13,870</b>	<b>9,150</b>

\* (£1,000 has been charged to statement of profit or loss during the year ended 31 December 2019 from contract fulfilment cost)

\*\*Prepaid rent of £321,895 has been reclassified to lease liability pursuant to transition to IFRS 16

**Other assets – Current**

	<b>As at 31 December 2019</b>	<b>As at 31 December 2018</b>
	<b>£'000</b>	<b>£'000</b>
Contract assets	64,746	20,289

**Other assets – Non current**

	<b>As at 31 December 2019</b>	<b>As at 31 December 2018</b>
	<b>£'000</b>	<b>£'000</b>
Contract assets	-	956

**DILIGENTA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

Movement in contract assets is given below:

	Amount in £'000
Opening balance as on 01 January 2019	21,245
Add: Revenue recognised during the year	73,388
Less: Invoices raised during the year	(42,247)
Add: Other movement during the year	12,360
<b>Closing balance as on 31 December 2019</b>	<b>64,746</b>

**d. Other liabilities**

	As at 31 December 2019	As at 31 December 2018
	£'000	£'000
<b>Other liabilities – Current</b>		
Advance received from customers	100	-
Indirect tax payable and other statutory liabilities	6,819	6,857
Operating lease liabilities	-	35
Others*	281	19
	7,200	6,911
<b>Total</b>	<b>7,200</b>	<b>6,911</b>

\* Amount include £248,000 towards restricted cash with bank held by Diligenta Limited. Diligenta Limited is the trustee under the Diligenta Group Life Assurance Scheme and, as such, receives funds ('trust money') from the insurers following the death of a member, and holds the trust money, as trustee.

	As at 31 December 2019	As at 31 December 2018
	£'000	£'000
<b>Other liabilities – Non current</b>		
Operating lease liabilities	-	61
<b>Total</b>	<b>-</b>	<b>61</b>

Impact on retained earnings with regards to operating lease liabilities as a result of transitioning to IFRS 16 is £95k.

**DILIGENTA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**9. Revenue recognition**

The Company earns revenue primarily from providing IT services, consulting and business solutions. The Company offers a consulting-led, cognitive powered, integrated portfolio of IT, business and engineering services and solutions.

Revenue is recognised upon transfer of control of promised products or services to customers in an amount that reflects the consideration that the Company expects to receive in exchange for those products or services.

- Revenue from time and material and job contracts is recognised on output basis measured by units delivered, efforts expended, number of transactions processed, etc.
- Revenue related to fixed price maintenance and support services contracts where the Company is standing ready to provide services is recognised based on time elapsed mode and revenue is straight lined over the period of performance.
- In respect of other fixed-price contracts, revenue is recognised using percentage-of-completion method ('POC method') of accounting with contract cost incurred determining the degree of completion of the performance obligation. The contract cost used in computing the revenues include cost of fulfilling warranty obligations.
- Revenue from the sale of distinct internally developed software and manufactured systems and third party software is recognised upfront at the point in time when the system / software is delivered to the customer. In cases where implementation and / or customisation services rendered significantly modifies or customises the software, these services and software are accounted for as a single performance obligation and revenue is recognised over time on a POC method.
- Revenue from the sale of distinct third party hardware is recognised at the point in time when control is transferred to the customer.
- The solutions offered by the Company may include supply of third-party equipment or software. In such cases, revenue for supply of such third party products are recorded at gross or net basis depending on whether the Company is acting as the principal or as an agent of the customer. The Company recognises revenue in the gross amount of consideration when it is acting as a principal and at net amount of consideration when it is acting as an agent.

Revenue is measured based on the transaction price, which is the consideration, adjusted for volume discounts, service level credits, performance bonuses, price concessions and incentives, if any, as specified in the contract with the customer. Revenue also excludes taxes collected from customers.

Contract assets are recognised when there is excess of revenue earned over billings on contracts. Contract assets are classified as unbilled receivables (only act of invoicing is pending) when there is unconditional right to receive cash, and only passage of time is required, as per contractual terms.

