Company Registration No. 05296886 (England and Wales)

CAPITA RETAIL FINANCIAL SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

CAPITA RETAIL FINANCIAL SERVICES LIMITED

COMPANY INFORMATION

Directors	Capita Corporate Director Limited	
	A N Chapple	
	C C Clements	(Appointed 14 March 2022)
	A Ajit	(Appointed 15 July 2022)
Secretary	Capita Group Secretary Limited	
Company number	05296886	
Registered office	65, Gresham Street London England EC2V 7NQ	
Auditor	KPMG LLP 1 Sovereign Square Sovereign St Leeds LS1 4DA	

CAPITA RETAIL FINANCIAL SERVICES LIMITED

CONTENTS

CAPITA RETAIL FINANCIAL SERVICES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present the Strategic report, Directors' report and financial statements for the year ended 31 December 2021.

Review of the business

Capita Retail Financial Services Limited ("the Company") is a wholly owned subsidiary indirectly held by Capita plc. Capita plc along with its subsidiaries is hereafter referred as "the Group". The Company operates within the Experience division of group.

The principal activity is that of outsourced business support services functions to client organisations. The Directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

As shown in the Company's income statement on page 10, the Company's revenue decreased from £47,961,321 in 2020 to £27,185,182 in 2021. Operating profit has reduced from £7,617,337 to operating loss of £1,687,175 primarily due to reduction in volume of business from a key contract, termination of a few short term contracts during the year, and the recognition of an onerous contract provision of £2,085,000 to reflect reduced future volume forecasts and complexity.

The balance sheet on pages 11 - 12 of the financial statements shows the Company's financial position at the year end. Net assets have decreased from £55,618,025 in 2020 to £54,321,861 in 2021. Details of amounts owed by/to its parent company and fellow subsidiary undertakings are shown in notes 9 and 11 to the financial statements.

Key performance indicators used by Capita plc are operating margins, free cash flow, capital expenditure 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 performance of the Capita Experience division is discussed in the Group's annual report which does not form part of this report.

Principal risks and uncertainties

The Company is subject to various risks and uncertainties during the ordinary course of its business many of which result from factors outside of its control. The Company's risk management framework provides reasonable assurance (but cannot provide absolute assurance) that significant risks are identified and addressed. An active risk management process identifies, assesses, mitigates and reports on strategic, financial, operational and compliance risk.

The principal themes of risk for the company are:

- *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 its business.

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 a strict internal control framework.

Capita plc has also implemented appropriate controls and risk governance techniques across all of our businesses which are discussed in the Group's annual report which doesn't form part of this report.

CAPITA RETAIL FINANCIAL SERVICES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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(1a) 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 40 and 41 of Capita plc's 2021 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.
Topics of Engagement	Protection of employees during Covid-19, human resources policies during Covid-19, future ways of working as a result of Covid-19, and creating an inclusive workplace.
Outcomes and actions	Issue of Capita-specific Covid-19 guidance and regular updates; new and temporary HR policies; increased provision and support for employee wellbeing and flexible working; and simplification of property portfolio and office space.
Risks to stakeholder relationship	Our ability to recruit due to the global economic bounceback, our ability to retain people, impacting the quality of service we can provide and our ability to change our culture and practices in line with our responsible business agenda.
Key Metrics	Employee net promoter score, 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; rapid response to support pandemic planning; and responsible and sustainable business credentials.
How we engaged?	Client meetings and surveys, Regular meetings with government and annual review with Cabinet Office and Created a senior client partner programme giving an experienced, single point of contact for key clients and customers
Topics of Engagement	Remote working on client services as a result of Covid-19, current service delivery, possible future services, co-creation of client value propositions.
Outcomes and actions	Feedback provided to business units to address any issues raised, client value propositions team supporting divisions with cocreation ideas; 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 they want, damage to reputation by not delivering to their requirements
Key Metrics	Customer NPS; 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.

