Capita plc
Annual Report 2022

Capita

Capita is a purpose-led organisation which exists to 'create better outcomes' for all its stakeholders.

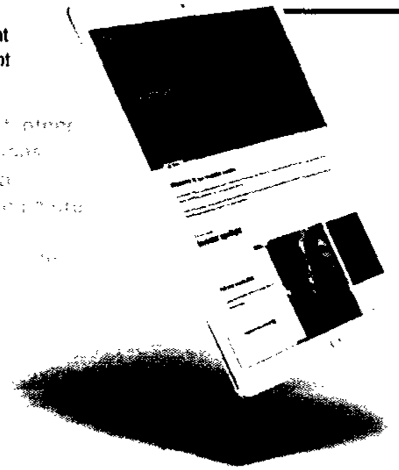
Read more about our purpose on page 4.

Our business model

Read more about our business model on pages 6 and 7.

CEO's review

Our people



Cautionary statement

The directors present the Annual Report for the year ended 31 December 2022, which includes the strategic report, corporate governance and audited accounts for the year. Pages 1 to [illegible] of this Annual Report comprise a report of the directors which has been drawn up and presented in accordance with English company law, and the liabilities of the directors in connection with that report shall be subject to the limitations and restrictions provided by such law. Where the directors' report refers to other reports or material, such as a website address, this has been done to direct the reader to other sources of Capita plc information which may be of interest. Such additional materials do not form part of this report.

In 2022, we delivered a turnaround in financial performance with accelerated adjusted revenue growth, a step change in profitability and positive free cash flow. Capita is now a business focused on two core divisions with strong positions in attractive and growing markets, underpinned by a strengthened balance sheet. Our priority continues to be on improving performance for all our stakeholders.

Financial highlights and KPIs

Reported revenue
£3,014.6m
(2021: £3,182.5m)

Adjusted revenue[1]
£2,845.8m
(2021: £2,777.8m)

Reported earnings per share (continuing ops)
4.47p
(2021: 13.33p)

Reported profit before tax
£61.4m
(2021: £285.6m)

Adjusted profit/(loss) before tax[1]
£73.8m
(2021: £(122.8)m)

Adjusted earnings/loss per share[2]
6.20p
(2021: (7.74)p)

Reported free cash flow[3]
£24.5m
(2021: £(264.3)m)

Free cash flow before the impact of business exits[3]
£29.0m
(2021: £(218.6)m)

Read more in the Chief Financial Officer's review on pages 26 to 32.

Capita is a leading provider of business process services, driven by data, technology and people.

Everything we do is underpinned by our purpose: to 'create better outcomes' – for our employees, clients and their customers, suppliers and partners, investors, and society.

Every day we help millions of people by delivering innovative, digitally enabled solutions to transform and simplify the connections between governments and citizens, businesses and customers.

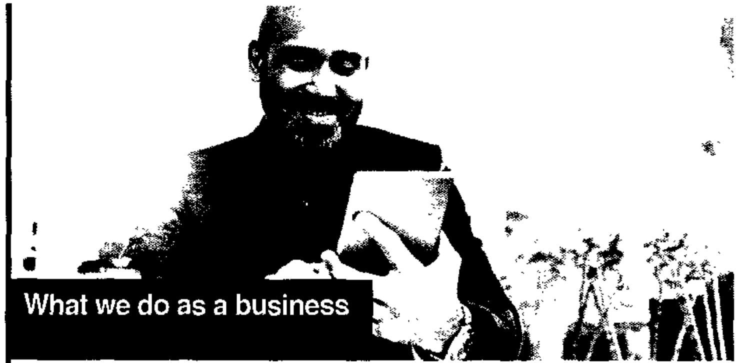
We partner with clients and provide them with the insight and technologies that allow them to focus on what they do best and make peoples' lives easier and simpler.

We operate across two core divisions – Public Service and Experience – in the UK, Europe, India and South Africa; a third division, Portfolio, comprises our remaining non-core businesses being prepared for disposal.

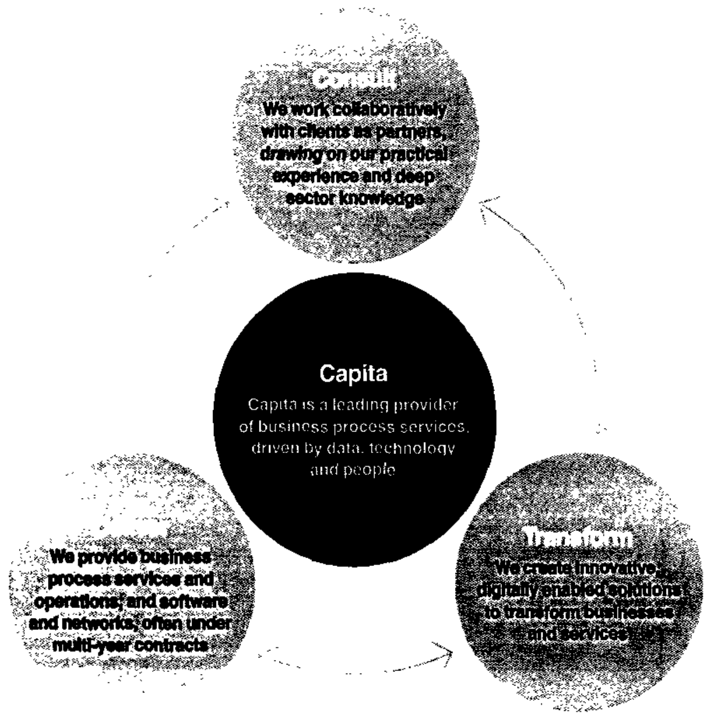
The Turing Scheme, which provides global opportunities in education and training for students, will see a record 38,000 students participate over the 2022–23 academic year.

We have secured a five-year agreement with ScottishPower to deliver customer support services.

We deliver training to the Royal Navy to provide motivated and experienced personnel to deal with challenges in the future.



What we do as a business



Two divisions focused on distinct market and client needs; a third division of non-core businesses.

Capita Public Service

The number one[2] strategic supplier of business process services (BPS) and technology services to the UK Government.

Main verticals: Education & Learning; Local Public Services; Health & Welfare; Defence, Fire & Security; and Justice, *Central Government & Transport*

See page 16 for further information.

Adjusted revenue contribution

51%

Adjusted divisional operating profit contribution

63%

Capita Portfolio

Remaining portfolio of valuable but non-core businesses, targeting sale by half year 2023, depending on market conditions.

Pillars: People; Software; Business Solutions; Travel; and Fera

Sold during 2022: Technology, Property

See page 24 for further information

Adjusted revenue[1] contribution

9%

Adjusted divisional operating profit[1] contribution

11%

Divisional financial performance: (see also pages 19, 23 and 25) is presented on an adjusted basis. Reported is not included, as the Board assesses divisional performance on adjusted results. The calculation of adjusted figures and our key performance indicators (KPIs) are contained in the APMs on pages 229 to 231.

Divisional details and performance can be found on pages 16 to 25.

We are driven by our purpose: to 'create better outcomes' – for our employees, clients and customers, suppliers and partners, investors, and society.

We are committed to being a responsible business – in how we operate, serve society, respect our people and the environment, and deliver improving returns to our investors.

Our people by providing an environment in which they can thrive and develop

Clients and customers by *delivering solutions, transforming* businesses and services, and by delighting them

Suppliers and partners by treating them fairly and encouraging them to deliver

Investors by delivering improving free cash flow and returns

Society by acting as a responsible business for the communities we serve

Everyone at Capita strives to create better outcomes for all our stakeholders by living our values of being:

- Open
- Collaborative
- Ingenious
- Effective

We bring these values to life through our day-to-day behaviours and by putting our purpose at the centre of everything we do.

To create a simpler, stronger and more successful business that will drive organic revenue growth and sustainable free cash flow.

Simplify
- A focused business with strong positions and growth potential
- Using common, scalable capabilities
- Empowering our people to deliver
- Streamlining our cost base

Strengthen
- Winning more of the right work
- A stronger balance sheet through improving cash generation and disposal proceeds
- Addressed the pension deficit
- Investment in technology and people

Succeed
- Purpose-led, responsible business
- Innovative and creative
- Accelerating revenue growth
- Delivered positive free cash flow[1] in 2022

Measured through our KPIs:

Financial

Adjusted revenue[2]
£2,845.8m
(2021: £2,777.8m)

Free cash flow before the impact of business exits[2]
£29.0m
(2021: £(218.6)m)

Adjusted earnings/(loss) per share[2]
6.20p
(2021: (7.74)p)

Net financial debt (pre-IFRS 16): adjusted EBITDA[2]
0.5x
(2021: 3.7x)

Aligning with our performance-based remuneration:

Annual bonus for the executive directors determined by:

- Free cash flow
- Revenue
- Profit before tax
- Strategic/personal objectives

Read more in the directors' remuneration report on pages 99 to 122.

At Capita, we provide business process services, driven by data, technology and people.

We operate in large and growing markets, at scale and often with significant market share.

Public Service

BPS spending growing at c.5% per annum
Government spending in the UK with private organisations is around £176bn and spending on BPS is growing at around 5% per annum. As Capita has won and delivered more digital transformation and IT contracts across the public sector, the UK Government now regards us as a digital service provider alongside delivering traditional outsourcing scopes of work.

Source: [illegible] MarketView

Outsourced market growth of c.5% per annum
The global customer experience market is valued at around £277bn and the outsourced element is expected to grow at around 5% per annum. The drive to digital includes a customer desire to shift to self-service, where convenience matters, and high-quality human interactions, supported by technology when needed.

Source: Everest

Our expertise and resource

Market expertise

We have deep understanding of our clients and their markets. We are organised around market verticals that reflect our client expertise.

Technological resources

We offer technology-led, digitally enabled services and solutions. We are investing in digital and software development. We partner with global technology leaders.

Client relationships

We form long-standing partnerships with a wide range of clients, from blue-chip businesses to the public sector, to transform their activities by delivering insight and innovative solutions.

Our people

We are a people-focused business, built around [illegible] skilled and committed employees who have deep understanding of our clients' markets and needs.

International infrastructure

We have an international delivery platform with more than [illegible] people providing technology solutions and customer engagement services such as call centres and customer support, principally in Europe, India and South Africa.

What we do as a business

Capita is a leading provider of business process services, driven by data, technology and people.

We are focused on creating better outcomes and value by working collaboratively with our clients as partners.

We provide consulting, transformation and professional delivery services drawing on our practical experience and provide digitally enabled services and solutions, often under multi-year contracts.

We consult, transform and deliver.

Consult

We work collaboratively with clients as partners, drawing on our experience and deep sector knowledge.

Transform

We create innovative solutions to transform businesses and services.

Deliver

We provide digitally enabled services and operations, often under multi-year contracts.

Our consultants:

- Work collaboratively with clients as trusted, long-term partners.
- Proactively identify opportunities to improve our clients' businesses.
- Generate forward-looking insights by analysing, researching and debating trends and data.
- Support the design and implementation of better solutions for clients.
- Maximise opportunities across Capita, driving pipeline and creating pull-through revenue.

Our transformation services:

- Improve process quality, reliability and efficiency.
- Help reduce risk and cost.
- Create new opportunities for clients.
- Allow clients to focus on what they do best.

Our digitally enabled services:

- Help simplify clients' services.
- Assist better decision making.
- Contribute to process acceleration.
- Improve end-customer experiences.

Generating financial value

We generate revenue, profit and cash flow by providing valuable services to our clients [illegible] consistently and efficiently over the long term.

Transformational services

Clients procure our digitally enabled services and network solutions through contracts [illegible] to effect significant change in their businesses. In 2022, approximately [illegible] (2021: [illegible]) of Group adjusted revenue was underpinned by long-term contracts, with around 15% (2021: 15%) from short-term contracts. [illegible] order book at 31 December 2022 was [illegible]bn.

Transactional services

Approximately [illegible] (2021: [illegible]) of adjusted [illegible] from our transactional [illegible], where we sell products and [illegible] In 2022 the [illegible] adjusted revenue.

Efficient operations

Running our business as efficiently as we can allows us to pass savings through to our clients and customers over the long term, as well as generating value for our shareholders. During 2022 our operating profit margin improved from a negative [illegible] to positive [illegible] through efficiencies from the business structure we implemented in 2021, reducing the cost of poor quality and adopting efficiency-generating technologies such as automation.

Generating cash flow

We aim to generate sustainable free cash flow from revenue growth, increasing profit margins through greater efficiency and eliminating the cash cost of poor-quality operations. During 2022 we delivered positive free cash flow before the impact of business exits of [illegible] compared with [illegible] free cash flow before the impact of business exits of [illegible] in the prior year, reflecting the non-repeat of one-off cash payments made in 2021 including pensions and VAT, and cessation of our significant restructuring programme.

Better outcomes for stakeholders

by providing an environment in which they can thrive and develop.

by delivering solutions, transforming businesses and services, and by delighting them.

by treating them fairly and encouraging them to deliver.

by delivering improving free cash flow and returns.

by acting as a responsible business for the communities we serve.

In 2022, Capita made further progress as a simplified and more focused organisation, built around two core divisions with strong positions in attractive and growing markets, and driven by its purpose.