Unearned and deferred revenue ("contract liability") is recognised when the billing is in excess of recognised revenue.

Billing to customers follows different schedules based upon the nature and type of goods and services being transferred. The billing schedules agreed with customers could include periodic performance based payments and/or milestone based progress payments. Invoices are payable within contractually agreed credit periods.

In accordance with IAS 37, the Company recognises an onerous contract provision when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits to be received.

Contracts are subject to modification to account for changes in contract specification and requirements. Contract modifications are reviewed in conjunction with the original contract. Based on the review, either the transaction price is allocated to a new performance obligation or the transaction price of an existing obligation undergoes a change. In the event that the transaction price is revised for an existing obligation, a cumulative adjustment is accounted for.

The Company disaggregates revenue from contracts with customers by industry segments, geography and nature of services.

The Company generates revenue through the supply of outsourcing services to the UK Financial Services sector primarily in the Life and Pension industry.

	<b>Year ended 31 December 2019</b>	<b>Period ended 31 December 2018</b>
	<b>£'000</b>	<b>£'000</b>
Revenue from contracts with customers	<b>387,665</b>	239,580

All revenue is derived in the United Kingdom.

**DILIGENTA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**9. Revenue Recognition (continued)**

While disclosing the aggregate amount of transaction price yet to be recognised as revenue towards unsatisfied or partially satisfied performance obligations, along with the broad time band for the expected time to recognise those revenues, the Company has applied the practical expedient in IFRS 15. Accordingly, the Company has not disclosed the aggregate transaction price allocated to unsatisfied (or partially satisfied) performance obligations which pertain to contracts where revenue recognised corresponds to the value transferred to customer typically involving time and material, outcome based and event-based contracts.

Unsatisfied (or partially satisfied) performance obligations are futuristic and therefore subject to variability due to several factors such as terminations, changes in scope of contracts, periodic revalidations of the estimates, economic factors (changes in currency rates, tax laws etc.). The aggregate value of transaction price allocated to unsatisfied (or partially satisfied) performance obligations is £209,250,960 out of which 63.10 % is expected to be recognised as revenue within the next 1 year and the balance thereafter. No consideration from contracts with customers is excluded from the amount mentioned above.

Movement in unearned and deferred revenue is given below:

	Amount in £'000
Opening balance as on 01 January 2019	1,660
Less: Revenue recognised that was included in the unearned and deferred revenue at the beginning of the year	(1,660)
Add: Increase due to invoicing during the year, excluding amounts recognised as revenue during the year	12,285
<b>Closing balance as on 31 December 2019</b>	<b>12,285</b>

**10. Cost recognition**

The costs of the Company are broadly categorised into employee benefit expenses, depreciation and amortisation and other operating expenses. Employee benefit expenses include employee compensation, allowances, contribution to various funds and staff welfare expenses. Other operating expenses mainly include fees to external consultants, project expenses, software expenses, facility expenses, travel expenses, communication expenses, bad debts, and other expenses.

Other operating expense

	Year ended 31 December 2019	Period ended 31 December 2018
	£'000	£'000
Project expenses	97,305	58,625
Software expense	21,316	14,906
Fees to external consultants and others	21,022	14,258
Facility expenses	6,238	8,420
Travel expense	1,872	1,398
Communication expense	6,131	4,181
Other expenses	13,739	11,291
<b>Total</b>	<b>167,623</b>	<b>113,079</b>

The remuneration of the auditor for the period in respect of statutory audit services was £74,000 (period to 31 December 2018: £52,000). The reimbursement for out of pocket expenses for the auditor for the period was £2,826 (period to 31 December 2018: £1,000). All amounts exclude value added tax.

**DILIGENTA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**11. Other income**

**a. Finance and other income**

Dividend income is recorded when the right to receive payment is established. Interest income is recognised using effective interest method.