Section 172 Statement (Continued)

Supplier and Partners	
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, 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.
Risks to stakeholder relationship	Environmental issues, commitment to tackling net zero, supply chain resilience
Key Metrics	% of supplier payments within agreed terms; supplier relationship management feedback score; 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.
How we engaged?	Memberships of non-governmental organisations, charitable and community partnerships.
Topics of Engagement	Youth employment, tackling digital exclusion, workplace inequalities, and Climate change.
Outcomes and actions	Publication of net zero plan; real living wage accreditation; youth and employability programme; and commitments to tackle racism and enhance ethnic diversity.
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	Percentage reduction in carbon footprint, amount of community investment, and responsible business report 2021: capita.com/responsiblebusiness.

On behalf of the Board

C C Clements
Director
21 July 2022

CAPITA RETAIL FINANCIAL SERVICES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present their annual report and financial statements for the year ended 31 December 2021.

Results and dividends
The results for the year are set out on page 10.

No ordinary dividend was paid or proposed during the year (2020: £nil).

Environment
Capita plc recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the Group's activities. The Company operates in accordance with Group's policies, which are described in the Group's annual report which does not form part of this report. Initiatives designed to minimise the Company's impact on the environment include safe disposal of waste, recycling and reducing energy consumption.

Employees
Details of the number of employees and related costs can be found in note 17 to the financial statements.

Directors
The following Directors have held office during the year and up to the date of signing of financial statements:

Capita Corporate Director Limited	
K A Francis	(Resigned 15 July 2022)
A N Chapple	
D J Scally	(Resigned 1 September 2021)
T F Vanoverschelde	(Appointed 17 August 2021 and resigned 14 March 2022)
C C Clements	(Appointed 14 March 2022)
A Ajit	(Appointed 15 July 2022)

Employee involvement
The Company is committed to involving all employees in the performance and development of the Company. Employees are distributed with frequent newsletters and internal notice broad statements. The Company maintains a strong communication network and employees are encouraged to discuss with management matters of interest to the employee and subjects affecting the day to day operations of the Company.

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

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 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.

Political donations
The Company made no political donations or incurred any political expenditure during the year (2020: £nil)

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 Strategic report, Directors' report and financial statements
The Directors are responsible for preparing the Strategic report, 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 the Directors 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departure disclosed and explained in the financial statements; and
- 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 the 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 unaware. 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 aware 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

C C Clements
Director
65, Gresham Street, London, England, EC2V 7NQ

21 July 2022

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CAPITA RETAIL FINANCIAL SERVICES LIMITED

Opinion

We have audited the financial statements of Capita Retail Financial Services Limited ("the company") for the year ended 31 December 2021 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 2021 and of its loss 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.

Material uncertainty related to going concern

We draw attention to note 1.1 to the financial statements which indicates that the Company is reliant on its ultimate parent undertaking, Capita plc, in regard to its ability to continue as a going concern. The most recent financial statements of Capita plc include material uncertainties that may cast significant doubt on its ability to continue as a going concern. The reliance of the Company on Capita plc accordingly means that these events and conditions constitute a material uncertainty that may cast significant doubt on the Group's and in turn, the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Going concern

The directors have prepared the financial statements on the going concern basis. As stated above, they have concluded that a material uncertainty related to going concern exists.

Based on our financial statements audit work, we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the Company's channel for "whistleblowing" as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes and internal audit reports.
- Considering remuneration incentive schemes and performance targets for management.
- 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 the risk of fraudulent revenue recognition, in particular the risk that long term contract revenue is inaccurately recognized, recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as the profiling of the deferred income.

We also identified a fraud risk related to the inappropriate assessment of onerous contract provisioning in response to possible pressures to meet profit targets by management.

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 or individuals who do not frequently post journals, and those posted to unusual accounts, including unexpected combination of entries related to revenue, expenses, cash and borrowings.
- Reviewing management's contract profitability forecasts for significant long term contracts and challenging the key assumptions in order to assess whether any impairment should be recorded against the carrying value of the contract fulfilment assets or any onerous contract provisions should be recognised.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-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 from inspection of the Company's regulatory and legal correspondence and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

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

The potential effect of these laws and regulations on the financial statements varies considerably.

