Company Registration No. 03191608 (England and Wales)

WESTERN MORTGAGE SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

WESTERN MORTGAGE SERVICES LIMITED

COMPANY INFORMATION

Directors	C V H Ripoche	(Appointed 17 March 2023)
	A P Brown	
	I R Coventry	
	T F Vanoverschelde	
Secretary	Capita Group Secretary Limited	
Company number	03191608	
Registered office	65 Gresham Street London England EC2V 7NQ	
Auditor	KPMG LLP 15 Canada Square London E14 5GL	

WESTERN MORTGAGE SERVICES LIMITED

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WESTERN MORTGAGE SERVICES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors present their Strategic report and financial statements for the year ended 31 December 2022.

Review of the business

Western Mortgage Services Limited ("the Company") is a wholly owned subsidiary of Capita plc (indirectly held). Capita plc along with all its subsidiaries is hereafter referred to as "the Group". The Company operates within the Capita Experience division of the Group.

The principal activity of the Company continued to be that of the provision of mortgage administration services.

As shown in the Company's income statement on page 12, the Company's revenue increased from £43,087k in 2021 to £47,022k in 2022. Operating profit increased from £13,229k in 2021 to £16,820k in 2022. IFRS 15 accelerated release profile in line with the contract exit with co-operative bank has led to additional revenue recognition and in turn increased profit. This exit will have a significant reduction in Company's revenue and operating profit from 2023.

The balance sheet on pages 13 and 14 of the financial statements shows the Company's financial position at the year end. The Company's net assets decreased from £85,576k in 2021 to £75,071k in 2022 on account of dividend declared during the year, partially offset by accelerated release of deferred income as stated above. Details of amounts owed by/to its parent Company and fellow subsidiary undertakings are shown in notes 11 and 13 to the financial statements.

Key performance indicators used by Capita plc are operating margins, free cash flow and return on capital employed. Capita plc and its subsidiaries manage their operations on a divisional basis and as a consequence, some of these indicators are monitored only at a divisional level. The 2022 performance of the Capita Experience division of Capita plc is discussed in the Group's annual report which does not form part of this report.

Capital adequacy

Western Mortgage Services Limited is authorised and regulated by the Financial Conduct Authority and is indirectly owned by Capita plc. The requirements of these regulations apply to Western Mortgage Services Limited only and it does not consolidate at a group level.

The Company has adequate capital resources and there are no foreseen events which may cause an impact on the company's ability to meets its capital requirement. Capital requirement calculation is as follows:

MIPRU 4.2.19	**£'000**
Revenue from home finance administration	36,843
Minimum Capital Requirement, higher of:	
Minimum Capital Requirement	100
10% of annual income	3,684
Actual Capital Requirement	**3,684**

MIPRU 4.2.11	
Revenue from Home Finance Mediation and Insurance Mediation	9,347
Minimum Capital Requirement, higher of:	
Minimum Capital Requirement	5
2.5% of annual income	234
Actual Capital Requirement	**234**
Total Actual Capital Requirement	**3,918**
Shareholder Funds	75,071
Less : Intangibles	(1,890)
Total Net Assets less Intangibles	**73,181**
Surplus	69,263
Coverage	17.68:1

The Company assesses the amount of regulated capital that it is required to hold on a quarterly basis. It does so by reviewing its forecast future cashflow to ensure it has sufficient capital for the foreseeable trading period. The Company also assesses its capital requirements based on risks identified as part of the risk management processes detailed below. The management have assessed that there is minimal risk from any other source and no additional capital is required to cover any other risks. The above assessment is an internal process, not a regulatory requirement.

The risks faced by the Company can be summarised as follows:

Strategic:
Changes in economic and market conditions such as contract pricing and competition.

Financial:
Significant failures in internal systems of control and lack of corporate stability.

Operational:
Including recruitment and retention of staff, maintenance of reputation and strong supplier and customer relationships, operational IT risk, and failures in information security controls.

Compliance:
Non-compliance with laws and regulations. The Company must comply with an extensive range of requirements that govern and regulate its business, and decisions by regulators can affect the Company's business and operations and these effects are often adverse.

Credit and residual risk
Credit risk is not considered to be significant for the Company. Credit exposure is limited to routine working capital related balances primarily with its key commercial partner.

Market and securitisation risk
Western Mortgage Services Limited is not authorised to trade as principal and has no trading book. The Company has no Foreign Exchange risk. Securitisation risk is not applicable to the Company.

Liquidity risk
The Company has developed a Liquidity Management Framework to formalise the monitoring and control processes in place to ensure Western Mortgage Services Limited has sufficient liquid resources to meet its liabilities as they come due. This risk is therefore considered to be minimal.

Insurance risk
This is not applicable as the Company does not write insurance.

Interest rate risk
Western Mortgage Services Limited has no material exposure to interest rate risk.

Business risk
Business risk, or procyclicality (the risk of deterioration in business or economic conditions requiring a firm to raise capital). is not believed to be significant in Western Mortgage Services Limited due to the type of activities it is engaged in.

Concentration risk
The contract with the Co-operative Bank will terminate on the 28th February 2023, having been extended from an original termination date of 30th November 2022. Western Mortgage Services Limited will retain its Securitisation contracts with counterparties

Group risk
The Company has inter-dependencies with the Group as detailed in note 1.1. It is not considered that there are any significant risks to the Company of being a part of Capita plc. Group risk is reviewed on at least a yearly basis.

Leverage risk
The Company currently has no borrowing.