The macroeconomic backdrop for all businesses, including Capita, and our employees, remained challenging – despite the waning threat of the Covid pandemic – amid political uncertainty and inflationary pressures.

Despite the difficult external environment, we delivered on our commitment of improving financial performance and moved towards the completion of the disposal processes in our Portfolio division.

Aligned to our purpose, the welfare and wellbeing of our tens of thousands of people remained a top priority.

It was very important, especially amid the cost of living crisis, to continue to support and care for our employees, particularly the lowest paid.

I would like to thank all our colleagues for their hard work, professionalism and commitment over the last year.

With our structural transformation done, the senior leadership team and the business are now very focused on the needs of our clients and customers.

At the same time, we recognise that our investors have yet to see the financial benefits of the company's improved performance.

The patience and ongoing support of our shareholders is very much appreciated and, looking forward, we remain committed to improving long-term value creation for them and all our stakeholders.

Strategy and performance

While 2021 marked the completion of Capita's transformation, 2022 saw us embedding the new corporate structure, stabilising the business, and building on the platform for growth.

We are now fully oriented towards our clients and their own organisational and commercial requirements, rather than approaching business from our previous, product-focused perspective.

We are committed to providing a consistently high quality of service delivery in order to delight our clients and customers – and, through this, will create more opportunities and accelerate and increase growth.

This has been reflected in our contract renewal rate which has remained very high and our continuingly positive customer net promoter scores.

In 2022, we increased our adjusted revenue – with growth higher than it has been for seven years – and produced adjusted profit and positive free cash flow.

The progress and growth have been most visible in our Public Service division, with Experience still somewhat behind in its evolution.

[illegible]

[illegible] has stabilised its revenues [illegible] growth come [illegible] fully

[illegible] our digital transformation capabilities [illegible] improved

[illegible] the way [illegible] strategic plan, will be the main driver of growth for us

[illegible] significant proceeds [illegible] portfolio businesses, which [illegible] strengthen the balance sheet and materially reduce our debt, and enabled us to address other responsibilities such as additional contributions to the pension fund

The Board and governance

[illegible] Chairman of Capita in 2022

On behalf of the Board, I would like to thank my predecessor Sir Ian Powell for his outstanding leadership over the previous six years

He successfully steered the organisation through challenging [illegible] of the structural transformation and the return to adjusted revenue growth

Matthew Lester, non-executive director, also left the Board in 2022 and I would like to thank him for his five years of service

As Chair of the Audit and Risk Committee, he enhanced our focus on financial controls and helped identify and manage the material risk factors that Capita continues to face

Another non-executive director, John Cresswell, [illegible] his intention to step down from the Board at the end of March 2023 [illegible] for his [illegible] contribution during his seven-year tenure

In June we welcomed Brian McArthur-Muscroft, a highly experienced chief financial officer and board director, as a non-executive director

Brian has taken over Matthew's role as Chair of [illegible] been brought to bear across the organisation

On the Board, we are committed to making sure we have the necessary skills, expertise [illegible] delivery of Capita's strategy

Our first ever employee directors, Lyndsay Browne and Joseph Murphy, stepped down in June at the end of their three-year tenures

I would like to thank them both for the significant contribution they made to the Board, providing fresh insight and a vital new perspective

We were delighted to welcome Janine Goodchild, a clinical trainer in our healthcare team, as our new employee director

I would like to thank all members of the Board for their commitment, continued support and hard work

Culture and sustainability

At Capita, we remain committed to our purpose of creating better outcomes for all stakeholders – our people, clients and customers, suppliers and partners, investors, and society

As part of that, for the past three years we have been proud to support thousands of our lowest paid people as a [illegible] payer of the real Living Wage [illegible] have recently invested to continue that important commitment

We have also embedded our virtual first hybrid working model, introduced an employee leadership council, and continued to work on [illegible] diversity and inclusivity across the organisation, and addressing our pay gaps

But to be able to delight stakeholders, including clients and customers, also requires an engaged workforce [illegible] and want to continue working for the organisation

[illegible] in both our employee net promoter score and engagement index. We must continue to focus on the welfare and needs of our colleagues

As a responsible business, we continued to make progress on delivering on our environmental, social and governance (ESG) objectives – and driving towards our target to be fully net zero on carbon emissions by 2035.

To enhance how we serve and respect our stakeholders, including society and the environment, we have also introduced an ESG committee to the Board

Looking forward

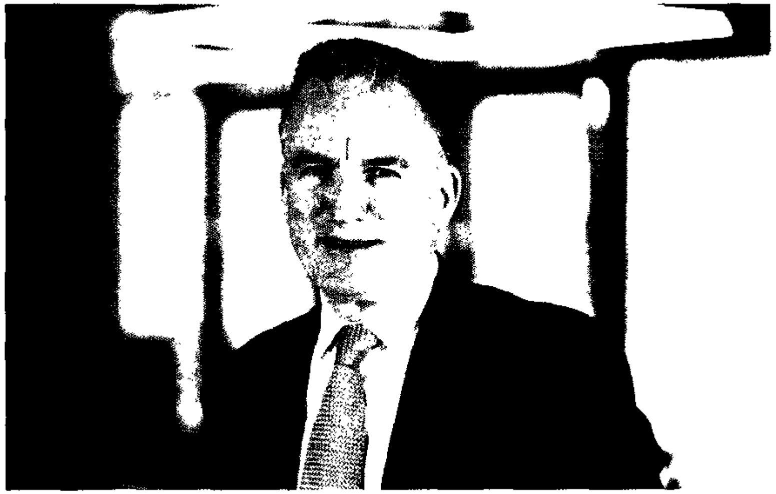
We live and work in uncertain times, which will continue to present challenges, but which will also provide opportunities – and we need to consider how we respond to those as a business

We are committed to continuing to improve performance on behalf of all our stakeholders

We have to drive, not just towards increased revenue growth, but to profitable growth with improved, cash-backed margins. Increased digitalisation and greater transformation capabilities should enable that to happen.

There is still more to be done at Capita and challenges remain. But I am confident of further progress towards long term revenue growth – and of securing a sustainable future as a profitable business, delivering positive free cash flow.

David Lowden
Chairman



Summary

Following the completion in 2021 of the Group's transformation, 2022 was an important year of stabilisation for Capita and we are pleased to report that the Group delivered an acceleration in adjusted revenue growth, an improvement from last year's adjusted loss before tax to a profit of £74m following cessation of restructuring spend, and positive free cash flow in line with expectations.

At the start of 2022, we set out our six corporate priorities: to live our purpose, invest in our colleagues, grow the business, deliver for our clients, deliver sustainable free cash flow, and reduce net debt. We made progress against each of these priorities which has provided a firm foundation for the success of the business moving forwards. Our strategy is delivering and we achieved a turnaround in our financial performance in 2022.

The Group's organisational structure now prioritises client needs alongside operational delivery, and we were pleased to have seen *a significant increase in customer net promoter score* (cNPS) over the year to +35 points.

We are also creating a more compelling working environment for our colleagues, with an increase of 15 points in our employee net promoter score (eNPS). But there is still more to do in this area, and we have a comprehensive plan to deliver further progress in 2023.

We are on a path to sustainable free cash flow generation, having delivered positive free cash flow in 2022 and having continued to strengthen the balance sheet following the completion of further disposals of non-core businesses achieving gross disposal proceeds of c.£485m *which has substantially reduced our net debt.*

Market conditions and dynamics have changed significantly over the past year, for both businesses and consumers. But we believe Capita remains a resilient business *notwithstanding the challenging macroeconomic* environment, as we use our know-how, digital tools and process expertise to deliver cost-*effective solutions to clients and customers.*

I would like to thank our colleagues throughout the organisation for their continued hard work, commitment and professionalism.

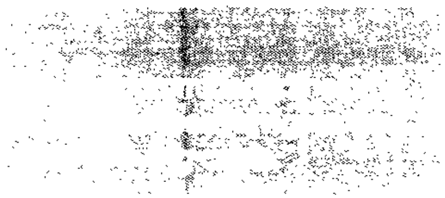
The foundation that Capita now has in place, following our transformation and stabilisation phases, will allow us to accelerate our growth further in 2023 and beyond.

Living our purpose

Creating better outcomes for all key stakeholders is Capita's purpose and is our licence to operate. It underpins everything we do as a business.

We align ourselves to the five principles of a purpose-driven business within the Blueprint for Better Business. These include being honest and fair with clients and suppliers, being a good citizen, being a responsible and responsive employer, being a guardian for future generations, and having a purpose which delivers long-term sustainable performance.

Globally, we have introduced purpose-related remuneration metrics and objectives, to embed further our purpose-driven behaviours across



[illegible] targets were set by the new [illegible] Committee of the Board and approved by the Remuneration Committee prior to final [illegible] approval.

Diversity was a key focus during 2022 and [illegible] [illegible] set ambitious targets for [illegible] equality, diversity and [illegible] senior leadership. The Group [illegible] [illegible] targets, with 42% female senior leadership (globally) and 11% ethnic diversity [illegible] senior leadership, including [illegible] Black representation at the end of 2022.

In addition, our Board and Executive Committee are both currently 44% female and [illegible] ethnically diverse, well above the diversity levels of most UK boards and executive teams.

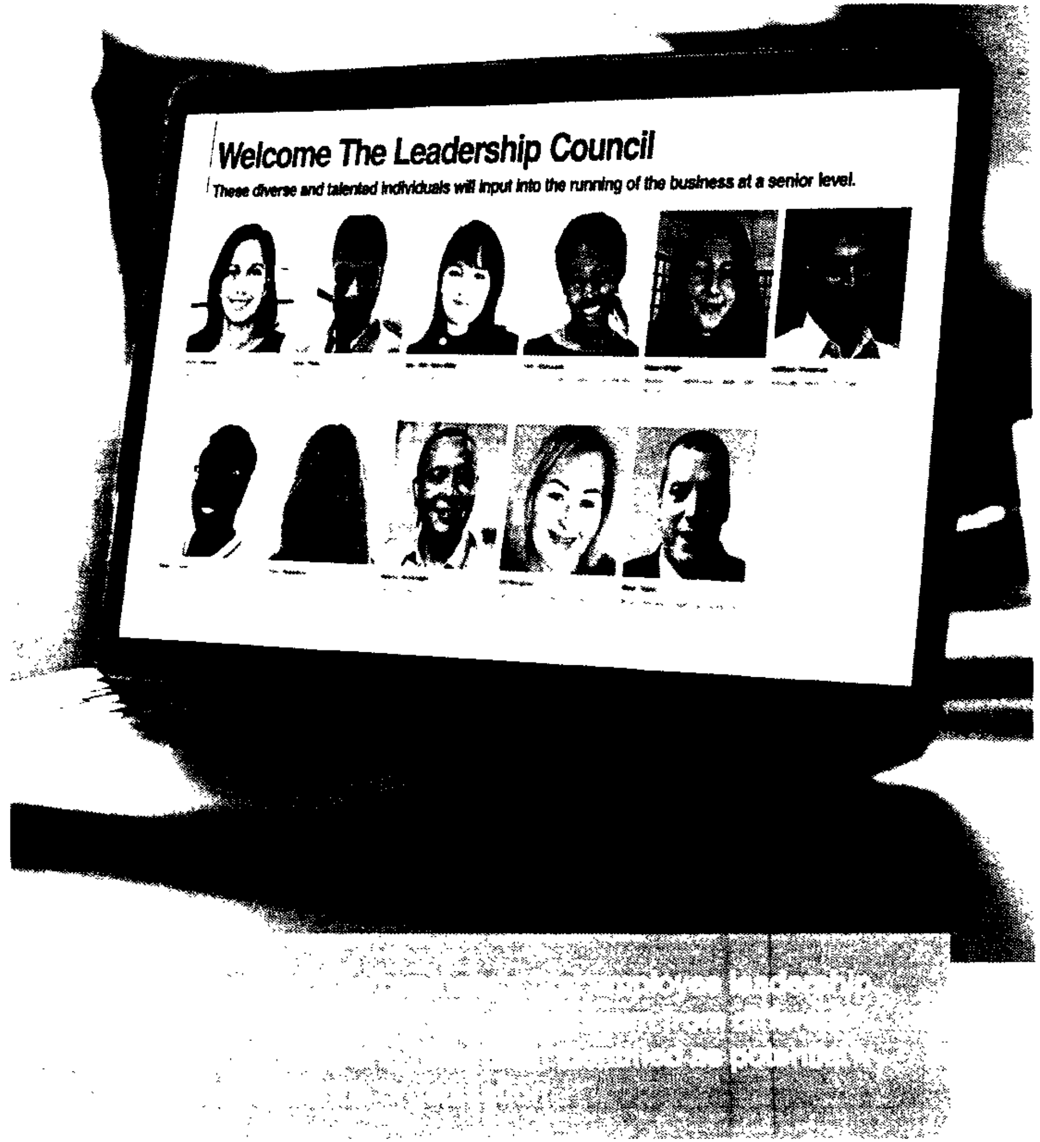
Employee engagement and investing in our colleagues was a corporate priority in 2022. We [illegible] attention to better communication, [illegible] programmes and development of the career path framework. We have a compelling employee value proposition, and we saw a [illegible] improvement in eNPS in 2022.