	<b>Year ended 31 December 2019</b>	<b>Period ended 31 December 2018</b>
	<b>£'000</b>	<b>£'000</b>
Dividend received	271	177
Others	52	31
	<hr/>	<hr/>
<b>Total</b>	<b>323</b>	<b>208</b>
	<hr/> <hr/>	<hr/> <hr/>

**b. Finance cost**

	<b>Year ended 31 December 2019</b>	<b>Period ended 31 December 2018</b>
	<b>£'000</b>	<b>£'000</b>
Interest on lease liabilities	346	-
Other interest costs	76	-
	<hr/>	<hr/>
<b>Total</b>	<b>422</b>	<b>-</b>
	<hr/> <hr/>	<hr/> <hr/>

**DILIGENTA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**12. Income taxes**

Income tax expense comprises current tax expense and the net change in the deferred tax asset or liability during the period. Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

**Current income taxes**

Current tax is based on the taxable profit for the period and is calculated using tax rates that have been enacted by the end of the reporting period.

Advance taxes and provisions for current income taxes are presented in the statements of financial position after off-setting advance tax paid and income tax provision arising in the same tax jurisdiction and where the relevant tax paying unit intends to settle the asset and liability on a net basis.

**Deferred income taxes**

Deferred income tax is recognised using the balance sheet approach. Deferred income tax assets and liabilities are recognised for deductible and taxable temporary differences arising between the tax base of assets and liabilities and their carrying amount, except when the deferred income tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

Deferred income tax assets are recognised 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 credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting 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 using substantively enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be received or settled.

The income tax expense consists of the following:

	<b>Year ended 31 December 2019</b>	Period ended 31 December 2018
	<b>£'000</b>	£'000
<b>Current tax</b>		
Current tax expense	7,596	3,478
Current tax pertaining to prior periods	60	42
<b>Total</b>	<b>7,656</b>	<b>3,520</b>
<b>Deferred tax</b>		
Deferred tax expense	428	(18)
Deferred tax pertaining to prior periods	(21)	-
<b>Total</b>	<b>407</b>	<b>(18)</b>
<b>Total tax</b>	<b>8,063</b>	<b>3,502</b>

**DILIGENTA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**12. Income taxes (continued)**

The reconciliation of estimated income tax expense at statutory income tax rate to income tax expense reported in statements of profit or loss is as follows:

	<b>Year ended 31 December 2019 £'000</b>	<b>Period ended 31 December 2018 £'000</b>
Profit before taxes	<b>41,314</b>	18,496
Statutory income tax rate	<b>19%</b>	19%
Expected income tax expense	<u><b>7,850</b></u>	<u>3,514</u>
Tax effect of adjustments to reconcile expected income tax expense to reported income tax expense:		
Income exempt from tax	<b>(8)</b>	(42)
Tax on income at different rates	<b>158</b>	(21)
Tax pertaining to prior years	<b>60</b>	42
Disallowable expenses	<b>24</b>	9
Deferred tax pertaining to prior years	<u><b>(21)</b></u>	<u>-</u>
Total income tax expense	<u><b>8,063</b></u>	<u>3,502</u>

The Budget on 8 July 2015 announced changes in the main UK corporation tax rate. The rate (currently 19 %) will reduce to 18% from 1 April 2020.

The reduction in tax rates was included in the 2015-2016 Finance Act which was substantively enacted for the purposes of IFRS and UK GAAP (i.e., having completed its Commons stages) on 26 October 2015.

The Budget on 16 March 2016 announced further changes in the main UK corporation tax rate. The effective rate of 18% from 1 April 2020 was to be further reduced to 17%.

This further reduction in tax rates was included in the 2016 Finance Act which was substantively enacted for the purposes of IFRS and UK GAAP (i.e., having completed its Commons stages) on 6 September 2016.