Data Protection risk
The risk in this area is critical because there are new threats which need to be managed as well as programmes of work to be completed to enhance the control around data and IT systems. The risks and its potential impacts are as follows:

- loss of client or customer data;
- loss of one of Company's data centres and not having disaster recovery and/or business continuity plans in place;
- loss of service availability to Company and/or its customers due to cyber-attack;
- unauthorised or inappropriate access to data due to cyber-attack;
- reputational damage leading to loss of existing contracts and difficulty when bidding for new business; and
- potential or significant regulatory fines.

Other risk
The Directors have considered the current Ukraine/Russian conflict, but do not anticipate this having any material impact on Western Mortgage Services.

To mitigate the effect of these risks and uncertainties, the Company adopts a number of systems and procedures, including:

- Regularly reviewing trading conditions to be able to respond quickly to changes in market conditions.
- Applying procedures and controls to manage compliance, financial and operational risks, including adhering to an internal control framework.

Capita plc has also implemented appropriate controls and risk governance techniques across all of its businesses. These are discussed in the Capita plc's annual report which does not form part of this report.

Section 172 Statement

Capita plc's section 172 statement applies to both the Division and the Company to the extent it relates to the Company's activities. Common policies and practices are applied across the Group through divisional management teams and a common governance framework. The following disclosure describes how the Directors have regard to the matters set out in section 172(1)(a) to (f) and forms the Directors' statement as required under section 414CZA of the Companies Act 2006.

Further details of the Group's approach to each stakeholder are provided in Capita plc's section 172 statement on pages 47 and 48 of Capita plc's 2022 Annual Report.

Our People	
Why they are important?	They deliver our business strategy; they support the organisation to build a values-based culture; and they deliver our products and services ensuring client satisfaction.
What matters to them?	Flexible working, learning and development opportunities leading to career progression, fair pay and benefits as a reward for performance, two-way communication, and feedback.
How we engaged?	People surveys, regular all-employee communications, employee director participation in Board discussions, employee focus groups and network groups and workforce engagement on remuneration, leadership council, regular breakfast sessions with Executive committee for our colleagues.
Topics of Engagement	Creating an inclusive workplace, speak Up policy, health and wellbeing, Directors' remuneration, acting on survey feedback
Outcomes and actions	The 2022 employee survey showed improvement across all metrics. We are developing and delivering a range of action plans, including ensuring our leaders feel confidence in, and ownership of Capita's strategy, plans and successes, developing inclusive opportunities for internal career mobility. We developed a global career path framework which defines career levels, career job content, and reward framework and introduced mentoring schemes.
Risks to stakeholder relationship	Our ability to recruit due to the national and global labor market demand for resources, our ability to retain people, impacting our quality of service, our ability to evolve our culture and practices in line with our responsible business agenda.
Key Metrics	Employee Net Promoter Score, Employee Engagement Index and people survey completion level.
Clients and Customers	
Why they are important?	They are recipients of Capita's services; and Capita's reputation depends on delighting them.
What matters to them?	High-quality service delivery; delivery of transformation projects within agreed timeframes; and responsible and sustainable business credentials.
How we engaged?	Client meetings and surveys, Regular meetings with government stakeholders and annual review with Cabinet Office, creation of Customer Advisory Boards and created a senior client partner programme giving an experienced, single point of contact for key clients and customers
Topics of Engagement	Current service delivery, Capita's digital transformation capabilities, possible future services, co-creation of client value propositions, Ongoing benefits of hybrid working on client services.
Outcomes and actions	Feedback provided to business units to address any issues raised, client value propositions team supporting divisions with cocreation ideas; direct customer and sector feedback; and senior client partner programme undertaking client-focused growth sprints to build understanding of client issues and ideas to help address them.
Risks to stakeholder relationship	Loss of business by not providing the services that our clients and customers want, damage to reputation by not delivering to their requirements of our clients and customers.

Section 172 Statement (continued)

Key Metrics	Customer Net Promoter Score; specific feedback on client engagements.
Supplier and Partners	
Why they are important?	They share our values and help us deliver our purpose; maintain high standards in our supply chain; and achieve social, economic and environmental benefits aligned to the Social Value Act.
What matters to them?	Payments made within agreed payment terms, clear and fair procurement process, building lasting commercial relationships, and working inclusively with all types of business.
How we engaged?	Supplier meetings throughout source to procure process, regular reviews with suppliers, supplier questionnaires and risk assessments.
Topics of Engagement	Supplier payments, sourcing requirements, supplier performance, responsible business, science-based targets SBTs and the Supplier Charter.
Outcomes and actions	Alignment of payments with agreed terms; supplier feedback on improvements to procurement process; improvement plans and innovation opportunities; and improved adherence to supplier charter, suppliers committing to SBTs.
Risks to stakeholder relationship	Environmental issues, commitment to tackling SBTs, supply chain resilience
Key Metrics	99% of supplier payments within agreed terms; SME spend allocation; and supplier diversity profile
Society	
Why they are important?	Capita is a provider of key services to government impacting a large proportion of the population.
What matters to them?	Social mobility, youth skills and jobs; digital inclusion; diversity and inclusion; climate change; business ethics and accreditations and benchmarking; and cost of living crisis.
How we engaged?	Memberships of non-governmental organisations, charitable and community partnerships, external accreditations and benchmarking and working with clients, suppliers and the Cabinet Office.
Topics of Engagement	Youth employment, promoting digital inclusion, workplace inequalities, Diversity & inclusion and Climate change.
Outcomes and actions	Publication of net zero plan and verification during 2022 of Science Based Targets; continued commitment and accreditation as a real living wage employer; youth and employability programme; Capita's investment in WithYouWithMe, a workplace technology platform that finds employment for military veterans and other overlooked groups through delivering innovative aptitude testing and digital skills training; highly commended by the Employers Network for Equality & Inclusion for our approach to intersectionality; recognised as a 'Leading Light' by the UK Social Mobility awards; and joined the Cost-of-living Taskforce.
Risks to stakeholder relationship	Lack of understanding of the issues important to them and insufficient communication or involvement in shaping and influencing strategies and plans
Key Metrics	Net zero by 2035; community investment; workforce diversity and ethnicity data, including pay gaps.