[illegible] committed to remaining a virtual-first [illegible] hybrid working model allows [illegible] of our colleagues to work [illegible] of the time. This has helped improve employee recruitment, while unlocking career opportunities for the economically inactive and supporting the UK Government's Levelling Up agenda. In 2022, 85% of employees gave our hybrid working model as a reason to stay with Capita, and we have seen a positive effect on both productivity and absenteeism.

However, similar to our competitors in the current tight market, colleague attrition remains a key challenge for the Group. We are working to identify the drivers of attrition and take meaningful action to reduce it to a sustainable level. This year we introduced the career path framework to help employees [illegible] development and shape their future progress, creating long and fulfilling careers at Capita. The rollout of the career path framework across the Group will be completed in 2023.

Attrition rates have improved in a number of areas, such as within our Technology and Software Solutions [illegible] and Public Service, but there are still some parts of experience where they remain high. Addressing and reducing attrition across the Group represents a significant future cost-saving opportunity.

We are committed to helping our employees navigate the cost of living crisis, particularly our lower-earning colleagues. We have continued our commitment and retained our status as a real living wage accredited employer in the UK, and through our 2023 annual salary review process, pay rises will be heavily weighted towards the lower earners in the organisation, with the highest earners being asked to forgo a basic pay increase.



[illegible] colleagues based outside the UK, we have [illegible] paying colleagues [illegible] national pay principles. In order to [illegible] our colleagues further, we have also [illegible] a number of financial wellbeing [illegible] including direct financial support [illegible] salary advances, and the Level app [illegible] provides support for financial budgeting.

[illegible] we continued to develop and [illegible] health, safety and wellbeing policies [illegible] for all our colleagues within the [illegible] and business units. We are driving [illegible] programmes around our [illegible] improving the wellbeing and [illegible] of our new occupational [illegible] and are using the digital [illegible] of the tool. We used to cater for [illegible]. In 2022 our annual employee [illegible] approved by [illegible]. We also [illegible] providing guidance [illegible] dealing with complex [illegible] wellbeing, safeguarding [illegible].

Elsewhere within the Group, we launched Project Compass to provide ex-offenders with meaningful employment upon leaving prison. We also joined forces with [illegible] to assist military veterans with finding jobs to [illegible] the UK's digital skills gaps, as they return to civilian life. We were pleased to retain our status as a gold award employer under the Armed Forces Covenant.

Outside the UK, we made a donation at the start of the Ukraine war to the Red Cross, while our colleagues in Poland have supported refugees with donations and hosted refugee families. In South Africa we funded a [illegible] programme to help underprivileged people to tackle digital exclusion.

More widely, across our contract bids, we have seen our clients placing a greater emphasis on ESG in their tender appraisal processes. This is an area where we typically score well, reflecting our success in transforming Capita into a truly purpose-driven, responsible business.

We previously outlined our plans to take our carbon footprint to net zero by 2035, ahead of the UK Government's target of 2050. Our [illegible] targets [illegible] Scope 1 and 2 net zero by 2030, and net zero by 2035. During the year, the Science Based Targets initiative verified the Group's [illegible] net zero target is compliant with the highest standards of target setting methodology and Capita was awarded a climate change A list award by the Carbon Disclosure Project (CDP).

We reduced our Scope 1 and 2 emissions by [illegible] compared with our 2019 baseline. We are [illegible] low risk by

[illegible] analytics, a leading independent ESG and corporate governance research, ratings and analytics firm. Our newly created ESG committee provides additional strategic oversight, accountability and guidance to ensure we maintain our high standards.

Our performance on supplier metrics has been maintained: for example, 9[illegible]% of all suppliers were paid within UK Government guidelines of 60 days, a one percentage point increase from 2021. We were also slightly ahead of our 33% target spend with SME suppliers.

Markets and clients

We are a leading provider of business process services (BPS), driven by data, technology and people. Both our Public Service and Experience divisions have strong positions in their markets – as the UK Government's largest IT outsourcing supplier, and as the UK's leading customer services provider.

Both markets are growing at around 5[illegible]% per annum. Some sub-sectors within the markets are growing at much higher rates, as both the public and private sectors invest in digital transformation to drive efficiency amid economic uncertainty and fiscal strain, and deliver better citizen and customer service. Our overall value proposition remains strong in the current macroeconomic climate where we can drive efficiency and productivity for the benefit of customers and citizens.

Our deep sector process knowledge and market vertical divisional structure, combined with the breadth and depth of the Group's client base, provide stability and resilience. The divisions, led by our dedicated client partners, are also generating a better-quality pipeline, enabling us to accelerate revenue growth.

We are taking a proactive approach to mitigating the pressures of rising inflation and in 2022 we believe this resulted in no material profit impact from inflation on the Group. To provide future protection, we have focused efforts on ensuring we have robust contractual protection in place against inflation. Where protection does not currently exist, we have seen success from commercial dialogue with clients to ensure we are being fairly remunerated in changing market conditions. We also have embedded cost-reduction programmes across the Group to help offset inflationary pressures.

Digital transformation

There is a major market opportunity across both core divisions to be more cost effective and win more business, as we improve our digital capabilities.

Both core divisions are highly ranked by TechMarketView and Information Services Group for their client delivery. We remain on a journey in which we are transitioning from providing traditional business process outsourcing (BPO) to BPS, where services and process delivery are digitally enabled.

In 2022, the UK Government published its roadmap for digital and data, outlining its intention to spend up to an additional £8bn by 2025 on digital, data and technology transformation. As our mix of work shifts from traditional BPO to digital BPS, we see incremental margin opportunity from processes [illegible] standardised and repeatable [illegible] contract statuses. Personal [illegible] starting to yield benefits [illegible] for the first time [illegible] digital service provider [illegible] complex outsourcing [illegible]

[illegible] our digital offerings, we continue [illegible] capability. With 4,200 [illegible] brings a single resource [illegible] resilient and predictable [illegible] Capita's businesses [illegible] view this as the digital heart [illegible] Capita.

[illegible] partners with divisional [illegible] Managers to ensure greater [illegible] requirements, while [illegible] pan-Capita digital roadmap [illegible] capabilities across the Group [illegible] outsourced to client [illegible] Capita Public [illegible] in 2022. The new [illegible] structure has also seen [illegible] employee engagement in [illegible]

[illegible] creation of a shared service [illegible] function facilitated a [illegible] daily software [illegible] more releases [illegible]

[illegible] balance sheet underpins our [illegible] investment in digital solutions. [illegible] invested in a new pensions [illegible] Financial Services vertical [illegible] self service. Within Public [illegible]

Service, our digital technology spend will be [illegible] area of continued investment in 2023 and beyond, positioning us for improved opportunities going forwards.

To underpin the Group's increase in digital [illegible] [illegible] will be investing [illegible] of our networks [illegible] areas, including [illegible] and growing [illegible] our automation tools, improving our automation capabilities, data, our cloud and hosting capabilities [illegible]. This will [illegible] analytics and software engineering [illegible] of clients, help enable us to meet the demands of clients [illegible] deliver user-centric solutions and accelerate benefit delivery.

The Group continues to strengthen digital capability within our client offerings, as we invest in our technology stack and capabilities. We have partnered with world-leading technology providers, such as Amazon Web Services (AWS), Salesforce and Microsoft, to support the build of standardised scalable platforms, improving our ability to deploy automation, AI and analytics, and in turn delivering better customer service outcomes.

Growing our business

In 2022 the Group won contracts with a total contract value (TCV) of £2.8bn (2021: £3.4bn), the reduction reflecting the scale and lumpy nature of timing of contract award phasing in Public Service, partially offset by a strong performance in Experience.

Experience had a particularly strong year, with a [illegible] increase in TCV sold, reflecting very high levels of contract retention and growth with existing clients. The book to bill ratio for the [illegible] was 1.2x, the highest it has been for [illegible]

a number of years. New contract wins included [illegible] customer experience support provision [illegible] which uses AI [illegible] conversational technology and data analytics to deliver better outcomes and efficiencies.

Renewed contracts included a five-year renewal with the BBC (providing TV licensing collection, management and administration), a [illegible] contract extension with [illegible] services support for [illegible] customer services support [illegible] communications and digital [illegible] and multiple contracts [illegible] services company, and multiple contracts within the financial services industry reflecting our strength in that area. The renewal rate in the division remains extremely high at 99% of all renewals bid for.

Public Service saw a 50% reduction in TCV sold, compared with the prior year, following the £[illegible]m win of the Royal Navy training contract in 2021. Our client renewal rate remains very high at 91% across renewals bid for. There was [illegible] year [illegible] vertical, including [illegible] NHS England, Barnet Council [illegible] Department for Work and [illegible] secured growth with existing [illegible] Road User Charging and [illegible] the Submarine Training [illegible] bid for the division for the [illegible]

[illegible]

[illegible] within Portfolio [illegible] TCV which was a slight [illegible] 2021 on a like-for-like [illegible] bid for the division [illegible]

At 31 December 2022 the Group's order book stood at [illegible], reducing [illegible] from 31 December 2021 [illegible] order book [illegible] revenue [illegible] business disposals and contract terminations.

Delivery for our clients and cost efficiency

Consistently delivering for our clients is the cornerstone of our success. The [illegible] efficient client delivery and getting it right first time reduces excess cost and allows us to grow revenue.

Our NPS improved in 2022 by six points [illegible] with the overall score now at [illegible] points. We saw improvements in all divisions, reflecting our efforts to deliver for our clients and their customers throughout the business. In a few [illegible] where KPI performance was not met [illegible] we actively engaged in remediation [illegible] This is [illegible] and improve our [illegible] stakeholder report [illegible] the Group has [illegible] the highest [illegible] score [illegible] years [illegible]

[illegible] consistent delivery across both [illegible] flexible [illegible] agile workforce [illegible] single delivery [illegible] division [illegible] common [illegible] technology stacks and processes with a high level of quality. We are applying the same [illegible] technology to our clients and ourselves [illegible] drive cost reduction and consistency of service delivery.

We had a strong and predictable operational performance in 2022, hitting customer KPIs consistently across the year. There were a number of notable achievements across the contract portfolio, including:

- Maintaining our 100% success delivery record for both time and cost on the Royal Navy training contract. The strength of this partnership has allowed us to bid for additional scopes of work such as the Submarine Training Centre
- A smooth start to our work on the new ScottishPower contract in June, transferring 400 people to Capita from the previous service provider with no impact on operational performance
- Flexible scaling of service delivery teams in our Experience division around client peak demand periods for retail sales across the year

The challenging market conditions, and higher levels of employee attrition in some areas [illegible] increased cost pressure for the Group over the year, but developing a more agile workforce has enabled us to increase our ability to meet resource demands, and we have seen an improvement in our eNPS.

We are experiencing one of the tightest labour markets of all time, but managed to recruit a significant number of people in 2022 [illegible] market demand. We now have the appropriate resources to grow and maximise revenue opportunities.

More broadly, we see margin opportunity in improving commercial terms on our existing contracts and from solutions that have a higher digital underpin and are more scalable.

Our property portfolio and usage are a continued area of focus for management as we maintain our virtual first working model. In 2022 we permanently closed 19 properties and consolidated an additional 19, resulting in a 23% reduction in our total square footage over the past two years, reducing our annual lease payments by £22m.

Financial results – revenue and profit

Adjusted revenue[1] growth accelerated in 2022 to 2.4%[1] across the whole year with 4% growth in the second half as we delivered adjusted revenue[1] of £2,845.8m (2021: £2,777.8m). New contract wins included the Northern Ireland teachers IT device refresh contract and the annualised Tuning Scheme, as well as the annualised benefit of the Royal Navy training contract and price increases/indexation. The impact of these new awards was partially offset by prior-year losses, and reductions in contract scope and volume, mainly in the Financial Services vertical in Experience. Portfolio performed well, as businesses recovered from the Covid-19 related activity restraints of 2021.

Reported revenue declined by 5% to £3,014.6m as the core business growth was more than offset by the disposal of non-core businesses.

Adjusted profit before tax increased to £73.8m (2021 loss: £122.8m). The improvement in profit reflected the cessation of major restructuring spend in 2021 (£147.5m), the non-repetition of

The closed book Life & Pensions business [illegible] in 2021 [illegible] the period [illegible] revenue growth with [illegible] year. This was partially offset by the Group's [illegible] commitment [illegible] received [illegible].

Reported profit [illegible] principally reflecting the reduction in disposal gains, following the [illegible] and Axelos sales completed in 2021 (2021 gain £[illegible]). In 2022 we made a disposal gain of £[illegible]m, primarily from the sale of Payzone. We recognised a £[illegible]m (2021: £[illegible]m) [illegible] goodwill impairment in respect of businesses within the Portfolio division.

Financial results – free cash flow and net debt

We delivered positive free cash flow before the impact of business exits of £[illegible]m (2021 outflow £[illegible]m) and free cash flow was positive at £[illegible]m (2021 outflow £[illegible]m). The swing to positive free cash flow generation reflected a reduction in pension deficit payments from £155.5m to £[illegible]m and deferred VAT repayments from £[illegible]m to £[illegible]m, together with an underlying improvement in operating cash flow conversion.

Net debt reduced further to £[illegible]m in 2022 ([illegible]) as we continued to strengthen the balance sheet. [illegible] net financial debt reduced to £[illegible]m ([illegible]). The reduction was achieved through our successful disposals programme, with £[illegible]m of gross proceeds received in 2022 from the sales of Payzone, the Technology and Property pillars and Capita Translation and Interpreting, as well [illegible].