**DILIGENTA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**12. Income taxes (Continued)**

Significant components of net deferred tax assets and liabilities for the period ended 31 December 2019 are as follows:

	Opening balance	Recognised In Retained earnings	Recognised in profit or loss	Recognised in / from other comprehen sive income	Closing Balance
	£'000	£'000	£'000	£'000	£'000
<b>Deferred tax assets / (liabilities) in relation to</b>					
Property, plant and equipment and intangible assets	1,741	-	(352)	-	1,389
Provision for employee benefits and compensated absences	26	-	(83)	(366)	(423)
IFRS 16	-	42	21	-	63
Others	278	-	7	-	285
<b>Total deferred tax assets / (liabilities)</b>	<b>2,045</b>	<b>42</b>	<b>(407)</b>	<b>(366)</b>	<b>1,314</b>

	Assets	Liabilities	Total
	£'000	£'000	£'000
As at 31 December 2019			
Property, plant and equipment and intangible assets	1,389	-	1,389
Provision for employee benefits and compensated absences	274	(697)	(423)
Operating lease liabilities	-	-	-
Transition impact of IFRS 16	42	-	42
Others	285	-	285
IFRS 16	21	-	21
<b>Total deferred tax asset / (liabilities)</b>	<b>2,011</b>	<b>(697)</b>	<b>1,314</b>

**DILIGENTA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**12. Income taxes (continued)**

Significant components of net deferred tax assets and liabilities for the period ended 31 December 2018 are as follows:

	Opening balance £'000	Recognised in profit or loss £'000	Recognised in / from other comprehen- sive income £'000	Closing Balance £'000
Deferred tax assets / (liabilities) in relation to				
Property, plant and equipment and intangible assets	1,919	(178)	-	1,741
Provision for employee benefits and compensated absences	(87)	91	22	26
Others	172	106	-	278
<b>Total deferred tax assets / (liabilities)</b>	<b>2,004</b>	<b>19</b>	<b>22</b>	<b>2,045</b>
		Assets	Liabilities	Total
		£'000	£'000	£'000
As at 31 December 2018				
Property, plant and equipment and intangible assets		1,741	-	1,741
Provision for employee benefits and compensated absences		330	(304)	26
Others		278	-	278
<b>Total deferred tax asset / (liabilities)</b>		<b>2,349</b>	<b>(304)</b>	<b>2,045</b>

**DILIGENTA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**13. Employee Benefits**

**Defined benefit plans**

For defined benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the date of each statement of financial position. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Past service cost, both vested and unvested, is recognised as an expense at the earlier of (a) when the plan amendment or curtailment occurs; and (b) when the entity recognises related restructuring costs or termination benefits.

The retirement benefit obligations recognised in the statement of financial position represents the present value of the defined benefit obligations reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the scheme.

**Defined contribution plans**

Contributions to defined contribution plans are recognised as expense when employees have rendered services entitling them to such benefits.

**Compensated absences**

Compensated absences that are expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as an undiscounted liability at the date of statement of financial position. Compensated absences that are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as an actuarially determined liability at the present value of the defined benefit obligation at the date of financial position.

**Employee benefit expenses consist of the following:**

	<b>Year ended 31 December 2019</b>	Period ended 31 December 2018
	<b>£'000</b>	£'000
Salaries, incentives and allowances	<b>143,610</b>	88,765
Social security and pension costs	<b>24,582</b>	14,806
Staff welfare expenses	<b>3,334</b>	2,371
<b>Total</b>	<b>171,526</b>	105,942

The average number of employees was as follows:

	<b>Year ended 31 December 2019 No.</b>	Period ended 31 December 2018 No.
Administration	<b>4,977</b>	4,412

**DILIGENTA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**13. Employee Benefits (continued)**

Employee benefit obligations consist of the following:

**a. Employee benefit obligations - current**

	<b>As at 31 December 2019</b>	<b>As at 31 December 2018</b>
	<b>£'000</b>	<b>£'000</b>
Compensated absences	1,785	1,735
<b>Total</b>	<b>1,785</b>	<b>1,735</b>

**b. Employee benefit obligations – non - current**

	<b>As at 31 December 2019</b>	<b>As at 31 December 2018</b>
	<b>£'000</b>	<b>£'000</b>
Net defined benefit pension asset	3,902	1,602
<b>Total</b>	<b>3,902</b>	<b>1,602</b>

**DILIGENTA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**13. Employee Benefits (continued)**

**Defined contribution scheme**

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The total cost charged to income of £12,025,563 (2018: £7,164,000) represents contributions payable to these schemes.