On behalf of the Board

T F Vanoverschelde
Director

65 Gresham Street, London, England, EC2V 7NQ.
26 April 2023

WESTERN MORTGAGE SERVICES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors present their Directors' report and financial statements for the year ended 31 December 2022.

Results and dividends
The results for the year are set out on 12.

A dividend of £25m was declared and paid during the year (2021: £nil).

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

C V H Ripoche	(Appointed 17 March 2023)
A P Brown	
I R Coventry	
T F Vanoverschelde	

Political donations
The Company made no political donations and incurred no political expenditure during the year (2021: £nil)

Employees
Details of the number of employees and related costs can be found in note 18 to the financial statements.

Disabled persons
Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the C ompany's continues and that the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement
The Company's policy is to consult and discuss with employees, through unions, staff councils, and at meetings, matters likely to affect the employees' interests.

Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

Auditor
KPMG LLP, having indicated its willingness to continue in office, will be deemed to be reappointed as auditor under section 487(2) of the Companies Act 2006.

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 UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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

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

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

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.

Statement of disclosure to auditor

So far as each person who was a Director at the date of approving this report is aware. There is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the Company's auditor is not aware. Having made enquiries of fellow Directors and the Company's auditor, each Director has taken all the steps he/she might reasonably be expected to take as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is was are of that information.

Qualifying third party indemnity provisions

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

On behalf of the Board

T F Vanoverschelde
Director

26 April 2023

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF WESTERN MORTGAGE SERVICES LIMITED

Opinion

We have audited the financial statements of Western Mortgage Services Limited ("the Company") for the year ended 31 December 2022 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 202 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 ; 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 basis of preparation

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 from the date of approval of the financial statements to 31 August 2024 ("the going concern period").

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.

Our conclusions based on this work:

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

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, internal audit and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board Meeting minutes.
- Considering the remuneration incentive schemes and performance targets for management and directors including the short-term incentive plan and long-term incentive plan for management remuneration.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into account possible pressures to meet profit and revenue targets, we perform procedures to address the risk of management override of controls and risk of fraudulent revenue recognition. In particular, the risk that management may be in a position to make inappropriate accounting entries for long-term contracts, and the risk of bias in accounting estimates and judgements such as contract modifications and terminations.

We did not identify any additional fraud risk.

We performed procedures including:

- Identifying journal entries and other adjustments to test, based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management and those posted to unusual accounts.
- Challenging whether the revenue recognised is appropriate based on the underlying contractual terms and evidence obtained.

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

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards),and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of noncompliance throughout the audit.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements. The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: data protection laws, anti-bribery, employment law, and certain aspects of company legislation recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF WESTERN MORTGAGE SERVICES LIMITED

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

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

to make inappropriate accounting entries for long-term contracts, and the risk of bias in accounting estimates and judgements such as contract modifications and terminations.

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Katharine L'Estrange (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign St
Leeds
LS1 4DA
26 April 2023

WESTERN MORTGAGE SERVICES LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £'000	2021 £'000
Revenue	3	47,022	43,087
Cost of sales		(30,202)	(29,760)
Gross profit		**16,820**	**13,327**
Administrative expenses		-	(98)
Operating profit	4	**16,820**	**13,229**
Net finance income/(cost)	5	1,043	(24)
Profit before tax		**17,863**	**13,205**
Income tax charge	6	(3,368)	(2,410)
Total comprehensive income for the year		**14,495**	**10,795**

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

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

The notes on pages 16 to 35 form an integral part of these financial statements

WESTERN MORTGAGE SERVICES LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2022

	Notes	2022 £'000	2021 £'000
Non-current assets			
Property, plant and equipment	**7**	9	112
Intangible assets	**8**	1,890	-
Right-of-use assets	**9**	100	887
Contract fulfilment assets	**10**	211	1,819
Trade and other receivables	**11**	12	-
Deferred tax	**6**	521	412
Total non-current assets		**2,743**	**3,230**
Current assets			
Trade and other receivables	**11**	48,393	48,824
Cash	**12**	37,506	52,052
Total current assets		**85,899**	**100,876**
Total assets		**88,642**	**104,106**
Current liabilities			
Trade and other payables	**13**	3,209	1,381
Deferred income	**14**	2,798	9,166
Provisions	**15**	1,749	1,775
Lease liabilities	**16**	-	934
Income tax payable		5,815	4,680
Total current liabilities		**13,571**	**17,936**
Non-current liabilities			
Deferred income	**14**	-	196
Provisions	**15**	-	398
Total non-current liabilities		**-**	**594**
Total liabilities		**13,571**	**18,530**
Net assets		**75,071**	**85,576**

WESTERN MORTGAGE SERVICES LIMITED

BALANCE SHEET (CONTINUED)