[illegible] programme has enabled us to [illegible] debt maturities in 2021 and 2022. We continue to reduce other financial obligations, [illegible] our pension deficit through additional contributions, and our property footprint which yielded a further reduction in lease liabilities of £40m.

While market conditions have been challenging in some areas, we continued to see good interest in the businesses remaining to be sold within Portfolio. Operationally, we have maintained our strong delivery for clients in this area. The division now has £[illegible]m revenue and £[illegible]m of profit before the allocation of Group overheads in 2022.

The closed book Life & Pensions business unit, which sits in Experience, continues to negatively affect the Group's cash performance as the costs of servicing a small number of legacy contracts significantly outweigh client cash receipts. The cash outflow from this business unit is forecast to remain broadly unchanged. However, we continue to deliver operationally well for these clients and, while we support those that remain core to our Financial Services vertical, these contracts are an area of continued focus from management as we look to reduce the adverse cash flow impact on the Group.

Outlook

While the current economic and broader political environments create some uncertainty, we believe that the transformation of Capita that we completed in 2021, and the financial turnaround of the business we delivered in 2022, places the business in a strong position to deliver successfully moving forwards.

We expect that our market positioning, transformed business model and focus on opportunities in the digitally enabled BPS space will enable us to continue to accelerate revenue growth into 2023 and to deliver profit growth and positive free cash flow over the medium term.

Jon Lewis
Chief Executive Officer

Capita Public Service is the number one[2] strategic supplier of Software and IT Services (SITS) and business process services (BPS) to the UK Government.

Adjusted revenue[1]

£1,445.3m

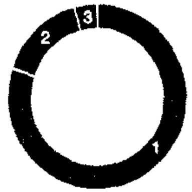
(2021: £1,410.4m) 2.5%

Adjusted operating profit[1]

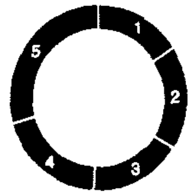
£91.5m

(2021: £93.2m) (1.8)%

Adjusted revenue by type



Revenue by market



Financial performance

Divisional financial summary	2022	2021	Change %
Adjusted revenue[1] (£m)	1,445.3	[illegible]	[illegible]
Adjusted operating profit[1] (£m)	91.5	[illegible]	(1.8)
Adjusted operating margin[1] (%)	6.3	[illegible]	
Adjusted EBITDA[1] (£m)	130.0	[illegible]	[illegible]
Cash generated from operations before business exits[1] (£m)	95.4	[illegible]	[illegible]
Order book (£m)	2,985.0	[illegible]	[illegible]

Business units

- Education & Learning
- *Local Public Services*
- Health & Welfare
- Defence, Fire & Security
- Justice, Central Government & Transport

Employees

- 11,700

Client distribution

- UK

Major contract wins and renewals

- A three-year extension to our Primary Care Support England *contract, worth £94m*
- £85m additional growth and scope, including the Submarine Training Centre on the Royal Navy *training contract*
- An extension to the current 10-year Barnet contract, worth up to £57m over three years
- Appointment as an HMRC *automation* partner, which over four years could be worth up to £20m

Competitors

- Fujitsu
- Atos
- *Sopra Steria*
- CGI
- TCS
- Cognizant
- *Accenture*
- DXC Technology
- BJSS
- Cap Gemini
- Kainos
- Serco
- Maximus

Capita Public Service is structured across five market verticals: Education & Learning; Local Public Services; Health & Welfare; Defence, Fire & Security; and Justice, Central Government & Transport; as well as the non-consolidated Smart DCC subsidiary.

Our markets and growth drivers

Government spending in the UK [illegible] [illegible] [illegible] [illegible] [illegible] core addressable market is [illegible] Digital BPS is a fast [illegible] growing [illegible] [illegible] the [illegible] Government's [illegible] on digitally-enabled transformation.

While broader market dynamics and macroeconomics are expected to continue to be challenging during 2023, Public Service is well positioned [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] with [illegible] and delivery capabilities [illegible] [illegible] each vertical offering efficient solutions and cost savings during times of fiscal [illegible]

In 2022 the UK Government published the [illegible] [illegible] outlining its [illegible] [illegible] [illegible] up to an additional [illegible] [illegible] technology [illegible] 2025 to accelerate digital [illegible] [illegible] in order to better respond to [illegible] [illegible] challenges.

Our placement on digital frameworks and the shift in the BPS market to become more digital and data-enabled provides an opportunity as the Government seeks more cost-efficient and effective services, while improving overall citizen experience.

Across the variety of services that Public Service provides, we compete with a number of other providers within this fragmented market including but not limited to Fujitsu, Atos, Sopra Steria, CGI, TCS, Cognizant, Accenture, DXC Technology, [illegible], Cap Gemini, Kainos, Serco and [illegible]

Our strategy

Our strategy is to create better outcomes using [illegible] approach.

Public Service is executing on a digital strategy [illegible] materially investing [illegible] to create a preferred [illegible] digital capabilities [illegible] technology stack and IT ecosystem, alongside our traditional BPO business. This investment will underpin our ambition to transform the way we work, in line with the UK Government's evolving demand for digital solutions.

We look to leverage our vast experience of [illegible] and integrating end-to-end processes [illegible] capability in partnership [illegible] digital capability [illegible] with our UK Government clients to help them increase their operational efficiency and [illegible] the outcomes for UK citizens.

In 2022, we reinforced our position as an important strategic supplier to the UK Government, reflecting continuous improvements in our delivery and strengthened balance sheet. As Capita has won and delivered more digital transformation and IT contracts across the public sector, the Government now regards us as a digital service provider alongside delivering traditional complex outsourcing scopes of work.

Our strength is in understanding our clients' needs and problems with our deep sector knowledge and client partners in our chosen verticals working with relevant Government departments. We have invested in our coverage on Government frameworks, through which companies are able to bid for Government contracts, and we are now included on frameworks representing market access of up to £9.5bn.

We are working with the Government to understand how it expects the transition to digital delivery to be completed, with opportunities in our Health & Welfare, and Defence, Fire & Security, and Justice, Central Government & Transport verticals.

We saw success in this journey across a variety of contracts in 2022. In May, we were appointed as HMRC's new automation and innovation partner to develop, deploy and support robotic software and other automation tools in order to simplify processes and drive operational efficiency.

In 2022, we reinforced our position as an important strategic supplier to the UK Government

Our operational delivery remained consistently strong across the contract portfolio

[illegible] internally developed GrantIS [illegible] successfully [illegible] grant funding applications with the Department for Education [illegible] applications on the Turing Scheme [illegible] the product remains in use on a [illegible] with the Department for International Trade. [illegible] there are a number of further [illegible] for GrantIS within the grant management and wider distribution market.

During the year, we set up a client advisory [illegible] our understanding of [illegible] processes and requirements to help us [illegible] an even more effective service [illegible] long term. We expect this to [illegible] our origination of bids [illegible] we see further alignment [illegible]

Growth

[illegible] the year, we [illegible] through client partnering, with [illegible] professionalised sales [illegible] to deliver high growth alongside strong operational outcomes.

Public Service won contracts with £1,218m (2021: £2,422m) TCV. The total TCV won decreased from the prior year reflecting the somewhat lumpy nature of the Government [illegible] contracts [illegible] in particular the [illegible] in 2021 from the £[illegible]m Royal Navy training contract award. We saw [illegible] material bid timelines pushed into [illegible] particularly in the second half of the year following a number of changes within the UK Government. As a result, the division's weighted pipeline has increased by £[illegible]m to £[illegible]m and the 2022 book to bill ratio was [illegible]x.

At 31 December 2022, the total unweighted pipeline was £7,8[illegible]m, a decrease of £[illegible]m from December 2021, reflecting the TCV won in the year and the number of additions to the pipeline across the year.

We continue to see strong performance on contract renewals with a [illegible] win rate [illegible] renewals and [illegible] with extensions with [illegible] [illegible] Council, the Department for Work and Pensions [illegible] and the Northern Ireland Education Authority. On all opportunities bid for we saw a success rate of [illegible]%.

The order book at 31 December was £2,[illegible]m, a decrease of £301m since 31 December 2021 [illegible] revenue [illegible] was not offset by order book additions in the year.

Cost and operational excellence

Across the year, we focused on further embedding the operating model introduced in 2021 to ensure that our clients' needs across a broad range of services with improved cross-sell opportunities. There have been natural efficiencies from the division's matrix operating model and we are now looking at the digital tools and investments to reduce future costs, as we enhance the scalability of solutions.

The division's standalone eNPS improved by nine points from 2021 to an overall score of +[illegible], including many of our key clients, reflecting the commitment to client delivery and consistent outcomes achieved during the year.

In 2022 our operational delivery remained consistently strong across the contract portfolio, with strong performance against all contract KPIs. For example, we delivered on all the key milestones on the Royal Navy training contract and have now started running the Royal Navy's maritime composition training system. In addition, we launched the Aviation Fire Programme at the [illegible] Service College, while the [illegible] Entry [illegible] support contract delivered in 18 months more than 1.5x the target number of [illegible] starts. Within our Smart [illegible] subsidiary there are now 10 million first generation meters connected to the DCC secure nationwide network.

In April 2022, Capita secured a two-year contract extension with Northern Ireland's Education Authority to continue to deliver the managed IT service for all of Northern Ireland's 1,100 schools

In 2022, we delivered on all the key milestones of our Royal Navy training contracts, and have now started running the Navy's maritime composition training system

This consistent performance has reduced the financial burden on the division, with the major contracts now delivering improving profit and cash flow, alongside growth opportunities such as the Submarine Training Centre and with our HK Road User Charging contract.

We have now commenced investment to underpin efficient operations in future years, automating common operational activities, with financial payback expected from 2023. We are increasingly using shared service centres to provide resourcing flexibility and to ensure we service our contracts consistently.

Financial performance

Adjusted revenue[1] increased by 2.5% to £1,446.3m, reflecting the annualisation of the Royal Navy training contract and additional growth opportunities within the contract and wins such as the Northern Ireland teachers IT refresh contract. Revenue also benefited from additional volumes in the Justice, Central Government & Transport vertical and the running of the first full test cycle of primary school curriculum assessments in England for the Standards and Testing Agency (STA) following cancellation of the previous year's test cycle due to Covid restrictions. There were contract handbacks in the year within our Local Public Services vertical, as well as the cessation of our contract with The Pensions Regulator.

Adjusted operating profit[1] decreased by 1.8% to £[illegible]m, reflecting the mix of work and reduced margin on the British Army Recruiting Partnering Project (RPP) contract as it moved into the next phase of service delivery. This was offset by the non-recurrence of significant restructuring spend in 2021 (£5m) and margin from contract wins and increases in volumes. The division also benefited from the mutual conclusion of the Electronic Monitoring Service transformation programme in 2021, which resulted in £9m of costs being incurred in the prior year.

Cash generated from operations before business exits[1] increased by 43.5% to £95.4m reflecting the working capital benefit from contracts moving into the operational phase offset by utilisation of customer contract provisions in 2022. The 2021 cash flow was impacted by the repayment of deferred VAT from 2020.

Outlook

In 2023, we expect accelerated revenue growth, particularly in our Education & Learning, and Defence, Fire & Security verticals, as volumes on existing contracts and transactional revenue increase.

Improvements in the division's operating margin are expected to be achieved, as we continue to win work at appropriate rates of return and efficiencies are realised from our simplified organisation and technology investment.

Capita Experience is one of western Europe's leading customer experience businesses. It is the market leader in the UK[4] and ranks fifth in Germany[4] and Europe[4].

- Telecoms, Media & Technology
- Financial Services
- Energy & Utilities
- Retail

- 31,000

- UK, Ireland, Germany and Switzerland

- UK, South Africa, India and Poland

- A five-year contract extension worth £456m to administer the TV licence fee on behalf of the BBC
- Extensions worth up to £40m across our Plusnet and Samsung contracts
- A new logo win with ScottishPower worth up to £63m over five years

Divisional financial summary	2022	2021	Change %
Adjusted revenue[1] (£m)			
Adjusted operating profit[1] (£m)			
Adjusted operating margin[1] (%)			
Adjusted EBITDA[1] (£m)			
Cash generated from/(used by) operations before business exits[1] (£m)			
Order book (£m)			

- Atento
- Teleperformance
- Webhelp
- Accenture
- Concentrix
- T-Tech
- Sykes Enterprises
- Firstsource
- Majorel
- In-sourcing trend

Experience is now structured around four core industries: Financial Services; Technology Media & Telco (TMT); and, following the separation of our Multi-industry vertical, Energy & Utilities and Retail.