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CAPITA RETAIL FINANCIAL SERVICES LIMITED

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.

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CAPITA RETAIL FINANCIAL SERVICES LIMITED

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
21 July 2022

CAPITA RETAIL FINANCIAL SERVICES LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2020 £
Revenue	3	27,185,182	47,961,321
Cost of sales		(26,575,951)	(37,902,090)
Gross profit		**609,231**	**10,059,231**
Administrative expenses		(2,296,406)	(2,441,894)
Operating (loss)/profit	4	**(1,687,175)**	**7,617,337**
Net finance income	5	43,394	150,707
(Loss)/profit before tax		**(1,643,781)**	**7,768,044**
Income tax credit/(charge)	6	347,617	(1,474,456)
Total comprehensive (expense)/income for the year		**(1,296,164)**	**6,293,588**

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 and information on pages 14 to 31 form an integral part of these financial statements.

CAPITA RETAIL FINANCIAL SERVICES LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2021

	Notes	2021 £	2020 £
Non-current assets			
Property, plant and equipment	**7**	35,052	67,914
Contract fulfilment assets	**8**	-	251,854
Trade and other receivables	**9**	7,326	36,630
Deferred tax	**6**	150,667	60,854
		193,045	**417,252**
Current assets			
Trade and other receivables	**9**	66,454,948	85,733,234
Cash	**10**	-	46,808
		66,454,948	**85,780,042**
Total assets		**66,647,993**	**86,197,294**
Current liabilities			
Trade and other payables	**11**	5,063,319	23,183,820
Deferred income	**12**	2,391,185	897,529
Financial liabilities	**13**	1,553,647	-
Provisions	**14**	858,655	-
Income tax payable		1,232,981	3,869,083
		11,099,787	**27,950,432**
Non-current liabilities			
Deferred income	**12**	-	2,628,837
Provisions	**14**	1,226,345	-
		1,226,345	**2,628,837**
Total liabilities		**12,326,132**	**30,579,269**
Net assets		**54,321,861**	**55,618,025**

CAPITA RETAIL FINANCIAL SERVICES LIMITED

BALANCE SHEET (CONTINUED)

AS AT 31 DECEMBER 2021

	Notes	2021 £	2020 £
Capital and reserves			
Issued share capital	**15**	2	2
Retained earnings		54,321,859	55,618,023
Total equity		**54,321,861**	**55,618,025**

The notes and information on pages 14 to 31 form an integral part of these financial statements.

Approved by Board and authorised for issue on 21 July 2022

C C Clements
Director

Company Registration No. 05296886

CAPITA RETAIL FINANCIAL SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital	Retained earnings	Total
	£	£	£
At 1 January 2020	**2**	**49,324,435**	**49,324,437**
Total comprehensive income for the year	-	6,293,588	6,293,588
Equity-settled share-based payment	-	11,308	11,308
Settlement of share based payment charged to intercompany	-	(11,308)	(11,308)
At 31 December 2020	**2**	**55,618,023**	**55,618,025**
Total comprehensive expense for the year	-	(1,296,164)	(1,296,164)
Equity-settled share-based payment	-	2,141	2,141
Settlement of share based payment charged to intercompany	-	(2,141)	(2,141)
At 31 December 2021	**2**	**54,321,859**	**54,321,861**

Share capital -

The balance classified as share capital are the nominal proceeds on issue of the Company's equity share capital, comprising 2 ordinary shares.

Retained earnings -

Represents the accumulated profits in the Company.

The notes and information on pages 14 to 31 form an integral part of these financial statements.

1 Accounting policies

1.1 Basis of preparation

Capita Retail Financial 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 2021, 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, and sensitivities, as set out below.