AS AT 31 DECEMBER 2022

	Notes	2022 £'000	2021 £'000
Capital and reserves			
Issued share capital	**17**	37,550	37,550
Retained earnings		37,521	48,026
Total equity		**75,071**	**85,576**

The notes on pages 16 to 35 form an integral part of these financial statements

Approved by Board and authorised for issue on 26 April 2023

T F Vanoverschelde
Director
Company Registration No. 03191608

WESTERN MORTGAGE SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital	Retained earnings	Total equity
	£'000	£'000	£'000
At 1 January 2021	**37,550**	**37,231**	**74,781**
Total comprehensive income for the year	-	10,795	10,795
At 31 December 2021	**37,550**	**48,026**	**85,576**
Total comprehensive income for the year	-	14,495	14,495
Equity dividends paid*	-	(25,000)	(25,000)
At 31 December 2022	**37,550**	**37,521**	**75,071**

Share capital – The balance classified as share capital is the nominal proceeds on issue of the Company's equity share capital, comprising 37,550,000 ordinary shares.

Retained earnings - Represents accumulated profits of the Company kept to accumulate in the Company after dividends are paid and retained in the business as working capital.

*On 25 November 2022, the Company paid a dividend in cash of £25,000k to its parent company, Capita Life & Pensions Regulated Services Limited.

The notes on pages 16 to 35 form an integral part of these financial statements

1 Accounting policies

1.1 Basis of preparation

Western Mortgage Services Limited is a Company incorporated and domiciled in the United Kingdom.

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

In determining the appropriate basis of preparation for the annual report and financial statements for the year ended 31 December 2022, the Company's Directors ("the Directors") are required to consider whether the Company can continue in operational existence for the foreseeable future, being a period of at least 12 months following the approval of these financial statements. The Directors have concluded that it is appropriate to adopt the going concern basis, having undertaken a rigorous assessment of the financial forecasts, key uncertainties, sensitivities, and mitigations as set out below.

Accounting standards require that 'the foreseeable future' for going concern assessment covers a period of at least twelve months from the date of approval of these financial statements, although those standards do not specify how far beyond twelve months the Directors should consider. In its going concern assessment, the Directors have considered the period from the date of approval of these financial statements to 31 August 2024 ('the going concern period') and which aligns to the period considered by the Directors of the ultimate parent company, Capita plc.

Board Assessment

Base case scenario

The financial forecasts used for the going concern assessment are derived from financial projections for 2023-2024 for the Company which have been subject to review and challenge by management and the Directors. The Directors have approved the projections.

Inter-dependency with Capita plc ('the Group')

The Director's assessment of going concern has considered the extent to which the Company's ability to remain a going concern is inter-dependent with that of the Group. The Company has dependency with the Group in respect of the following:

- provision of certain services, such as administrative support and should the Group be unable to deliver these services, the Company would have difficulty in continuing to trade;
- participation in the Group's notional cash pooling arrangements, of which £38,799k was held as of 31 March 2023. In the event of a default by the Group, the Company may not be able to access its cash balance within the pooling arrangement;
- recovery of receivables of £40,970k from fellow Group undertakings as of 31 March 2023. If these receivables are not able to be recovered when forecast by the Company, then the Company may have difficulty in continuing to trade; and
- revenue from other Group entities and/or key contracts that may be terminated in the event of a default by the Group.

Given the inter-dependency the Company has with the Group, the Directors have considered the financial position of the ultimate parent undertaking as disclosed in its most recent consolidated financial statements, being for the year ended 31 December 2022.

1 Accounting policies **(Continued)**

1.1 Basis of preparation (continued)

Ultimate parent undertaking – Capita plc

The Capita plc Board ('the Board') concluded that it was appropriate to adopt the going concern basis, having undertaken a rigorous assessment of the financial forecasts, key uncertainties, sensitivities, and mitigations when preparing the Group's consolidated financial statements at 31 December 2022. These consolidated financial statements were approved by the Board on 2 March 2023 and are available on the Group's website (www.capita.com/investors). Below is a summary of the position at 2 March 2023:

Accounting standards require that 'the foreseeable future' for going concern assessment covers a period of at least twelve months from the date of approval of these financial statements, although those standards do not specify how far beyond twelve months a Board should consider. In its going concern assessment, the Board has considered the period from the date of approval of these financial statements to 31 August 2024 ('the going concern period') and which aligns with the expiry of the revolving credit facility (RCF).

Given the track record of the Group extending the RCF in prior years, including in 2022, and the committed bridge facility executed in February 2023, the Board is confident that the RCF will be extended or refinanced and be of a sufficient quantum well ahead of its expiry in August 2024.

The base case financial forecasts used in the going concern assessment are derived from the 2023-2024 business plans as approved by the Board in January 2023.

The base case financial forecasts demonstrate liquidity headroom and compliance with all debt covenant measures throughout the going concern period to 31 August 2024. The base case projections used for going concern assessment purposes reflect business disposals completed up to the date of approval of these financial statements but do not reflect the benefit of any further disposals that are in the pipeline. The liquidity headroom assessment in the base case projections reflects the Group's existing committed financing facilities and debt redemptions and does not reflect any potential future refinancing other than in respect of the current RCF as noted above.