Our markets and growth drivers

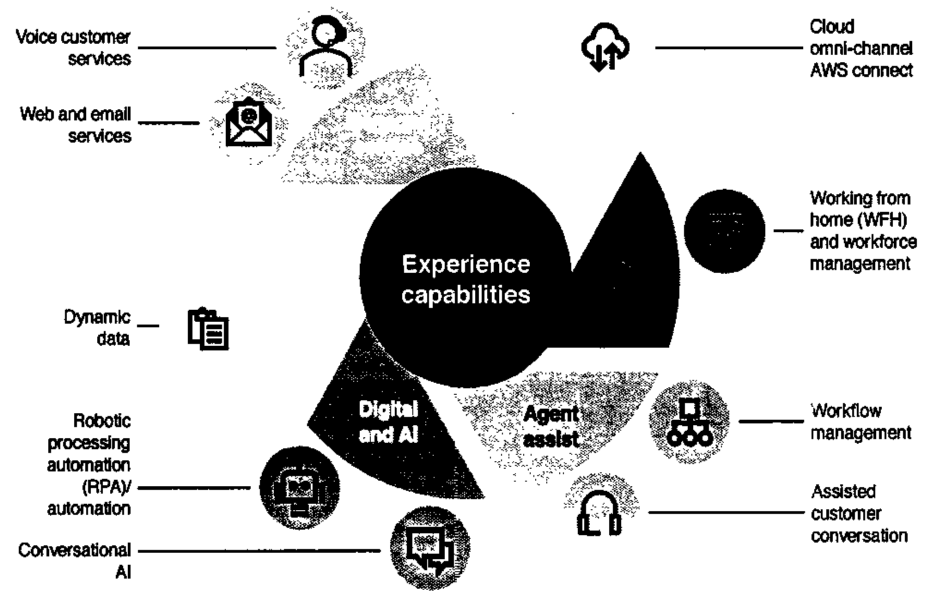
The global customer experience market is worth [illegible] a year and the outsourced element is expected to grow at c.[illegible] per annum. Around [illegible] of the market is currently outsourced.

We are the largest provider of customer experience services in the UK and Ireland with a market share of around 12%. Our competitors within the customer experience segment are mostly global and include peers such as Teleperformance, Webhelp, Concentrix and Majorel.

The market continues to trend towards self-service and automation, with clients looking to utilise omni-channel offerings, with increased multilingual capabilities and capacity, and agents working remotely, nearshore and offshore.

The changing economic landscape poses an opportunity for Experience, particularly within our Financial Services and Energy & Utilities industry verticals. Organisations in these sectors have a key role to play in helping vulnerable customers through periods of uncertainty and empathetic human intervention is required for those who need it most.

Capita Experience digital ecosystem



Our strategy

The long-term strategy of the core business is to be a leading customer experience service provider delivering better outcomes for our clients through a consultative approach underpinned by data and technology.

Experience has an extensive blue-chip customer list and we have increasingly seen our customer base diversify, with wins this year in the Fintech sector.

In 2022 we introduced a single divisional operating model, with more consistent leadership and improved rigour across the service delivery process. Using our matrix operating model, we are able to meet resourcing needs with an agile and flexible workforce available to serve across various contracts as demand requires, such as for peak sale periods. Our operating model helps us stay competitive within the market and allows us to manage resources around client demands with an end-to-end delivery model.

[illegible] trusted partner and adviser for clients [illegible] channel delivery options – allowing for [illegible] self-service and human-contact options [illegible] the experience required [illegible] has an advanced toolkit of services [illegible] analysis, and real-time [illegible] customers and the best [illegible]

[illegible] delivery options across different [illegible] clients flexibility and [illegible] going forward [illegible] expanding our operations in [illegible] Durban, South Africa. We expanded [illegible] sites in Poland to support [illegible] of our services in [illegible] different [illegible] support. These sites [illegible] for our [illegible] and further expansion [illegible] capabilities.

Growth

[illegible] 2022, the total unweighted [illegible] December 2021. The division won [illegible] increase of [illegible] from 2021 [illegible] in the year included renewals [illegible] providing TV licensing collection [illegible] administration and with [illegible] providing customer services [illegible] for the German telecommunications [illegible] company within our [illegible] in [illegible]. There were [illegible] within the [illegible] Services [illegible] strength in this area.

The weighted pipeline at 31 December 2022 stood at £1,114m (2021: £1,560m) reflecting the TCV won during the year. The divisional book to bill was 1.2x, an improvement from 0.7x in 2021 an important milestone on the division's business improvement journey.

Renewal rates continue to remain high for the division, with [illegible] of bids successful as we continue to deliver operationally for clients. Renewals are important in order to maintain a consistent revenue base, but we are also focused on revenue growth from new scopes of work and growth on account where our historical win rates have not been as strong. Our win rate in the division was [illegible] across all opportunities. Our 2023 pipeline is diverse with a mixture of new scopes of work and growth on account.

[illegible] end-markets meant that we saw a number of significant deal timelines slip into 2023; these included a number of new clients in the [illegible] vertical and renewals within our Energy & Utilities and Retail industry verticals.

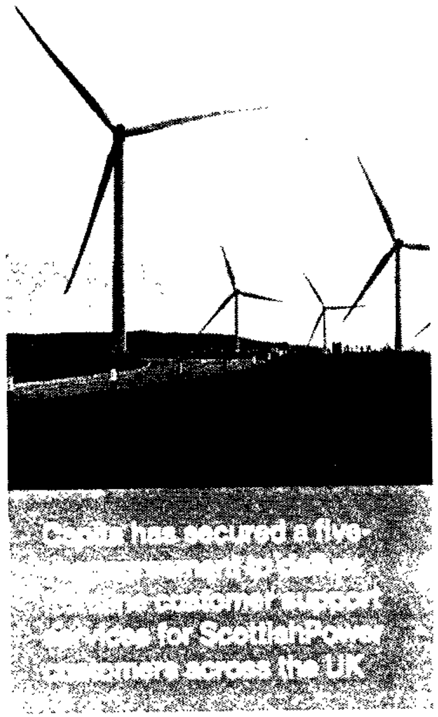
The order book at year end was [illegible], an increase of [illegible] since 31 December 2021, reflecting the contract wins in the year which more than offset revenue recognised in the year.

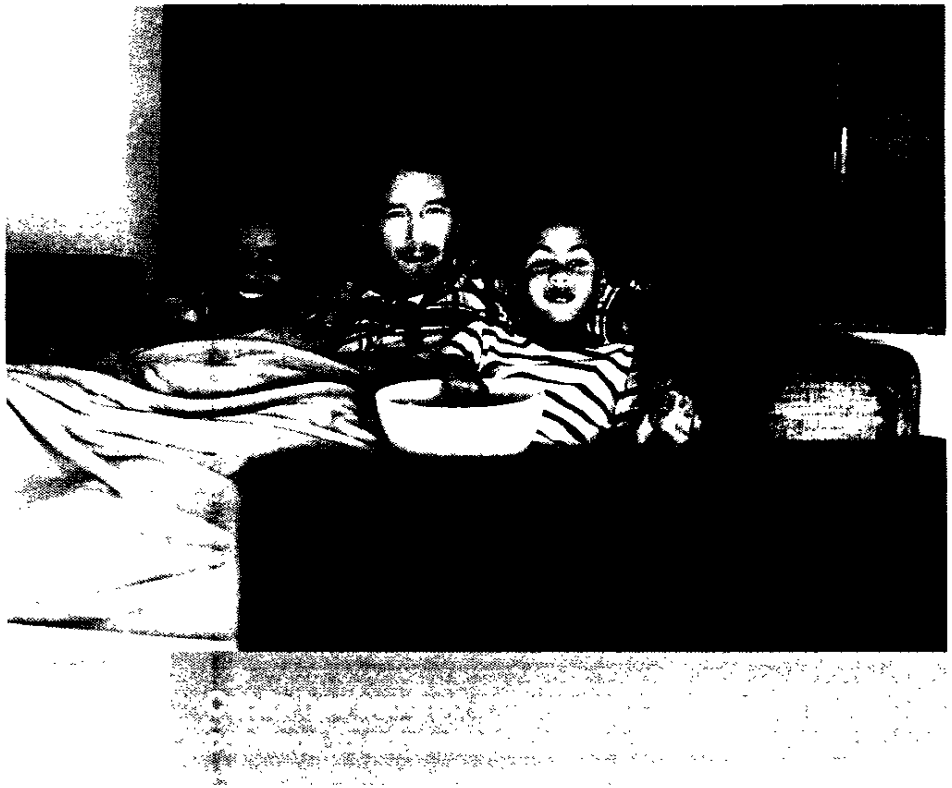
Cost and operational excellence

Throughout 2022, our matrix structure delivered operational excellence while delighting clients as evidenced by our consistent KPI performance and a [illegible] point improvement in cNPS, to an overall score of +1[illegible].

As with many competitors in our markets, employee attrition remained high, and we adapted our business model across the year while taking action to address the higher level of attrition. We moved to using a demand-led resource model, allowing us to resource all full-time employee requirements on our contracts. Attrition will remain a key area of focus in 2023, as well as being an area of further cost-reduction opportunity, as we reduce attrition levels and improve employee retention.

We delivered well for our clients during the year: for example, after winning the ScottishPower contract in June, we transferred 400 people from the previous service provider to Capita Experience with no impact on functionality or service delivered to customers. Working with another client in the energy sector, we more than doubled the existing team to improve customer service, responding to the additional volume requirements during the ongoing energy crisis, reducing response times by 30% and improving quality scores by 10%.





In addition, we worked with Marks & Spencer deploying conversational AI outperforming the previous incumbent with a 10% increase in customers able to self-serve. We also worked with an existing customer on a consulting basis to categorise all incoming calls across their entire estate and use data analytics to improve and add value to the overall customer experience. This type of consulting engagement is an important growth area for the division as we boost our BPO and BPS services, while improving the end-customer journey.

We have seen further volume attrition within our closed book Life & Pensions business unit, in line with our expectations. The business unit is forecast to be loss-making with a consistent cash outflow in future years, with a provision held reflecting this. We continue to deliver operationally well for these clients but remain focused on resolving the structural challenge in this area to reduce ongoing cash losses.

Elsewhere in the regulated services business, Pensions administration continues to perform well and activity levels improved further in 2022. Within the Financial Services vertical, we invested in our mortgage business to create a customer-focused IT platform and ecosystem allowing an end-to-end service to clients, which supports our growth ambitions in this area.

Financial performance

Adjusted revenue increased by 0.8% to £1,154.7m, reflecting price increases and wins in the year including ScottishPower and international wins in Germany and Switzerland which offset the final-year impact of prior-year losses. The division saw lower volumes with continued attrition within the closed book Life & Pensions contracts.

Adjusted operating profit increased by 352.0%, to £78.6m. The result in 2021 was impacted by the recognition of provisions and impairments in our closed book Life & Pensions business (£43m) and completion of the Group's significant restructuring where the division incurred £12m of expense in 2021.

Cash generated from operations before business exits[1] increased by £35.5m to £30.7m, with an improvement in working capital benefiting the division's operating cash conversion. The division's cash performance in 2021 was impacted by the repayment of deferred VAT from 2020 together with restructuring spend and recognition of contract-related provisions.

Outlook

While improvements were made during 2022, Experience continues to lag behind Public Service in its business-improvement journey.

In 2023, we expect revenue to be broadly in line with 2022, reflecting continued reductions from contract losses and volume attrition within the closed book Life & Pensions, offset by growth from new wins and growth on account delivered across our market verticals. As we have simplified our go-to-market offering and become more efficient and effective, we expect to deliver mid single-digit growth over the medium term.

As revenue growth becomes more established, operating leverage is expected to drive further margin improvement.

Portfolio comprises the remaining non-core businesses which the Group is looking to exit.

Adjusted revenue[1]

£249.8m

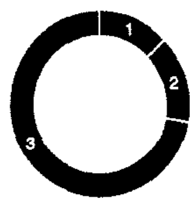
(2021 £226.5m) 10.3%

Adjusted operating profit[1]

£16.2m

(2021 £(0.1)m) n/a%

Adjusted revenue by type



1 13%
2 15%
3 72%

Business units

- People
- Property (sold during 2022)
- Technology (sold during 2022)
- Software
- Business Solutions
- Travel
- Fera

Employees

- 3,000

Client distribution

- UK

Major contract wins and renewals

- A renewal with an energy company within the People pillar worth £5m
- There were a number of new clients and renewals within the Retain business with total TCV won over £7m

Financial performance

Divisional financial summary	2022	2021	Change %
Adjusted revenue[1] (£m)	249.8	226.5	10.3
Adjusted operating profit[1] (£m)	16.2	(0.1)	n/a
Adjusted operating margin[1] (%)	6.5	–	
Adjusted EBITDA[1] (£m)	35.6	24.3	46.5
Cash generated from operations before business exits[1] (£m)	17.1	21.2	(19.3)
Order book (£m)	293.5	[illegible]	[illegible]

Since the division was formed in 2021 we have made significant progress with the Portfolio disposal programme, helping us simplify and focus the Group for future growth. This year the division raised more than £330m gross proceeds from completed disposals.

Our markets and growth drivers

Portfolio is made up of a range of businesses which service public and private sector clients across multiple, generally mature, markets and sectors.

We enjoy strong positions in many of the markets where we operate, with strong brands and positive client perception of our services.

Our strategy

The division is organised into pillars comprising businesses of similar characteristics: People Software, Business Solutions, Travel, and the Fera joint venture with the UK Government, to allow for efficient management and to facilitate smooth transaction processes.

During 2022, we successfully completed the disposal of the Technology and Property pillars, as well as Capita Translation and Interpreting within the Business Solutions pillar. Together with those announced in 2021, achieving gross proceeds of c.£330m from these disposals.