**Employee benefit plans**

The following table sets out the details of the defined benefit retirement plans and the amount recognised in the financial statements.

The Company operates a defined benefit pension scheme for the benefit of certain employees. The scheme is closed to new joiners. During 2007/8 certain employees transferred under Transfer of Undertaking (Protection of Employment) TUPE to TCS Limited. Therefore, the pension scheme is a group scheme. As a majority of staff remained within the Company and consolidated accounts including TCS are not available in the UK, the pension scheme has been reported fully in these financial statements.

The plan closed to future accrual on 31 March 2014 with current active members receiving a deferred pension in the plan.

The pension scheme assets are held in a separate Trustee administered fund to meet long term pension liabilities to past and present employees. The Trustees of the fund are required to act in the best interests of the fund's beneficiaries. The appointment of Trustees to the fund is determined by the scheme's trust documentation.

Costs and liabilities of the scheme are based on actuarial valuations. The latest full actuarial valuation was carried out as of 31 March 2018 and updated to 31 December 2019 by a qualified independent actuary.

The movement in the present value of defined benefit obligations during the year/ period were as follows:

	Year ended 31 December 2019	Period ended 31 December 2018
	£'000	£'000
Plan liabilities at the beginning of the year / period	30,854	31,855
Interest costs	850	618
Actuarial loss / (gain) on liabilities	3,117	(1,230)
Benefits paid from plan assets	(1,007)	(389)
	<hr/>	<hr/>
Plan liabilities at the end of the year/ period	33,814	30,854
	<hr/>	<hr/>

The movement in the fair value of scheme assets during the year/ period was as follows:

	Year ended 31 December 2019	Period ended 31 December 2018
	£'000	£'000
Fair value of assets at the beginning of the year / period	32,456	33,390
Actuarial return on assets	5,807	(811)
Employer contributions	460	266
Benefits paid	(1,007)	(389)
	<hr/>	<hr/>
Fair value of assets at the end of the year / period	37,716	32,456
	<hr/>	<hr/>

**DILIGENTA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**13. Employee Benefits (continued)**

The amount included in the balance sheet arising from the Company's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	<b>As at 31 December 2019</b>	<b>As at 31 December 2018</b>
	<b>£'000</b>	<b>£'000</b>
Fair value of assets	<b>37,716</b>	32,456
Present value of scheme liabilities	<b>(33,814)</b>	(30,854)
	<hr/>	<hr/>
<b>Net pension asset</b>	<b>3,902</b>	1,602
	<hr/> <hr/>	<hr/> <hr/>

The analysis of the scheme assets at the balance sheet date was as follows:

	<b>Fair value of assets</b>	
	<b>As at 31 December 2019</b>	<b>As at 31 December 2018</b>
	<b>£'000</b>	<b>£'000</b>
Bonds	<b>14,758</b>	5,417
Cash	<b>687</b>	695
Diversified Growth Funds	<b>11,096</b>	13,321
Liability Driven Investment	<b>11,175</b>	13,023
	<hr/>	<hr/>
<b>Total</b>	<b>37,716</b>	<b>32,456</b>
	<hr/> <hr/>	<hr/> <hr/>

The amounts charged within the operating profit were:

	<b>Year ended 31 December 2019</b>	<b>Period ended 31 December 2018</b>
	<b>£'000</b>	<b>£'000</b>
Current scheme expenses	<b>137</b>	112
	<hr/>	<hr/>
<b>Total</b>	<b>137</b>	112
	<hr/> <hr/>	<hr/> <hr/>