In considering severe but plausible downside scenarios, the Board has taken account of the potential adverse financial impacts resulting from the following risks:

- *revenue growth falling materially short of plan;*
- *operating profit margin expansion not being achieved;*
- *additional inflationary cost impacts which cannot be passed on to customers;*
- *unforeseen operational issues leading to contract losses and cash outflows;*
- *increased interest rates;*
- *reduction in deferred cash consideration in respect of completed disposals;*
- *non-availability of the Group's non-recourse receivables financing facility; and*
- *unexpected financial costs and penalties linked to incidents such as data breaches and/or cyber-attacks.*

The likelihood of simultaneous crystallisation of the above risks is considered by the directors to be relatively low. Nevertheless, in the event that simultaneous crystallisation were to occur, the Group would need to take action to mitigate the risk of insufficient liquidity and covenant headroom. In its assessment of going concern, the Board has considered the mitigations, under the direct control of the Group, that could be implemented including reductions in capital investment, substantially reducing (or removing in full) bonus and incentive payments and significantly reducing discretionary spend. Taking these mitigations into account, the Group's financial forecasts, in a severe but plausible downside scenario, demonstrate sufficient liquidity headroom and compliance with all debt covenant measures throughout the going concern period to 31 August 2024.

1 Accounting policies **(Continued)**

1.1 Basis of preparation (continued)

Adoption of going concern basis by the Group:

Reflecting the Board's confidence in the benefits expected from the completion of the transformation programme and ability to obtain further RCF financing beyond its existing committed funding facilities coupled with its ability to implement appropriate mitigations should the severe but plausible downside materialise the Group continues to adopt the going concern basis in preparing these financial statements. The Board has concluded that the Group and Parent Company will be able to continue in operation and meet their liabilities as they fall due over the period to 31 August 2024.

The directors have also made enquiries with the directors of the ultimate parent undertaking to understand the current performance of the Group, and to confirm that they are not aware of any events or circumstances since 2 March 2023 that would change their conclusion in regard to the going concern basis for the Group and ultimate parent undertaking.

Conclusion

Although the Company has inter-dependencies with the Group as detailed above, even in a severe but plausible downside for both the Company and the Group, the Directors are confident the Company will continue to have adequate financial resources to continue in operation and discharge its liabilities as they fall due over the period to 31 August 2024 (the "going concern period"). Consequently, the annual report and financial statements have been prepared on the going concern basis.

1 Accounting policies **(Continued)**

1.2 Compliance with accounting standards

The Company has applied FRS101 – *Reduced Disclosure Framework* in the preparation of its financial statements. The Company has prepared and presented these financial statements by applying the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006.

The Company's ultimate parent undertaking, Capita plc, includes the Company in its consolidated statements. The consolidated financial statements are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and with UK-adopted International Financial Reporting Standards (IFRSs) and the Disclosure and Transparency Rules of the UK's Financial Conduct Authority. These are available to the public and may be obtained from Capita plc's website on https://www.capita.com/investors.

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

- A cash flow statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs except amendments to IAS 37;
- Certain disclosures as required by IFRS 15 Revenue from Contracts with Customers;
- Certain disclosures as required by IFRS 16 Leases; and
- Disclosures in respect of the compensation of key management personnel.

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

- Certain disclosures required by IFRS 2 Share Based Payments in respect of Group settled share based payments;
- Certain disclosures required by IAS 36 Impairments of assets in respect of the impairment of indefinite life intangible assets; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

1.3 Changes in accounting policies

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

New amendments	Effective date
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
Annual Improvements to IFRS Standards 2018–2020	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022

1 Accounting policies **(Continued)**

1.4 Revenue recognition

Revenue is earned within the United Kingdom.

Revenue recognition is based on the principles set out in IFRS 15.

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

In determining the amount of revenue and profits to record, and related balance sheet items (such as contract fulfilment assets, capitalisation of costs to obtain a contract, trade receivables, accrued income and deferred income) to recognise in the period, management is required to form a number of key judgements and assumptions. This includes an assessment of the costs the Company incurs to deliver the contractual commitments and whether such costs should be expensed as incurred or capitalised. Revenue is recognised either when the performance obligation in the contract has been performed (so 'point in time' recognition) or 'over time' as control of the performance obligation is transferred to the customer.

The term of the contract impacts both the period over which revenue from performance obligations may be recognised and the period over which contract fulfilment assets and capitalised costs to obtain a contract are expensed.

The Company has multiple components to be delivered such as transformation and the delivery of outsourced services, and management has applied judgement in accounting for these as separate performance obligations.

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

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

Once the total transaction price is determined, the Company allocates this to the identified performance obligations in proportion to their relative stand-alone selling prices and recognises revenue when (or as) those performance obligations are satisfied. The Company sells a customer bespoke solution, and in these cases the Company typically uses the expected cost-plus margin or a contractually stated price approach to estimate the standalone selling price of each performance obligation.

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

1 Accounting policies **(Continued)**

1.4 Revenue recognition (continued)

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

The Company recognises revenue on the basis of direct measurements of the value to the customer of the goods and services transferred to date relative to the remaining goods and services under the contract using a method of time elapsed which requires minimal estimation.

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

Transactional (Point in time) contracts

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

The nature performance obligations categorised within this revenue type includes fees received in relation to delivery of professional services.

Contract modifications

The Company's contracts can be amended for changes in contract specifications and requirements. Contract modifications exist when the amendment either creates new or changes the existing enforceable rights and obligations.

The effect of a contract modification on the transaction price and the Company's measure of progress for the performance obligation to which it relates, is recognised as an adjustment to revenue in one of the following ways:

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

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

The facts and circumstances of any contract modification are considered individually as the types of modifications will vary contract by contract and may result in different accounting outcomes.