Cost and operational excellence

The pillars within Portfolio continue to deliver outstanding operational service for clients, and the division has seen its fourth consecutive improvement in its annual eNPS score.

During the year, our travel business, Agiito, won a number of awards, including being recognised in the Top 50 Business Travel Agencies. Within our Fera business, we opened an expert insect bioconversion research and development facility to support the needs of global clients across the industry.

We are working to ensure ongoing cost efficiency in the division ahead of the completion of the disposal programme, through successful vacancy management and redeployment of employees across the wider Group.

Financial performance

Adjusted revenue[1] increased 10.3% to £249.8m as pillars within Portfolio continued to recover from subdued trading during the Covid-19 pandemic, particularly within our Agiito and Entertainment businesses.

Adjusted operating profit[1] increased from break-even to £16.2m, reflecting revenue growth and the benefit from the non-repeat of £2.3m significant restructuring costs incurred in 2021. This more than offset the cost of operational investment in some pillars.

Cash generated from operations before business exits[1] decreased by 19.3% to £17.1m driven by working capital requirements as the division recovers from Covid-19, which more than offset the improvement in EBITDA.

Outlook

We are targeting for the majority of the remaining businesses within Portfolio to be disposed of during the first half of 2023 depending on general market conditions.

[illegible] laboratory for insect bioconversion in York.

Overview

Improved adjusted revenue growth was in line with our expectations, with an acceleration across the year from 1% in the first half to 4% in the second half. This was driven by strong growth in the Public Service and Portfolio divisions and stabilisation of revenues in the Experience division.

Public Service revenue growth was underpinned by new wins such as the Northern Ireland teachers IT refresh contract and annualisation of the Royal Navy training contract offset by revenue reductions in some Local Public Service contracts. Experience revenue was impacted by significant prior year contract losses, offset by new wins, including those in International and with ScottishPower.

Growth in our transactional business was mainly driven by Portfolio, including the Travel and Enforcement businesses which continued their recovery following Covid-related constraints.

From 1 January 2022, the Board has limited the items excluded from the adjusted results to business exits, amortisation and impairment of acquired intangibles, impairment of goodwill and certain fair value adjustments which impact net finance income/expense. This presentation

Summary of financial performance

Financial highlights

	Reported results – continuing operations			Adjusted results – continuing operations		
	31 December 2022	31 December 2021	Reported YOY change	31 December 2022	31 December 2021	Adjusted YOY change
Revenue	**£3,014.6m**	£3,182.5m	(5.3)%	**£2,845.8m**	£2,777.8m	2.4%
Operating profit/(loss)	**£(79.6)m**	£(86.6)m	8%	**£102.9m**	£(77.7)m	n/a
EBITDA	**£235.7m**	£222.3m	6%	**£238.8m**	£143.0m	67%
Profit/(loss) before tax	**£61.4m**	£285.6m	(79)%	**£73.8m**	£(122.8)m	n/a
Earnings/(loss) per share	**4.47p**	13.33p	(67)%	**6.20p**	(7.74)p	n/a
Cash generated from/(used by) operations*	**£117.8m**	£(148.5)m	n/a	**£116.5m**	£(109.7)m	n/a
Free cash flow*	**£24.5m**	£(264.3)m	n/a	**£29.0m**	£(218.6)m	n/a
Net debt	**£(482.4)m**	£(879.8)m	£397.4m	**£(482.4)m**	£(879.8)m	£397.4m
Net financial debt (pre-IFRS 16)	**£(84.9)m**	£(431.4)m	£346.5m	**£(84.9)m**	£(431.4)m	£346.5m

* Cash generated from operations adjusted results and free cash flow adjusted results are free cash flow before business exits and cash generated from operations before business exits respectively (refer to note 2.10)

[illegible] provide a more representative measure of the underlying performance of the business following completion of the Group-wide transformation. The comparatives have been re-presented on the same basis, with significant restructuring costs (£[illegible]m), contract-related losses and impairments (£42.1m) and [illegible] gains and charges (credit £[illegible]m) now excluded from adjusted results for the year ended 31 December 2021.

[illegible] adjusted profit before tax [illegible] re-presentation [illegible] benefits from the reduction [illegible] costs and contract-related losses and impairments, as well as the [illegible] revenue growth. In 2021, the Group received £[illegible]m of funding under the [illegible] Retention Scheme [illegible] government to help ease the employment impact of Covid-19. In May 2022 [illegible] the Group's intention to repay the 2021 furlough-related income at the end of the Group's publicly stated disposal programme [illegible] the end of June 2023. An [illegible] has been recognised for this repayment in the year ended 31 December 2022.

[illegible] reported profit before tax [illegible] the increase in adjusted profit before tax was more than offset by an increase in impairments of goodwill, a reduction in [illegible] profit from business exits and a [illegible] the sale of businesses.

[illegible] the Board considers free cash flow and cash generated from operations before business exits each to be alternative performance measures that provide a more representative measure of the sustainable cash flow of the Group following completion of the Group-wide transformation.

Cash generated from operations before business exits increased by £[illegible]m to £[illegible]m benefiting from the improvement in adjusted profit explained above, a reduction in repayments in respect of the Government's VAT deferral scheme and a £[illegible]m reduction in pension deficit contributions as the Group reverted to the agreed deficit contributions set as part of the 2020 triennial funding agreement with the pension scheme trustees.

Free cash flow before business exits for the year ended 31 December 2022 was an inflow of £[illegible]m (2021: £[illegible]m outflow). The improvement primarily reflected the above increase in cash generated from operations before business exits, and a reduction in net interest paid in respect of leases and private placement loan notes.

As part of our drive for simplification of the business, and strengthening the balance sheet, we continue to seek to dispose of a number of non-core businesses. During the year we completed the disposal of eight businesses realising total proceeds net of disposal costs of £[illegible]m (including settlement of intercompany balances on completion) with net cash proceeds of £[illegible]m reflecting the cash held in the disposed entities on completion.

These disposals form part of the Board-approved disposal programme. The sale processes have been launched for the remaining pillars in the Portfolio division. The Group expects to use the proceeds from this disposal programme to repay debt, to make accelerated deficit reduction contributions to the Group's defined benefit pension scheme and to invest in driving growth in the remaining core businesses. During the year, we repaid £[illegible]m of private placement loan notes and made pension deficit contributions of £38.6m (£30.0m regular contributions and £8.6m acceleration of agreed contributions triggered by disposals).

Liquidity as at 31 December 2022 was £405.2m, made up of £288.4m of the undrawn element of our committed revolving credit facility (RCF) and £116.8m of unrestricted cash and cash equivalents net of overdrafts. In July 2022, we extended the RCF to 31 August 2024.

Adjusted results

Capita reports results on an adjusted basis to aid understanding of business performance. The Board has adopted a policy of disclosing separately those items that it considers are outside the underlying operating results for the particular period under review and against which the Group's performance is assessed internally. In the directors' judgement, these items need to be disclosed separately by virtue of their nature, size and/or incidence for users of the financial statements to obtain an understanding of the financial information and the underlying in-period performance of the business.

In accordance with the above policy, the trading results of business exits, along with the non-trading expenses and gain or loss on disposals, have been excluded from adjusted results. To enable a like-for-like comparison of adjusted results, the 2021 comparatives have been re-presented to exclude 2022 business exits. As at 31 December 2022, the following businesses met this threshold and were classified as business exits and therefore excluded from adjusted results in both 2022 and 2021: ESS, AXELOS, Life Insurance and Pensions Servicing business in Ireland, AMT Sybex, Secure Solutions and Services, the Speciality Insurance business, Trustmarque, Real Estate and Infrastructure Consultancy, Optima Legal Services, Pay360 and Capita Translation and Interpreting.

Reconciliations between adjusted and reported operating profit, profit before tax and free cash flow before business exits are provided on the following pages and in the notes to the financial statements.

Adjusted revenue

[illegible] revenue growth of 2.4% was [illegible] [illegible]. The adjusted revenue was [illegible] by the following:

- **Public Service (2.5% growth):** growth from [illegible] including [illegible] contract to supply [illegible] in Northern Ireland as well [illegible] benefit of the Royal Navy [illegible] increased growth in existing [illegible] government and [illegible] employed [illegible] Local Government [illegible]
- **Experience (0.9% growth):** stabilisation in [illegible] with the impact of significant prior [illegible] offset by positive [illegible] in particular from [illegible] wins in International and with [illegible] and
- **Portfolio (10.3% growth):** growth in [illegible] mainly from Travel and [illegible] following the turnaround [illegible] impacted businesses.

Order book

[illegible] order book was [illegible] December 2022 [illegible] 2021 [illegible]. Additions from contract wins [illegible] 2022 [illegible] 110.2m [illegible] extensions [illegible] and Personal Independence [illegible] Road User Charging within [illegible] were offset by the reduction [illegible] in the year [illegible] contract terminations [illegible] [illegible]

Adjusted profit before tax

Adjusted profit before tax [illegible] in 2022. The adjusted profit before tax was driven by the following:

- **Public Service:** benefits from the [illegible] the [illegible] of the Royal Navy training contract and the non-recurrence of [illegible] programme costs [illegible] offset by [illegible] the British Army [illegible] contract [illegible] resulting from transition to the next phase of service delivery
- **Experience:** flow through of prior year losses including [illegible] William Hill and in the closed [illegible] & Pensions [illegible] 2021 was impacted by provisions [illegible] the closed book [illegible] business and completion of significant restructuring
- **Portfolio:** benefits from post-Covid-19 recovery in [illegible] businesses [illegible] the non-repeat of [illegible] structural costs [illegible] by [illegible] investment in certain businesses; and
- **Capita plc:** benefits from the end of the transformation programme (2021 included [illegible] of significant restructuring and [illegible] realised, offset by the effect of the announced intention to repay the 2021 furlough-related income.

Cash generated from operations and free cash flow

Adjusted EBITDA [illegible] increased by [illegible] reflecting the [illegible] profit explained above and the [illegible] reduction in depreciation, amortisation and impairment of property, plant and equipment and intangible assets, largely driven by the Group's property [illegible] programme.

Cash generated from operations before business exits[1] benefited from the improvement in adjusted EBITDA, a lower working capital outflow compared with 2021, materially lower deferred VAT repayments and pension deficit contributions, offset by a reduction in non-cash and other adjustments.

The lower working capital outflow arises from contracts moving into the operational phase and increased utilisation of non-recourse trade receivables financing in 2022.

Adjusted revenue[1] bridge by division

	Public Service £m	Experience £m	Portfolio £m	Total £m
Year ended 31 December 2021	1,410.4	1,140.9	226.5	2,777.8
Net growth	34.9	9.8	23.3	68.0
Year ended 31 December 2022	**1,445.3**	**1,150.7**	**249.8**	**2,845.8**

Adjusted profit before tax[1] bridge by division

	Public Service £m	Experience £m	Portfolio £m	Capita plc £m	Total £m
Year ended 31 December 2021	93.2	8.9	(0.1)	(224.8)	(122.8)
Net growth/(reduction)	(1.7)	29.6	16.3	152.4	196.6
Year ended 31 December 2022	**91.5**	**38.5**	**16.2**	**(72.4)**	**73.8**

The reduction in non-cash and other adjustments reflects utilisation of customer contract provisions in 2022 compared with provision recognition in 2021, and the utilisation of the remaining restructuring provision.

Free cash flow before business exits[1] for the year ended 31 December 2022 was an inflow of £29.0m (2021: outflow £218.6m). The improvement reflected the above increase in cash generated from operations before business exits[1], a reduction in capital expenditure, and net interest paid in respect of leases and the Group's private placement loan notes.

Adjusted operating cash conversion increased to 88% (2021: 48%).

Reported results

Adjusted to reported profit

[illegible] understanding of our underlying performance, adjusted operating profit and adjusted profit before tax exclude [illegible] specific items, including the amortisation and impairment of acquired intangibles and goodwill, and the impact [illegible].

[illegible]

In preparing the half-yearly condensed consolidated financial statements at 30 June [illegible] and the consolidated financial statements at 31 December 2022, the Group performed detailed impairment reviews.

[illegible] 2022 a goodwill impairment of [illegible] was recognised in respect of the [illegible] and Property CGUs, and at 31 December 2022 a further goodwill impairment [illegible] was recognised in respect of the [illegible] and Business Solutions [illegible] Portfolio division. The [illegible] reflected the difference between [illegible] net proceeds at disposal and the [illegible] the Group had previously projected [illegible] held these businesses [illegible] due to the potential for acquirers factoring in additional investment and costs required to run the businesses on a standalone basis, coupled with general macroeconomic conditions.

Refer to note [illegible] to the consolidated financial statements for further details.

Business exits

Business exits include the effects of businesses that have been disposed of or exited during the period and the results of businesses held-for-sale at the reporting date.

In addition, business exits include the exit costs including professional fees, salary costs and separation planning costs relating to further planned disposals for which the held-for-sale and business exit criteria were not met at 31 December 2022.

In accordance with our policy, the trading results of these businesses, along with the non-trading expenses and gain on disposal were classified as business exits and therefore excluded from adjusted results. To enable a like-for-like comparison of adjusted results, the 2021 comparatives have been re-presented to exclude the 2022 business exits.