Board assessment

Base case scenario

The financial forecasts used for the going concern assessment are derived from the 2022-2023 business plans ('BP') for the Company which have been subject to review and challenge by management and the Directors. The Directors have approved the projections. Under the base case scenario, completion of Capita plc's group wide transformation programme has simplified and strengthened the business and facilitates further efficiency savings enabling sustainable growth in revenue, profit, and cash flow over the medium term.

Severe but plausible downside

In addition to the base case, the Directors have also considered severe but plausible downside scenarios. The Directors have taken account of trading downside risks, which assume the Company is not successful in delivering the anticipated levels of revenue, profit, and cash flow growth. The downside scenario used for the going concern assessment also includes potential adverse financial impacts due to additional inflationary pressure which cannot be passed on the customers, not achieving targeted margins on new or major contracts, unforeseen operational issues leading the contract losses and cash outflows, and unexpected potential fines and losses linked to incidents such as data breaches and/or cyber-attacks.

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

Reliance on Capita plc ('the Group')

The Director's assessment of going concern has considered the extent to which the Company is reliant on the Group. The Company is reliant on the Group in respect of the following:

- provision of certain services, such as administrative support 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 £66,992 was held at 30 June 2022. 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 £72,226,695 from fellow Group undertakings as of 30 June 2022. If these receivables are not able to be recovered when forecast by the Company, then the Company may have difficulty in continuing to trade;
- additional funding that may be required if the company suffers potential future losses; and
- revenue from other Group entities and key contracts that may be terminated in the event of a default by the Group.

1 Accounting policies **(Continued)**

1.1 Basis of preparation (continued)

Given the reliance the Company has on the Group, the Directors have considered the financial position of the ultimate parent undertaking as disclosed in its most recent consolidated financial statements, being for the year ended 31 December 2021.

Ultimate parent undertaking – Capita plc

The Capita plc Board ('the Board') concluded that it was appropriate to adopt the going concern basis, having undertaken a rigorous assessment of the financial forecasts, key uncertainties, and sensitivities, when preparing the Group's consolidated financial statements to 31 December 2021. These financial statements were approved by the Board on 9 March 2022 and are available on the Group's website (www.capita.com investors). Below is a summary of the position at 9 March 2022:

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 2023, which is just less than eighteen months from the date of approval of the Group financial statements ('the going concern period') and which aligns with the expiry of the revolving credit facility (RCF). The Board has also considered any material committed outflows beyond this period in forming their assessment, including the extension of the RCF which is a key consideration.

The base case financial forecasts demonstrate liquidity headroom and compliance with all covenant measures throughout the going concern period to 31 August 2023.

The principal mitigation to the possibility of insufficient liquidity in the severe but plausible downside scenario is the continuation of the Board approved disposal programme which covers businesses that do not align with the Group's longer-term strategy. The Group has a strong track record of executing major disposals. In 2021, the Board targeted to achieve £700m of disposal proceeds by 30 June 2022 and will exceed this target on the completion of the announced disposal of Trustmarque and Speciality Insurance businesses. The disposal programme continues, with further disposal processes launched in early 2022. The Board is confident that the disposal programme will be delivered, thereby introducing substantial net cash proceeds to the Group, albeit with a corresponding removal of consolidated profits and cash flows associated with the disposal businesses.

In addition to the ongoing disposal programme, the Group may seek to mitigate the liquidity risks which might arise in the downside scenario by seeking further sources of financing beyond its existing committed funding facilities. The Board has been successful in obtaining new and extended financing facilities in recent years and an immediate mitigating action includes the extension of the current RCF which currently expires on 31 August 2023.

1 Accounting policies **(Continued)**

1.1 Basis of preparation (continued)

Material uncertainties related to the group:

The Board recognises that the disposal programme requires agreement from third parties and that major disposals may be subject to shareholder and, potentially, lender approval. Similarly, any new refinancing, including the extension of the RCF, requires agreement with lenders. Such agreements and approvals are outside the direct control of the Group. Therefore, given that some of the mitigating actions which might be taken to strengthen the Group's liquidity position in the severe but plausible downside scenario are outside the control of the Group, this gives rise to material uncertainties, as defined in accounting standards, relating to events and circumstances which may cast significant doubt about the Group's ability to continue as a going concern and to continue in operation and discharge its liabilities in the normal course of business.