Other finance cost comprises:

	<b>Year ended 31 December 2019</b>	<b>Period ended 31 December 2018</b>
	<b>£'000</b>	<b>£'000</b>
Interest on plan liabilities	<b>850</b>	618
Expected return on assets in the plan	<b>(899)</b>	(649)
	<hr/>	<hr/>
<b>Total</b>	<b>(49)</b>	(31)
	<hr/> <hr/>	<hr/> <hr/>

**DILIGENTA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**13. Employee Benefits (continued)**

The amount recognised in the other comprehensive income is:

	Year ended 31 December 2019	Period ended 31 December 2018
	£'000	£'000
Actual return less interest on pension scheme assets	5,045	(1,348)
Change in the assumptions underlying the present value of the scheme liabilities	(3,117)	1,230
Total before adjustment for tax	1,928	(118)
Adjustment for tax	(366)	22
Total gain / (loss) recognised in the statement of comprehensive income	1,562	(96)

The cumulative amount of actuarial gains and losses recognised in other comprehensive income since the pension scheme creation is £4,388,000 (December 2018: £2,826,000).

The main assumptions used by the actuary were:

	31 December 2019 % p.a.	31 December 2018 % p.a.
Discount rate	2.00	2.80
Rate of increase of pensions in payment	2.00	2.10

**Sensitivity Analysis**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions holding other assumptions constant would have affected the defined benefit obligation by the amounts shown below.

	31 December 2019 Increase £'000	31 December 2019 Decrease £'000	31 December 2018 Increase £'000	31 December 2018 Decrease £'000
Discount rate (0.5% movement)	(3,381)	3,720	(2,777)	3,394
RPI Inflation (0.5% movement)	2,029	(2,029)	1,543	(1,851)
Assumed life expectancy (1 year)	1,014	-	926	-

The COVID-19 pandemic has had a significant impact on asset markets and corporate bonds yields, which are key to the IAS19 assessment of the net pension asset or liability. AA corporate bond yields, used to set the IAS19 discount rate, have been volatile. Long term inflation expectations, used to project future benefit payments, have also fallen. As at 30 June 2020, the net impact of the above has resulted in approximately 17% improvement in the Company's net pension assets since the balance sheet date, with favourable asset performance outweighing the increase of liabilities on an IAS19 measure.

**Mortality Assumptions**

The mortality assumptions have been updated based on the preliminary results of the 2012 actuarial valuation (but using a best estimate assumption) and is consistent with the previous period.

Expected Lifetime at 31 December 2019

**DILIGENTA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

The expected lifetime of a participant who is age 60 and the expected lifetime (from age 60) of a participant who will be aged 60 in 20 years are shown in years below:

Age	Males	Females
60	26	27.9
60 in 20 years	27.2	29.1

**13. EMPLOYEE BENEFITS (continued)**

Movement in related deferred tax liability	<b>Year ended</b> <b>31 December</b> 2019 £'000	Period ended 31 December 2018 £'000
Related deferred tax liability at beginning of year / period	(304)	(291)
Recognised through profit and loss account	(65)	(35)
Recognised through statement of comprehensive income	(367)	22
<b>Related deferred tax liability at end of year / period</b>	<b>(736)</b>	<b>(304)</b>
Projected benefits payable in future years from the end of the current period	<b>Year ended</b> <b>31 December</b> 2019 £'000	Period ended 31 December 2018 £'000
1 <sup>st</sup> following year	638	601
2 <sup>nd</sup> following year	447	451
3 <sup>rd</sup> following year	543	561
4 <sup>th</sup> following year	625	548
5 <sup>th</sup> following year	619	647
Years 6 to 10	4,389	4,380
The movement in the surplus during the year was:	<b>31 December</b> 2019 £'000	31 December 2018 £'000
Surplus in the plan at the beginning of the year / period	1,602	1,535
Current service costs	(137)	(112)
Contributions paid	460	266
Other finance income	49	31
Actuarial gain / (loss)	1,928	(118)
<b>Surplus in the plan at the end of the year / period</b>	<b>3,902</b>	<b>1,602</b>