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

1 Accounting policies **(Continued)**

1.4 Revenue recognition (continued)

Contract related assets and liabilities

As a result of the contracts which the Company enters into with its customers, a number of different assets and liabilities are recognised on the Company's balance sheet. These include but are not limited to:
Property, plant and equipment
Intangible assets
Contract fulfilment assets
Trade receivables
Accrued income
Deferred income

Contract fulfilment assets

Contract fulfilment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred.

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

If other standards are not applicable to contract fulfilment costs, the Company applies the following criteria which, if met, result in capitalisation: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered.

The assessment of this criteria requires the application of judgement, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

Utilisation: The utilisation charge is included within cost of sales. The Company utilises contract fulfilment assets over the expected contract period using a systematic basis that mirrors the pattern in which the Company transfers control of the service to the customer. Judgement is applied to determine this period.

Derecognition: A contract fulfilment asset is derecognised either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

Impairment: At each reporting date, the Company determines whether or not the contract fulfilment assets are impaired by comparing the carrying amount of the asset to the remaining amount of consideration that the Company expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Company uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

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

1 Accounting policies **(Continued)**

1.4 Revenue recognition (continued)

Capitalisation of costs to obtain a contract

The incremental costs of obtaining a contract with a customer are recognised as an asset if the Company expects to recover them. The Company incurs costs such as bid costs, legal fees to draft a contract and sales commissions when it enters into a new contract.

Judgement is applied by the Company when determining what costs qualify to be capitalised in particular when considering whether these costs are incremental and whether these are expected to be recoverable. For example, the Company considers which type of sales commissions are incremental to the cost of obtaining specific contracts and the point in time when the costs will be capitalised.

The Company has determined that the following costs may be capitalised as contract assets

i. legal fees to draft a contract (once the Company has been selected as a preferred supplier for a bid); and
ii. sales commissions that are directly related to winning a specific contract. Costs incurred prior to selection as preferred supplier are not capitalised but are expensed as incurred.

Utilisation, derecognition and impairment of contract fulfilment assets and capitalised costs to obtain a contract

The Company utilises contract fulfilment assets and capitalised costs to obtain a contract to cost of sales over the expected contract period using a systematic basis that mirrors the pattern in which the Company transfers control of the service to the customer.

The utilisation charge is included within cost of sales. Judgement is applied to determine this period, for example whether this expected period would be the contract term or a longer period such as the estimated life of the customer relationship for a particular contract if, say, renewals are expected.

Management is required to determine the recoverability of contract related assets within property, plant and equipment, intangible assets as well as contract fulfilment assets, accrued income and trade receivables. At each reporting date, the Company determines whether or not the contract fulfilment assets are impaired by comparing the carrying amount of the asset to the remaining amount of consideration that the Company expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Company uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Onerous contracts

The Group reviews its long-term contracts to ensure that the expected economic benefits to be received are in excess of the unavoidable costs of meeting the obligations under the contract. The unavoidable costs are the lower of the net costs of termination or the costs of fulfilment of the contractual obligations. The Group recognises the excess of the unavoidable costs over economic benefits due to be received as an onerous contract provision.

Deferred and accrued income

The Company has a range of payment schedules dependent upon the nature and type of services being provided. Payments for these services may be at delivery date, in arrears or part payment in advance. Where payments made are greater than the revenue recognised at the period end date, the Company recognises a deferred income contract liability for this difference. Where payments made are less than the revenue recognised at the period end date, the Company recognises an accrued income contract asset for this difference.

1 Accounting policies **(Continued)**

1.5 Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life as follows:

Computer equipment	3 - 5 years

1.6 Leasing

The Company has taken land and buildings on lease.

The determination whether an arrangement is, or contains, a lease is based on whether the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The following sets out the Company's lease accounting policy for all leases with the exception of leases with low value and term of 12 months or less which are expensed to the consolidated income statement.

The Company as a lessee – Right-of-use assets and lease liabilities
At the inception of the lease, the Company recognises a right-of-use asset at cost, which comprises the present value of minimum lease payments determined at the inception of the lease. Right-of-use assets are depreciated using the straight-line method over the shorter of estimated life or the lease term. Depreciation is included within administrative expenses in the consolidated income statement. Amendment to lease terms resulting in a change in payments or the length of the lease results in an adjustment to the right-of-use asset and liability. Right-of-use assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be fully recoverable.

The Company recognises lease liabilities where a lease contract exists and right-of-use assets representing the right to use the underlying leased assets.At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of the lease payments to be made over the lease term.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Incremental borrowing rates are determined monthly and depend on the term, country, currency and start date of the lease. The incremental borrowing rate is determined based on a series of inputs including: the risk-free rate based on swap market data; a country-specific risk adjustment; a credit risk adjustment; and an entity-specific adjustment where the entity risk profile is different to that of the Group.

The lease liability is subsequently remeasured (with a corresponding adjustment to the related right-of-use asset) when there is a change in future lease payments due to a renegotiation or market rent review, a change of an index or rate or a reassessment of the lease term.

Lease payments are apportioned between a finance charge and a reduction of the lease liability based on the constant interest rate applied to the remaining balance of the liability. Interest expense is included within net finance costs in the consolidated income statement. Lease payments comprise fixed payments, including in-substance fixed payments such as service charges and variable lease payments that depend on an index or a rate, initially measured using the minimum index or rate at inception date. The payments also include any lease incentives and any penalty payments for terminating the lease, if the lease term reflects the lessee exercising that option. The lease term determined comprises the non-cancellable period of the lease contract. Periods covered by an option to extend the lease are included if the Company has reasonable certainty that the option will be exercised, and periods covered by an option to terminate are included if it is reasonably certain that this will not be exercised. The Company has elected to apply the practical expedient in IFRS 16 paragraph 15 not to separate non-lease components such as service charges from lease rental charges.