Reflecting the Board's confidence in the benefits expected from the completion of the transformation programme and execution of the approved disposal programme coupled with the potential to obtain further financing beyond its existing committed funding facilities, the Group continues to adopt the going concern basis in preparing these financial statements. The Board has concluded that the Group will be able to continue in operation and meet their liabilities as they fall due over the period to 31 August 2023. Consequently, these financial statements do not include any adjustments that would be required if the going concern basis of preparation were to be inappropriate.

Conclusion

Although the Company has a reliance on the Group as detailed above, even in a severe but plausible downside for both the Company and the Group, the Directors are confident the Company will continue to have adequate financial resources to continue in operation and discharge its liabilities as they fall due over the period to 31 August 2023 (the "going concern period"). Consequently, the annual report and financial statements have been prepared on the going concern basis.

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

1.2 Compliance with accounting standards

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

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

1 Accounting policies **(Continued)**

1.2 Compliance with accounting standards (continued)

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

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

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

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

1.3 Changes in accounting policies

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated.

The Company is in the advanced stages of the assessment of the amended standard and based on its current assessment, it is expected to result in an increase of c.£1.8m to the Company's onerous contract provisions.

1 Accounting policies **(Continued)**

1.4 Revenue recognition

The Company generates revenue largely in the United Kingdom. As described in the strategic report, the Company operates a number of diverse businesses and accordingly applies a variety of methods for revenue recognition, 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.

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.

For all contracts, the Company determines if the arrangement with a customer creates enforceable rights and obligations. This assessment results in certain Master Service Agreements (MSAs) or Frameworks not meeting the definition of a contract under IFRS 15 and as such the individual call-off agreements, linked to the MSA, are treated as individual contracts.

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

For contracts with multiple components to be delivered such as transformation, transitions and the delivery of outsourced services, management applies judgement to consider whether those promised goods and services are:

i. distinct – to be accounted for as separate performance obligations;
ii. not distinct – to be combined with other promised goods or services until a bundle is identified that is distinct; or
iii. part of a series of distinct goods and services that are substantially the same and have the same pattern of transfer to the customer

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

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.

1 Accounting policies **(Continued)**

1.4 Revenue recognition (continued)

The Company infrequently sells standard products with observable stand-alone prices due to the specialised services required by clients and therefore the Company applies judgement to determine an appropriate standalone selling price. More frequently, the Company sells a customer bespoke solution, and in these cases the Company typically uses the expected cost-plus margin or a contractually stated price approach to estimate the stand-alone selling price of each performance obligation.

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

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

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

If performance obligations in a contract do not meet the overtime criteria, the Company recognises revenue at a point in time when the service or good is delivered.

Contract modifications

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

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

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

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 probable that no revenue reversal will occur.

1 Accounting policies **(Continued)**

1.4 Revenue recognition (continued)

Deferred and accrued income
The Company's customer contracts include a diverse range of payment schedules dependent upon the nature and type of goods and services being provided. This can include performance-based payments or progress payments as well as regular monthly or quarterly payments for ongoing service delivery. Payments for transactional goods and services may be at delivery date, in arrears or part payment in advance. Our long-term service contracts tend to have higher cash flows early on in the contract to cover transformational activities.

Where payments made to date are greater than the revenue recognised to date 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.

At each reporting date, the Company assesses whether there is any indication that accrued income assets may be impaired by considering whether the revenue remains highly probable that no revenue reversal will occur. 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.

Contract types
The Company disaggregates revenue from contracts with customers by contract type, as management believe this best depicts how the nature, amount, timing and uncertainty of the Company's revenue and cash flows are affected by economic factors. Categories are: 'long-term contractual - greater than two years'; and 'short-term contractual - less than two years', and 'transactional'. Years based from service commencement date.