Adjusted operating profit to free cash flow before business exits[1]

	2022 £m	2021 £m
Adjusted operating profit/(loss)[1]	**102.9**	(77.7)
Add: depreciation/amortisation and impairment of property, plant and equipment and intangible assets	**135.9**	220.7
Adjusted EBITDA[1]	**238.8**	143.0
Working capital	**(32.7)**	(113.6)
Non-cash and other adjustments	**(44.7)**	38.6
Operating cash flow before business exits[1]	**161.4**	68.0
Deferred VAT repayment	**(14.9)**	(104.1)
Pension deficit contributions	**(30.0)**	(73.6)
Cash generated from/(used by) operations before business exits[1]	**116.5**	(109.7)
Net capital expenditure	**(43.6)**	(51.2)
Interest/tax paid	**(43.9)**	(57.7)
Free cash flow before business exits[1]	**29.0**	(218.6)

Reported to adjusted[1] profit bridge

	Operating profit/(loss)		Profit/(loss) before tax	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Reported	**(79.6)**	(86.6)	**61.4**	285.6
Amortisation and impairment of acquired intangibles	**5.1**	7.7	**5.1**	7.7
Impairment of goodwill	**169.0**	11.5	**169.0**	11.5
Net finance costs	**—**	—	**(3.4)**	1.4
Business exits	**8.4**	(10.3)	**(158.3)**	(429.0)
Adjusted	**102.9**	(77.7)	**73.8**	(122.8)

At 31 December 2022 business exits primarily comprised:

Business	Disposal completed on
AMT Sybex	1 January 2022
Secure Solutions and Services	3 January 2022
Trustmarque	31 March 2022
Speciality Insurance	29 April 2022
Real Estate and Infrastructure Consultancy	22 September 2022
Optima Legal Services	30 November 2022
Pay360	1 December 2022
Capita Translation and Interpreting	29 December 2022

[illegible] businesses are planned for disposal [illegible] Group's simplification strategy [illegible] the status of the relevant [illegible]. The businesses did not [illegible] to be classified as [illegible] 31 December 2022 and [illegible] trading results are included [illegible].

[illegible] profit and profit [illegible] provided [illegible].

[illegible] tax credit for the year of [illegible] charge [illegible]) and the adjusted [illegible] tax credit for the year of £31.8m (2021 [illegible]) reflect the recognition of [illegible] tax assets of [illegible] in the deferred tax asset [illegible] due to the reduction in future taxable [illegible] disposal of taxable entities, reflected in the tax arising [illegible] business exits. These losses mainly arose due to the adoption of IFRS 16, Covid-19 related downward pressures on the profits and tax deductible restructuring costs in previous years.

Free cash flow to free cash flow before business exits

Free cash flow was lower than free cash flow before business exits principally [illegible].

Movements in net debt

Net debt at 31 December 2022 was [illegible] ([illegible]). The substantial reduction in net debt reflects the benefit of the Group's positive free cash flow generation, the proceeds from disposals, coupled with the impact of the ongoing programme of leased property estate exits.

Free cash flow to free cash flow before business exits[1]

	2022 £m	2021 £m
Free cash flow	**24.5**	(264.3)
Business exits	**(4.1)**	(36.2)
Pension deficit contributions triggered by disposals	**8.6**	81.9
Free cash flow before business exits[1]	**29.0**	**(218.6)**

Net debt

	2022 £m	2021 £m
Opening net debt	**(879.8)**	(1,077.1)
Cash movement in net debt	438.2	232.1
Non-cash movements	(40.8)	(34.8)
Closing net debt	**(482.4)**	(879.8)
Remove closing IFRS 16 impact	397.5	448.4
Net financial debt (pre-IFRS 16)	**(84.9)**	(431.4)
Cash and cash equivalents net of overdrafts	177.2	101.5
Financial debt net of swaps	(262.1)	(532.9)
Net financial debt/adjusted EBITDA[1] (both pre-IFRS 16)	**0.5x**	**3.7x**
Net debt (post-IFRS 16)/adjusted EBITDA[1]	**2.0x**	**4.1x**

[illegible] pre-IFRS 16 [illegible] reduced by [illegible] at 31 December 2022 [illegible] financial debt to adjusted [illegible] pre-IFRS 16 ratio of [illegible]x. Over the medium term, following the completion of our Portfolio divestment programme, we will [illegible] financial debt to adjusted [illegible] pre-IFRS 16 ratio for Capita [illegible].

The Group was compliant with all debt covenants at 31 December 2022.

Capital and financial risk management

Liquidity remains a key area of focus for the [illegible] instruments used to fund [illegible] and to manage liquidity comprise [illegible] placement loan notes, euro fixed-rate [illegible] notes, revolving credit facility (RCF) [illegible] overdrafts.

In [illegible] the Group signed an extension [illegible] forward start RCF with its [illegible] for a further twelve months to [illegible]. The new facility commenced on [illegible] upon the expiry of the previous [illegible] provides the Group with committed [illegible] fluctuations of the business [illegible] and an allowance for contingencies, and incorporates provisions such that it will partially reduce in quantum as a consequence of specified transactions. The RCF was not drawn upon at 31 December 2022 and had a total committed value of £288.4m.

In addition, the Group has in place a non-recourse invoice discounting facility, utilisation of which has become economically more [illegible] than drawing under the RCF as [illegible] interest rates have increased. As such, the Group has [illegible] its use of the facility across the year with the value of invoices sold under the facility at 31 December 2022 of £44.4m (2021: £[illegible]m).

At 31 December 2022, the Group had £177.2m of cash and cash equivalents net of overdrafts and £[illegible]m of private placement loan notes and fixed-rate bearer notes. These debt instruments mature over the period to 202[illegible] with repayment of £[illegible]m of maturities in 2023 which are expected to be funded through the Group's existing facilities, cash and cash equivalents and from the proceeds of the Group's ongoing divestment programme without the need to obtain new financing. As such, a [illegible] approach will be taken to any potential refinancing with time taken to implement a long-term debt solution at the appropriate moment.

Going concern

The Board closely monitors the Group's funding position throughout the year, including compliance with covenants and available facilities to ensure it has sufficient headroom to fund operations. In addition, to support the going concern assumption, the Board conducts a robust assessment of the projections, considering also the committed facilities available to the Group.

The Group and Parent company continue to adopt the going concern basis in preparing these consolidated financial statements as set out in section 1 to the consolidated financial statements.

Liquidity

	2022 £m	2021 £m
Revolving credit facility (RCF)	288.4	385.7
Less: drawing on committed facilities	–	(40.0)
Undrawn committed facilities	288.4	345.7
Net cash, cash equivalents net of overdrafts	177.2	101.5
Less: restricted cash*	(60.4)	(54.8)
Liquidity	**405.2**	**392.4**

* Restricted cash includes cash required to be held under FCA regulations and cash held in foreign bank accounts

Viability assessment

The Board's assessment of viability over the Group's three-year business planning time horizon is summarised in the viability statement on page [illegible].

Pensions

Contributions during the year to the Capita Pension and Life Assurance Scheme (the Scheme) have been in line with the contribution schedule agreed with the Trustee of the Scheme following the 31 March 2020 triennial valuation. This included the acceleration of deficit reduction contributions of £8.6m triggered due to the disposal of Capita entities during the year.

The net defined benefit pension position for accounting purposes moved from a small net asset at the start of the year (£[illegible]m) to a larger net asset by 31 December 2022 (£39.6m). The main reasons for this movement were the £38.6m of deficit funding contributions paid into the Scheme (plus a net £0.2m deficit funding contribution in respect of other schemes). Both the value attributed to the pension liabilities and the value of the assets fell materially over the year predominantly due to the material increase in the yields available on both long-dated Government and corporate bonds. Due to the investment strategy adopted by the Trustee of the Scheme the impact of these changes has been broadly hedged so that the value of the assets has moved to a similar degree to the value of the liabilities. Despite the economic events in Q3 2022 that led the Bank of England to purchase Government bonds, the Scheme's Fiduciary Manager confirmed that the Scheme had sufficient liquid assets to meet collateral calls to maintain its hedged positions throughout the year, as well as confirming that there is sufficient buffer against future adverse movements.

The valuation of the Scheme liabilities and assumptions used for funding purposes (the actuarial valuation) are specific to the circumstances of the Scheme. It differs from the valuation and assumptions used for accounting purposes, which are set out in IAS 19 and shown in these financial statements. The main difference is in assumption principles being used based on the different regulatory requirements of the valuations. Management estimates that at 31 December 2022 the net asset of the Scheme on a funding basis (on the funding assumption principles adopted for the full actuarial valuation at 31 March 2020 updated for market conditions at 31 December 2022) was approximately £[illegible]m (2021: net [illegible]) [illegible] technical provisions basis. The Trustee of the Scheme has also agreed a secondary more prudent funding target to enable it to reduce the reliance the Scheme has on the covenant of the Group. On this basis, at 31 December 2022, the funding level was [illegible] liability of £[illegible] [illegible] is expected to be met by a combination of the remaining deficit contributions and asset outperformance.

The next triennial valuation of the Scheme is due as at 31 March 2023, where the Trustee of the Scheme and the Company will review the contributions being paid to the Scheme. The 2023 triennial valuation is expected to be completed in 2024.

Consolidated balance sheet

At 31 December 2022 the consolidated net assets were £[illegible]m (2021: net assets £296.5m).

The movement is predominantly driven by the gain on the sale of businesses offset by the goodwill impairment recognised during the year and the increase in the net pension asset referred to above.

Parent company balance sheet

The company's market capitalisation was significantly less than the net assets of the parent company at 31 December 2022 and the Directors gave consideration as to why this might be the case, and whether assets on the parent company balance sheet may be impaired. The factors considered included the differing basis of valuations (point in time nature of the market capitalisation and that third parties value the services sector on income statement multiples versus long-term view using a discounted cash flow for the basis of impairment testing under accounting standards), sum-of-the-parts view and the multiples achieved on recent disposals, and that the sector may be trading at or below book value with the market making a general assessment of the sector and all companies within the sector which can ignore the liquidity profile and specific risks of an entity.

Management's estimate of the value in use of the Group used in the testing of goodwill and intangibles for impairment at 31 December 2022 gave a value for the Group that exceeded the market capitalisation at that date, and supported the parent company net assets. An impairment test was performed at 31 December 2022 in respect of the parent company's investments in subsidiaries and amounts owed by subsidiary undertakings. A £7.0m impairment was identified in respect of the parent company's investments in subsidiaries, and an impairment of £30.1m was recognised in respect of amounts owed by subsidiaries.

While 2022 presented many challenges for so many businesses and their people, including a cost-of-living crisis and a very tight labour market, we remained focused at Capita on delivering an increasingly positive and consistent employee experience, which delivered improved engagement metrics.

[illegible] improvements in our [illegible] we are making significant [illegible]

[illegible] of a new Chief People Officer, Scott Hill, demonstrating the success of our continuing focus on [illegible] We also [illegible] both the internal and external communications and responsible business specialisms into the function.

Our commitment to consistency in 2022 underpinned many of our headline activities, including the launch of our career path framework, our focus on equitable opportunities through diversity and inclusion, the expansion of our central employee relations hub and the significant increase in the use of digital training modules. We also continued our support of flexible, hybrid or remote working wherever possible, and saw an extremely positive response from employees.

However, we must acknowledge that, like many of our peers, attrition and attraction remains a key challenge, as does the macroeconomic climate and the subsequent impact on our employees – particularly those who are lowest paid. We are continuing to work to support our people [illegible] through our [illegible] the real living wage, and via ongoing financial wellbeing support across the business.

We expect [illegible] to remain a key focus area [illegible] and we will continue to adapt and evolve our practices as required to ensure we continue to meet the needs of our clients and other stakeholders.

Building an engaged workforce

Our commitment to flexible, *remote working*

Performance and development

[illegible] designed to enable our [illegible] of the whole organisation [illegible] leadership and technical [illegible] what they need to progress and move to another role in the organisation. This framework forms the [illegible]

Capita Academy

[illegible] for colleagues to assess their [illegible] level with suggested learning [illegible] programme and on growth through [illegible]

We continued to see positive levels of engagement with our learning resources over the past year, eg.

[illegible] modules, which in addition to specialist speakers, provided practical tools and techniques for personal wellbeing. We amended and enhanced the communications on our Speak up whistleblower policy, providing colleagues with a safe and [illegible] to report anonymously any activity that does not meet the values that [illegible] every day. We [illegible] our Code of Conduct digital learning, which has been completed by 97% of applicable employees.

[illegible] 2022, our global learning teams collaborated to remove duplication and continuously improve our learning offering. This has been recognised in Capita [illegible] where our Learning & Development team won two awards: the L&D Excellence Award & [illegible] at Future of L&D Summit and Awards 2022.

Looking forward, we will continue to focus on simplification, optimising our resources and [illegible] for all colleagues so they can self-serve and self-develop. We will [illegible] learning suite and [illegible] alignment to our career pathway [illegible] attraction, diversity and inclusion, competency development and retention of our talent globally.

Professional development

[illegible] professional development [illegible] funded by our [illegible] more than 600 [illegible] apprenticeship programmes and 180 learners who successfully completed their professional development programme this year. At the same time, the development of our managers remains a significant priority and last year we aligned our Accelerate, Advance and Ascent programmes to our managers passport to upskill our line managers. We currently have 173 managers on one of these development pathways.