1 Accounting policies **(Continued)**

1.7 Intangible assets

Intangibles are valued at cost less accumulated amortisation. Intangible assets comprise computer software. Such assets are defined as having finite useful lives and the costs are amortised on a straight line basis over their estimated useful lives of 3 years. Intangible assets are stated at cost less amortisation and are reviewed for impairment whenever there is an indication that the carrying value may be impaired.

In the case of capitalised software development costs, research expenditure is written off to the statement of profit and loss in the period in which it is incurred. Development expenditure is written off in the same way unless and until the Company is satisfied as to the technical, commercial and financial viability of individual projects. In these cases, the development expenditure is capitalised and amortised over the period during which the Company is expected to benefit.

1.8 Pensions

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

1.9 Taxation

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

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

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

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

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

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

1 Accounting policies **(Continued)**

1.10 Financial instruments

Investments and other financial assets

Classification

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

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Recognition and derecognition

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

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cashflows are solely payment of principal and interest.

Impairment

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

Trade and other receivables

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

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of 3 months or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

1 Accounting policies **(Continued)**

1.11 Impairment of non-financial assets

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

1.12 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

2 Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires the Directors to make judgements and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported income and expense during the reported periods. Although these judgements and assumptions are based on the Directors' best knowledge of the amount, events or actions, actual results may differ from these estimates. No significant judgements, estimates and assumptions were used in preparation of financial statements in current reporting period.

3 Revenue

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

4 Operating profit

	2022	2021
	£'000	£'000
Operating profit for the year is stated after charging:		
Depreciation of property, plant and equipment	105	46
Loss on disposal of property, plant and equipment	7	-
Contract fulfilment asset utilisation, impairment and derecognition	1,608	1,449
Short-term lease rentals - plant and machinery	10	8
Depreciation of right-of-use assets	787	839

Audit fees are borne by the ultimate parent undertaking, Capita plc. The audit fee for the current period was £30,000 (2021: £ 36,000). The Company has taken advantage of the exemption provided by regulations 6(2)(b) of The Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 not to provide information in respect of fees for other (non-audit) services as this information is required to be given in the group accounts of the ultimate parent undertaking, which it is required to prepare in accordance with the Companies Act 2006.

5 Net finance (income)/cost

	2022 £'000	2021 £'000
Interest expense on lease liabilities	18	52
Interest income on bank deposits	(455)	(12)
Interest income from Group undertakings	(606)	(16)
	(1,043)	**24**

The significant increase in interest income from bank deposits and receivables from Group undertakings is due to rise in interest rates in 2022.

6 Income tax

The major components of income tax expense for the years ended 31 December 2022 and 2021 are:

	2022 £'000	2021 £'000
Current tax		
UK corporation tax	3,414	2,338
Adjustments in respect of prior periods	63	49
	3,477	**2,387**
Deferred tax		
Origination and reversal of temporary differences	(26)	72
Adjustments in respect of prior periods	(83)	(49)
	(109)	**23**
Total tax charge reported in the income statement	**3,368**	**2,410**

6 Income tax **(Continued)**

The reconciliation between tax charge and the accounting profit multiplied by the UK corporation tax rate for the years ended 31 December 2022 and 2021 is as follows:

	2022 £'000	2021 £'000
Profit before taxation	**17,863**	**13,205**
Profit before taxation multiplied by standard rate corporation tax in the UK of 19% (2021: 19%)	3,394	2,509
Taxation impact of factors affecting tax charge:		
Impact of changes in statutory tax rates	(6)	(99)
Adjustments in respect of current income tax of prior periods	63	49
Adjustments in respect of deferred income tax of prior years	(83)	(49)
Total adjustments	**(26)**	**(99)**
Total tax charge reported in the income statement	**3,368**	**2,410**

	Balance sheet		Income Statement	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Deferred tax assets				
Decelerated capital allowances	489	374	(114)	47
Other short term timing differences	32	38	5	(24)
Net deferred tax asset	**521**	**412**		
Deferred tax (credit)/charge			**(109)**	**23**

A change to the main UK corporation tax rate was substantively enacted on 24 May 2021. The rate applicable from 1 April 2023 increases from 19% to 25%. The deferred tax asset at 31 December 2022 has been calculated based on this rate.

7 Property, plant and equipment

	Leasehold improvements £'000	Computer equipment £'000	Total £'000
Cost			
At 1 January 2022	9	150	159
Additions	9	-	9
Disposals	(9)	-	(9)
Asset retirement	-	(150)	(150)
At 31 December 2022	**9**	**-**	**9**
Depreciation			
At 1 January 2022	2	45	47
Disposals	(2)	-	(2)
Charge for the year	-	105	105
Asset retirement	-	(150)	(150)
At 31 December 2022	-	-	-
Net book value			
At 31 December 2021	**7**	**105**	**112**
At 31 December 2022	**9**	**-**	**9**

8 Intangible assets

	Software £'000
Cost	
At 1 January 2022	-
Additions	1,890
At 31 December 2022	**1,890**
Amortisation and impairment	
At 1 January 2022	-
At 31 December 2022	-
Net book value	
At 31 December 2021	-
At 31 December 2022	**1,890**