Long-term contractual – greater than two years
The Company provides a range of services in the majority of its reportable segments under customer contracts with a duration of more than two years. The nature of contracts or performance obligations categorised within this revenue type is diverse and includes:

i. long-term outsourced service arrangements in the public and private sectors.

Majority of the long-term contractual contracts form part of a series of distinct goods and services as they are substantially the same service; and have the same pattern of transfer (as the series constitutes services provided in distinct time increments (eg daily, monthly, quarterly or annual services)) and therefore treats the series as one performance obligation.

Short-term contractual – less than two years
The nature of contracts or performance obligations categorised within this revenue type is diverse and includes:

i. short-term outsourced service arrangements in the public and private sectors.

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

The nature of contracts or performance obligations categorised within this revenue type is diverse and includes:

i. fees received in relation to delivery of professional services.

1 Accounting policies **(Continued)**

1.5 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. 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:

Leasehold Improvement	Over the period of lease
Fixtures, fittings and equipment	4 - 5 years
Computer equipment	3 - 5 years

1.6 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.

1.7 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)**

1.8 Share-based payments

The Company participates in various share option and sharesave schemes operated by Capita plc, the ultimate parent undertaking. Details of these schemes are contained in the Group's Annual report.

The fair value of the equity instrument granted is measured at grant date and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined using an option pricing model, only taking into account vesting conditions linked to the price of the shares of the Company (market conditions).

No expense is recognised for awards that do not ultimately vest as a result of not meeting performance or service conditions. Where all service and performance vesting conditions have been met, the awards are treated as vesting, irrespective of whether or not the market condition is satisfied, as market conditions have been reflected in the fair value of the equity instruments.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the consolidated income statement, with a corresponding adjustment to equity.

Where the terms of an award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period adjusted for the incremental fair value of any modification ie the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the consolidated income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over the fair value being treated as an expense in the income statement.

1.9 Group Accounts

The financial statements present information about the Company as an individual undertaking and not about its Group. The Company has not prepared Group accounts as it is fully exempt from the requirement to do so by section 400 of the Companies Act 2006 as it is a subsidiary undertaking of Capita plc, a Company incorporated in England and Wales, and is included in the consolidated accounts of that Company.

1 Accounting policies **(Continued)**

1.10 Financial instruments

Investments and other financial assets

Classification

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.

For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

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.

Impairment

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.

Trade and other receivables

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

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with 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.

1.11 Government grants

Government grants are not recognised until there is a reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in the income statement on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in the income statement in the period in which they become receivable.

1 Accounting policies **(Continued)**

1.12 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

2 Significant accounting judgements, estimates and assumptions

The preparation of financial statements in accordance 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 presented periods. Although these judgements and assumptions are based on the directors' best knowledge of the amount, events or actions, actual results may differ.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows :

- **Revenue:** Due to the size and complexity of some of the Company's contracts, there are significant judgements to be applied, specifically in assessing: (i) the recoverability of contract fulfilment assets; and (ii) the completeness of the customer and onerous contract provisions. These judgements are dependent on assessing the contract's future profitability. It is possible that outcomes within the next financial year may be different from management's assumptions and could require a material adjustment to the carrying amounts of contract assets and onerous contract provisions. It should be noted that while management must make judgements in relation to applying the revenue recognition policy and recognition of related balance sheet items (trade receivables; deferred income; and accrued income) these are not considered significant judgements.

- **Onerous Contract Provision:** Judgement is required in measuring and recognising provisions related to onerous contracts. Because of the inherent uncertainty in the evaluation process, actual losses may be different from the originally estimated provision. Where no reliable basis of estimation can be made, no provision is recorded.

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 (loss)/profit for the year**	**2021**	**2020**
	£	**£**
Operating (loss)/profit for the year is stated after charging:		
Depreciation of property, plant and equipment (refer note 7)	32,862	35,975
Loss on disposal of property, plant and equipment	-	2,612
Impairment of Contract fulfillment asset	139,918	-
Expenses related to leases of low-value assets - plant and machinery	8,988	10,395

Audit fees are borne by the ultimate parent undertaking, Capita plc. The audit fee for the current period was £30,000 (2020: £25,000). 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 company accounts of the ultimate parent undertaking, which it is required to prepare in accordance with the Companies Act 2006.