**DILIGENTA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**14 . Directors Remuneration**

Remuneration in respect of directors during the period was as follows:

	<b>Year ended 31 December 2019 £'000</b>	<b>Period ended 31 December 2018 £'000</b>
Emoluments (excluding pension contributions)	368	777
Company contributions to money purchase pension schemes	10	15
	<hr/> <b>378</b> <hr/>	<hr/> <b>792</b> <hr/>

During the year, no directors (2018: none) participated in defined benefit pension schemes and no director (9 month ended 31 December 2018: one) participated in money purchase pension schemes.

The emoluments disclosed in the notes to these accounts are in respect of the directors with qualifying services for the Company and in relation to those directors comprises their total emoluments in respect of services to the Company.

	<b>Year ended 31 December 2019 £'000</b>	<b>Period ended 31 December 2018 £'000</b>
Highest paid director's remuneration:		
Aggregate amount of emoluments (excluding pension contributions)	297	404
Pension contributions to money purchase pension schemes	10	15
	<hr/> <b>307</b> <hr/>	<hr/> <b>419</b> <hr/>

**DILIGENTA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**15 Commitments and contingencies**

**Commitments**

The Company has entered into a lease agreement for a premise in Basingstoke. The contractual commitment on account of this lease arrangement would be £188,664 in Year 2020 and remaining £377,328 in subsequent 2 years.

The Company has contractually committed £836,730 as at 31 December 2019 for purchase of property, plant and equipment.

**Contingencies**

The Company has no material contingencies to the best knowledge of the directors as at 31 December 2019 and 31 December 2018.

**16. Related party transactions**

The Company's principal related parties consist of its holding company TCS Limited and its subsidiaries. All transactions are conducted on normal commercial terms, settled through cash payments / receipts. None of the balances are secured. No expense has been recognised in the current or prior period for bad or doubtful debts in respect of amounts owed by related parties.

	<b>Year ended 31 December 2019</b>	<b>Period ended 31 December 2018</b>
	<b>£'000</b>	<b>£'000</b>
Services received from TCS Limited	<b>93,775</b>	58,253
Services provided to TCS Limited	<b>3,535</b>	2,329
Expenses recharged to TCS Limited	<b>108</b>	146
Expenses recharged by TCS Limited	<b>2,574</b>	2,045
Dividend paid	<b>10,000</b>	-
	<b>As at 31 December 2019</b>	<b>As at 31 December 2018</b>
Amounts due from TCS Limited	<b>699</b>	307
Amounts owed to TCS Limited	<b>44,054</b>	34,384

**DILIGENTA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

Tata Communications Limited ("TCOM") is a fellow subsidiary of TCS Limited. The following transactions and balances are all conducted on an arm's length basis and settled through cash payments.

	<b>Year ended 31 December 2019</b>	<b>Period ended 31 December 2018</b>
	<b>£'000</b>	<b>£'000</b>
Services received from TCOM	<b>744</b>	<b>481</b>
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>

**17. SUBSEQUENT EVENTS**

The company has no adjusting or material non adjusting post balance sheet event that require disclosure.

**18. PARENT UNDERTAKINGS**

The Company's immediate parent undertaking and controlling entity is Tata Consultancy Services Limited ("TCS"), a Company incorporated in India which is registered as a foreign Company in the United Kingdom. The registered office is 9<sup>th</sup> Floor, Nirmal Building, Nariman Point, Mumbai, 400 021, India. The Company's ultimate parent undertaking and controlling entity is Tata Sons Limited whose registered office is Bombay House, 24 Homi Mody Street, Mumbai, 400 001, India. The smallest and largest Company accounts in which these results are consolidated are TCS and Tata Sons Limited respectively.