9 Right-of-use assets

	Land and buildings
	£'000
Net book value	
At 1 January 2022	**887**
Depreciation charge for the year	(787)
At 31 December 2022	**100**

10 Contract fulfilment assets

	£'000
At 1 January 2021	**1,889**
Additions	1,379
Utilised during the year	(337)
Impairment	(1,112)
At 31 December 2021	**1,819**
Utilised during the year	(990)
Derecognition	(618)
At 31 December 2022	**211**

11 Trade and other receivables

Current	**2022**	**2021**
	£'000	**£'000**
Trade receivables	48	46
Other receivables	-	12
Prepayments	144	297
Accrued income	6,296	7,183
Amounts due from parent and fellow subsidiary undertaking*	41,905	41,286
	48,393	**48,824**

Non-current	**2022**	**2021**
	£'000	**£'000**
Prepayments	12	-
	12	-

*Amounts due from parent and fellow subsidiary undertakings are repayable on demand. These are not chargeable to interest except for amount due from Capita Plc, on which interest is charged as per the prevailing Bank of England rates.

12 Cash

	2022	2021
	£'000	£'000
Cash at bank and in hand	37,506	52,052
	37,506	**52,052**

13 Trade and other payables

Current	2022	2021
	£'000	£'000
Trade payables	369	55
Other payables	2	1
Other taxes and social security	65	109
Accruals	829	755
Amounts due to parent and fellow subsidiary undertaking*	1,944	461
	3,209	**1,381**

*Amounts due to parent and fellow subsidiary undertakings are repayable on demand and are not chargeable to interest.

14 Deferred income

	2022	2021
	£'000	£'000
Current		
Deferred income	2,798	9,166
	2,798	**9,166**

	2022	2021
	£'000	£'000
Non-current		
Deferred income	-	196
	-	**196**

The deferred income balances solely relates to revenue from contracts with customers.

15 Provisions

Non-current	Dilapidation
	£'000
As at 1 January 2022	398
Reclassed to current	(398)
As at 31 December 2022	-

Current

	Dilapidation	Others	Total
	£'000	£'000	£'000
As at 1 January 2022	-	1,775	1,775
Additions during the year	267	1,011	1,278
Reclass from non-current	398	-	398
Utilisation	(250)	(140)	(390)
Released during the year	(405)	(907)	(1,312)
At 31 December 2022	**10**	**1,739**	**1,749**

The Company is required to perform repairs on leased properties prior to the properties being vacated at the end of their lease term. Dilapidations for such costs are made where legal obligation is identified and the liability can be reasonably quantified.

Other provisions of £1,584k pertains to IT costs for securitised mortgages administered by the entity and £155k in respect of severance payments. These are likely to unwind over a period of 12 months.

16 Lease liabilities

	2022	2021
Current	£'000	£'000
Lease liabilities	-	934
	-	**934**

	2022	2021
	£'000	£'000
Maturity analysis - Contractual undiscounted cash flows		
Less than one year	-	952
Total undiscounted lease liabilities at 31 December	-	**952**

17 Issued share capital

	2022 Numbers	2021 Numbers	2022 £'000	2021 £'000
Allotted, called up and fully paid				
Ordinary shares of £1 each				
At 1 January	37,550,000	37,550,000	37,550	37,550
At 31 December	**37,550,000**	**37,550,000**	**37,550**	**37,550**

18 Employees

The average monthly number of employees were:

	2022 Number	2021 Number
Operations	576	620
Administration	6	-
	582	**620**

Their aggregate remuneration comprised:

Employee costs	2022 £'000	Re-presented* 2021 £'000
Wages and salaries	15,986	16,304
Social security costs	1,560	1,520
Pension costs	1,060	1,083
	18,606	**18,907**

The above includes payroll costs for temporary staff as well as recharges from other Group entities in respect of various services received by the Company throughout the year.

*The 2021 comparative figures have been re-presented to reflect the reclassification of employee contributions from pensions costs to wages and salaries. This has resulted in increase in wages and salaries by £687k and decrease in pension costs by the same amount. There is no impact on net assets, total profit or retained earnings as a result of this reclassification.

19 Employee benefits

The pension charge for the defined contribution pension schemes for the year is £1,060k (2021: £1,083k).

The pension charge excludes pension contributions paid by the Company on behalf of employees via a salary sacrifice arrangement. The 2021 comparative figure has also been re-presented to reflect this.

20 Directors' remuneration

	2022 £'000	2021 £'000
Remuneration for qualifying services	82	101
Pension contributions to defined contribution schemes	-	1
	82	**102**

Two Directors were paid by another subsidiary of Capita Plc. For qualifying services provided by these two Directors on the Company affairs, Directors' remuneration has been allocated to the Company during the period. The number of Directors for whom retirement benefits are accruing under the defined contribution scheme amounted to none (2021: 1).

Remuneration disclosed above include the following amounts paid to the highest paid Director:

	2022 £'000	2021 £'000
Remuneration for qualifying services	65	74

In addition to the above, the Directors of the Company were reimbursed for the expenses incurred by them whilst performing business responsibilities.

21 Controlling party

The Company's immediate parent undertaking is Capita Life & Pensions Regulated Services Limited, a company incorporated in England and Wales. The Company's ultimate parent undertaking is Capita plc, a company incorporated in England and Wales. The accounts of Capita plc are available from the registered office at 65 Gresham Street, London, England, EC2V 7NQ.

22 Post balance sheet event

There are no significant events which have occurred after the reporting period.