5 Net finance income

	2021	**2020**
	£	**£**
Interest on bank deposits	2,135	-
Intercompany interest income	41,259	150,707
	43,394	**150,707**

6 Income tax

The major components of income tax charge for the years ended 31 December 2021 and 2020 are:

	2021	2020
Current income tax	£	£
UK Corporation tax	(320,307)	1,490,785
Adjustments in respect of prior periods	62,503	7,603
	(257,804)	**1,498,388**
Deferred income tax		
Origination and reversal of temporary differences	(27,421)	(17,478)
Adjustment in respect of prior periods	(62,392)	(6,454)
	(89,813)	**(23,932)**
Total tax (credit)/ charge reported in the income statement	**(347,617)**	**1,474,456**

The reconciliation between tax (credit)/charge and the accounting profit multiplied by the UK corporation tax rate for the years ended 31 December 2021 and 2020 is as follows:

	2021	2020
	£	£
(Loss)/ profit before tax	**(1,643,781)**	**7,768,044**
(Loss)/profit before taxation multiplied by standard rate of UK corporation tax of 19% (2020: 19%)	(312,318)	1,475,928
Taxation impact of factors affecting tax charge:		
Expenses not deductible for tax purposes	750	2,482
Adjustments in respect of current income tax of prior periods	62,503	7,603
Impact of changes in statutory tax rates	(36,160)	(5,103)
Adjustments in respect of deferred income tax of prior periods	(62,392)	(6,454)
Total adjustments	**(35,299)**	**(1,472)**
Total tax (credit)/charge reported in the income statement	**(347,617)**	**1,474,456**

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 2021 has been calculated based on this rate, resulting in a £36,160 tax credit to the income statement in 2021.

	Balance sheet		Income statement	
	2021	2020	2021	2020
Deferred tax assets	£	£	£	£
Decelerated capital allowances	56,964	47,631	(9,333)	(11,375)
Other short term timing differences	93,703	13,223	(80,480)	(12,557)
Net deferred tax asset	**150,667**	**60,854**		
Deferred tax credit			**(89,813)**	**(23,932)**

7 Property, plant and equipment

	Leasehold improvement	Fixtures, fittings and equipment	Computer equipment	Total
	£	£	£	£
Cost				
At 1 January 2021	36,297	77,265	31,308	144,870
At 31 December 2021	**36,297**	**77,265**	**31,308**	**144,870**
Depreciation				
At 1 January 2021	18,797	38,632	19,527	76,956
Charge for the year	7,778	15,453	9,631	32,862
At 31 December 2021	**26,575**	**54,085**	**29,158**	**109,818**
Net book value				
At 31 December 2021	**9,722**	**23,180**	**2,150**	**35,052**
At 31 December 2020	**17,500**	**38,633**	**11,781**	**67,914**

8 Contract fulfilment assets

	£
As at 1 January 2020	**363,788**
Utilised during the year	(111,934)
As at 31 December 2020	**251,854**
Utilised during the year	(111,936)
Impairment	(139,918)
As at 31 December 2021	-

Contract fulfilment assets relate to a transition project to implement a contract started in 2018 which was expected to run for 5 years.

In preparing these financial statements, the Company undertook a review to identify indicators of impairment of contract fulfilment assets. The Company determined whether or not the contract fulfilment assets were 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 used the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price were removed for the impairment test.

In line with the Company's accounting policy, as set out in note 1.4, if a contract or specific performance obligation exhibited marginal profitability or other indicators of impairment, judgement was applied to ascertain whether or not the future economic benefits from these contracts were sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific KPIs that could trigger variable consideration, or service credits.

There were contract related asset impairments amounting to £139,918 identified as at 31 December 2021 (31 December 2020: £nil).

9 Trade and other receivables

Current	**2021**	**2020**
	£	**£**
Trade receivables	167,913	103,958
Accrued income	1,548,904	2,165,024
Prepayments	53,926	86,944
Amounts due from parent and fellow subsidiary undertakings*	64,684,205	83,377,308
	66,454,948	**85,733,234**

Non-current	**2021**	**2020**
	£	**£**
Prepayments	7,326	36,630
	7,326	**36,630**

*The Company has intercompany loan arrangement with Capital Plc which is the ultimate parent Company. These are also unsecured, repayable on demand and carry an interest rate at LIBOR or equivalent benchmark rate.

10 Cash

	2021	**2020**
	£	**£**
Cash at bank and in hand	-	46,808
Total	**-**	**46,808**

11 Trade and other payables

	2021	**2020**
	£	**£**
Trade payables	56,746	17,279
Other payables	679	1,007
Other taxes and social security	890,848	1,570,267
Accruals	769,635	1,292,815
Amounts due to parent and fellow subsidiary undertaking*	3,345,411	20,302,452
	5,063,319	**23,183,820**

*Amounts due to parent and fellow undertakings are non-interest bearing and payable on demand

12 Deferred income

	2021	2020
	£	£
Current		
Deferred income	2,391,185	897,529
	2,391,185	**897,529**
Non-current		
Deferred income	-	2,628,837
	-	**2,628,837**

The deferred income balances solely relates to revenue from contracts with customers. Movements in the deferred income balances were driven by transactions entered into by the Company within the normal course of business in the year.

13 Financial liabilities

	2021	2020
	£	£
Overdrafts	1,553,647	-
	1,553,647	**-**

14 Provisions

Non-current	**Onerous-Contract provision**
	£
As at 1 January 2021	-
Additions	1,226,345
As at 31 December 2021	**1,226,345**

Current	**Onerous-Contract provision**
	£
At 1 January 2021	-
Additions	858,655
At 31 December 2021	**858,655**

15 **Issued share capital**	**2021**	**2020**	**2021**	**2020**
	Numbers	**Numbers**	**£**	**£**
Allotted, called up and fully paid				
Ordinary shares paid of £1 each				
At 1 January	2	2	2	2
At 31 December	**2**	**2**	**2**	**2**

16 Employee benefits

The Company participates in defined contribution pension schemes. Contributions in respect of the defined contribution schemes payable by the Company during the year amounted to £1,024,773 (2020: £1,637,388)

17 Employees

The average number of employees during the year (including non-executive Directors) was made up as follows::

	2021	**2020**
	Number	**Number**
Sales	-	-
Operations	877	1,237
Administration	34	34
	911	**1,271**

Their aggregate remuneration comprised:

	2021	**2020**
Employee costs	**£**	**£**
Wages and salaries	21,333,128	32,275,391
Social security costs	1,854,767	2,967,645
Pension costs	1,024,773	1,637,388
Shared based payments	2,141	11,308
	24,214,809	**36,891,732**

During the year, the Company furloughed employees unable to work as a result of the Covid-19 pandemic and applied to the Coronavirus Job Retention Scheme (CJRS) operated by the UK Government. Amounts received under CJRS are treated as a government grant and deducted from the relevant cost in the Company's income statement. During the year, the Company received £32,285 (2020: £440,787) under CJRS. These amounts are included within the relevant cost headings in the table above.

18 Directors' remuneration

	2021	2020
	£	£
Remuneration for qualifying services	299,607	257,231
Company pension contributions to defined contribution schemes	19,647	22,218
	319,254	**279,449**

1 Director was paid by the Company (2020: 2). The other directors have not provided qualifying services to the Company and are paid by other companies within the Capita Group. Such remuneration has not been allocated to the Company.

The aggregate amount of gains made by directors on exercise of share options was £12,354 during the year (2020: £nil) .

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

19 Controlling party

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

20 Post balance sheet events

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