Investment in apprenticeships at all levels continues and is providing ongoing opportunities to build the skills required for our future business success and for serving our clients successfully in support of growth. As an extension of our apprenticeship offering and in alignment with our social value and responsible business activity, we pledged to gift more than £1.4m in 2022-23 to help charities and SMEs invest in skills development.

Supporting future leaders

In 2022, we enhanced our approach to internal mobility through succession and progression. Succession planning is an integral process helping us to identify potential individuals and develop future talent to support organisational effectiveness and success. We conducted a comprehensive succession process for our Executive Committee and top 100 leadership roles, challenging ourselves on the diversity and inclusion of our talent pipelines. 42% of this population who were identified as high potential and suitable for succession are female.

To improve diversity at senior levels, we also continue to support high-potential women and individuals from underrepresented groups through cross-company mentoring opportunities. In 2022, 80 colleagues were enrolled in these programmes. We are

Talent acquisition and turnover

HR operations

Reward

Responsible business at a glance

We are committed to being a responsible business – in how we operate, serve society, respect our people and the environment, and deliver improving returns to our investors.

Our people – see pages 33 to 36 for more information. Also read our fair pay report and UK pay gap reporting online.

We want to make Capita a place that people want to join and where they want to stay – a workplace that delivers on our four employee value proposition themes: be yourself; make an impact; expand your horizons; and shape our future. We launched our inaugural Capita employee leadership council in 2022 with 11 colleagues from across the Group. We recognise the contributions of all colleagues, junior and senior, supporting and paying them fairly for the work they do. We are a real living wage employer.

Key metrics	2022	2021
eNPS (points)	-9	-24
Voluntary turnover (%)	30	30
Employee engagement index (%)	65	56
People survey response rate (%)	72	68

Our customers and clients – see pages 44 and 47 for more information. Also read our supplier charter and human rights policy online.

Our reputation depends on delighting our customers and clients. We are committed to working with our supply-base to ensure that together we can achieve wider social, economic and environmental benefits.

Key metrics	2022	2021
cNPS (points)	+35	+29
Supplier payment within 60 days (%)	99	98

The environment – see pages 42 to 44 and the TCFD section for more information. Also read our achieving net zero report online.

Our three-phased approach aims to reach operational net zero by 2025; operational and business travel net zero by 2030; and full net zero by 2035.

Key metrics	2022	2021
Reduction in carbon footprint (gross tonnes)	4.6m	11.6m

Our investors – see page 48 for more information

Input and feedback from our investors forms an important element of our decision making.

Key metrics	2022	2021
TSR (%)	(33.5)	(6.9)
Share price movement (pence)	(12.2)	(2.7)

[illegible]

The commitment to being a purpose-led, values-driven and responsible organisation is now part of Capita's DNA.

The commitment to being a purpose-led, values-driven and responsible organisation is now part of Capita's DNA. This means a constant Group-wide focus on how we can [illegible] for [illegible] our stakeholders – employees, shareholders, clients, end-users and communities.

In 2022, we further demonstrated this commitment through the creation of a new ESG (environmental, social and governance) committee of the Board, focusing on responsible business issues, and providing additional [illegible] oversight, accountability and [illegible].

Our responsible business strategy, which was originally developed in 2019, has ensured that we remained focused on supporting the United Nations Sustainable Development Goals (UNSDGs), as well as addressing the issues where we can have the biggest impact through our own operations, and the products and services we provide to our clients.

In 2022, our activities focused significantly on [illegible] and [illegible] tackling [illegible] digital [illegible] impact [illegible]. Among the significant range of activities delivered, we are [illegible] commitment to be [illegible] employer in the UK, our science-based climate targets (we intend to be net zero by 2035), the significant progress towards our diversity goals, the launch of our Capita Leadership Council, our continued commitment to having an employee director on the Board, and our socially responsible resourcing programmes, including one that provides paid internships to ex-offenders.

However, we also now need to respond to a rapidly changing external environment that includes an increasing understanding of the impact of climate change, a difficult economic situation and a cost of living crisis for our employees.

We are, therefore, in the process of refreshing our responsible business strategy to ensure it focuses on the areas of greatest concern and effect.

We will publish our updated strategy and responsible business report later in 2023 (www.capita.com/responsible-business). We know that to 'create better' we must constantly adapt, evolve and respond, and, through our current and future activities, we are committed to this ongoing challenge.

We are addressing the global challenges of importance to our business and society.

				Operating responsibly
Delivering our strategy themes	Building a more inclusive organisation	Driving greater social mobility Enabling better digital access	Reducing our environmental impact	Operating responsibly for our stakeholders
Goals	• Ensuring our workforce reflects the diversity of the communities we serve and is inclusive	• Empowering 100,000 young people in the communities we serve to progress into the world of work by the end of 2023 • Equipping 10,000 people in our communities with the digital skills required for today's world by the end of 2023	• Seeking to reduce our carbon footprint and supporting our clients to do the same	• Seeking to integrate environmental, social, ethical and governance considerations across our business operations
Areas of focus	• Prioritising our colleagues' wellbeing • Engaging with our colleagues • Reimagining our workplaces • Building an inclusive organisation	• Tackling youth unemployment • Promoting digital skills for all	• Tackling environmental challenges with clients • Improving our environmental performance • Adapting to climate change	• Client relations • Supplier engagement • Ethical business
Supporting the UNSDGs				

Building a more inclusive organisation

[illegible] and where we benefit from all colleagues [illegible] network members [illegible] employer in the UK.

- [illegible] Workday, Outlook and Teams to ensure our colleagues are represented and supported in the way they wish to be recognised
- [illegible]
- [illegible] to build awareness and understanding of our similarities and differences. In 2022 the [illegible]
- [illegible] International Men's Day, Racial Equality Week, Black History Month, Mental Health Awareness Week and International Day of People with Disabilities
- Celebrating our Black colleagues with our second annual Black Employees Awards, held during Black History Month
- [illegible] each of our employee network groups on issues relevant to their area of focus.
- Developing a number of programmes to support the career progression of [illegible] groups.
- Our BISE (Bridging inequality strive for equality) and BISE for Women programmes are specifically designed for Black, Asian & minority ethnic and female colleagues to help start them on a transformational journey that will give them the practical mechanisms to drive their careers forward.

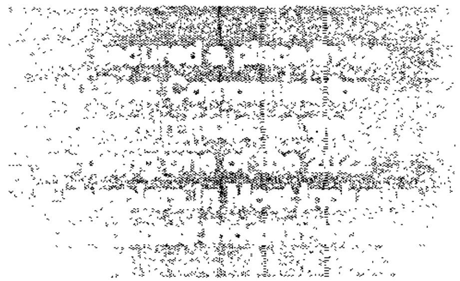
We were extremely pleased that two Capita leaders – Kathy Quashie, Chief Growth Officer and Eileen Lewis, Social Responsible Business and [illegible] – were named in the global 2022 Empower Ethnic Minority Role Model Lists.

We were highly commended by the Employers Network for Equality & Inclusion for our approach to [illegible] and recognised as a Leading Light by the UK Social Mobility awards.

We also secured a place in the 100 Best Companies for Women in India, as well as being one of the 2022 Exemplars in Most Inclusive Companies Index in India, which is testimony to our diversity and inclusion commitments and practices.

In 2022 we continued with our three diversity focus areas: women in senior leadership, ethnic diversity in senior leadership and [illegible] with a disability. We are pleased to say that:

- We exceeded our 2022 targets for women in senior roles. Our workforce is 51% female and in our senior leadership roles 42% are female. In addition, both our Board and Executive Committee are 44% female.



Board

5 (56%) Male
4 (44%) Female

Executive Committee

5 (56%) Male
4 (44%) Female

Senior management*

73 (74%) Male
25 (26%) Female

All employees

24,240 (49%) Male
25,350 (51%) Female

- [illegible] ethnically diverse including [illegible] Black [illegible] ethnically diverse in the UK [illegible] Black. In 2023 we will be working [illegible] additional [illegible]. In addition, both our Board and Executive Committee are [illegible] ethnically diverse.
- [illegible] Disability Confident Employer (level 2) status across the [illegible] to support our colleagues with a disability [illegible] declaration level by [illegible].

We will continue to build on these figures [illegible] within the organisation.

Supporting our colleagues' wellbeing

[illegible] wellbeing, safety and health of all Capita employees continues to be a top priority. In 2022, we particularly focused on mental health and financial wellbeing, as the cost-of-living crisis intensified.

We are not afraid to tackle difficult subjects and also launched suicide awareness initiatives and new guidance relating to domestic abuse. We also launched our Group menopause procedure, supported with our first ever virtual [illegible].

[illegible] our wellbeing, safety and health focus, our colleagues reported improved feelings of health and [illegible] Wellbeing Index rating of 71% in our annual people survey (up 4% from 2021).

[illegible] safeguarding training with 98% completion for level 1 and [illegible] for level 2, which exceeds our internal compliance targets of 95%.

We [illegible] expanded our SafetyNet initiative, which provides guidance and support [illegible] representatives [illegible] dealing with employees with complex issues related to wellbeing, safeguarding or vulnerability. As a multidisciplinary group, SafetyNet provides an independent view and advice [illegible] interventions, and supports managers and colleagues through extremely difficult situations. In 2022, SafetyNet has supported 219 colleagues since it started in 2021.

We also completed the transition to our new provider, Health Partners, and launched a series of proactive occupational health interventions in the UK, building on the activities already in place in some of our international locations.

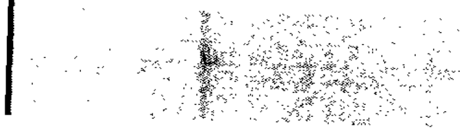
Reimagining our workplaces

We continued to transform and simplify our property footprint with further consolidation during 2022 with 19 locations closed globally.

We continue to look to invest, as we create more flexible and better equipped space, providing our colleagues with improved technology to complement our ways of working. This allows us to come together, both face to face and virtually, to collaborate and to meet with clients and stakeholders.

We also internally recycle as much quality furniture and equipment as possible from the sites we closed, with 36 locations benefiting from more than [illegible] 200 items. As part of our responsible business commitment, we also donated more than [illegible] 300 items of furniture to 12 schools, three NHS Trusts and six charities.

* Senior management includes directors of subsidiary legal [illegible] requirements of the Companies Act section [illegible]



Tackling economic inequalities

[illegible] key priority for Capita, and we believe [illegible] globally. We are [illegible] had [illegible] only [illegible] [illegible] also [illegible] business in the [illegible] December 2022 [illegible] the first organisations to sign [illegible] the UK Government's Kickstart Scheme [illegible] Kickstart placements, with the [illegible] delivered virtually [illegible] of our [illegible] successfully completed the [illegible] with [illegible] roles in Capita [illegible] roles externally and [illegible] education. [illegible]

[illegible] We also raised more than £180,000 [illegible]

At the start of the Ukraine war, our colleagues in Krakow collected clothes, food and money to support the refugees and some of our colleagues hosted refugee families. We have [illegible] raised further resources and brought [illegible] [illegible] plant [illegible] to local hospitals in Ukraine.

[illegible] day per year for volunteering activities; more than 7,800 hours of volunteering were [illegible] in 2022.

We also continued our sponsorship of the UK Social Mobility Awards and were delighted to be awarded a Leading Light award.

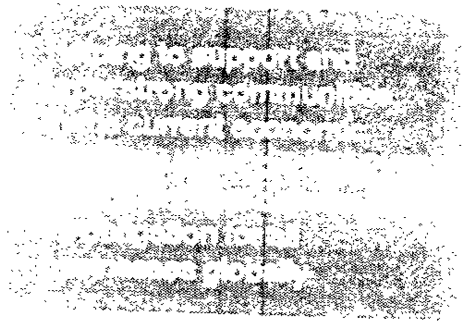
[illegible] programme [illegible] delivered in partnership with Project [illegible] [illegible] at www.capita.com [illegible]

Digital inclusion

In 2022 [illegible] technology platform, that finds [illegible] employment for military veterans [illegible] groups through delivering [illegible] [illegible] we launched [illegible] to support former members of the UK armed forces and their partners to find employment in the [illegible] sector after leaving the military, encouraging organisations to fill [illegible] [illegible]

We also continued to work with Good Things Foundation, the digital inclusion charity, to inspire senior leaders in England to set ambitious strategies to tackle digital inequality. The aim of this work is to ensure people from all backgrounds, including the disadvantaged, [illegible] and the skills necessary [illegible] [illegible] several combined authorities in England to help them develop [illegible] to digital inclusion and led to the creation of a roadmap providing practical ideas for digital inclusion strategies aimed at tackling digital inequality.

Capita colleagues also volunteered their time during the year to take part in Business in the Community's [illegible] Connections Scheme, providing the [illegible] to help older and vulnerable people to connect with friends and family, source essential items, find information and gain digital confidence.



£[illegible]m

Fighting climate change

[illegible] Science Based Target initiative (SBTi) in the [illegible] Capita's [illegible] net zero [illegible]

Near-term targets

[illegible] GHG [illegible] suppliers by spend [illegible]

Long-term targets

[illegible] 2019 base year [illegible]

[illegible] committed to these challenging targets [illegible] every level of our organisation, setting [illegible] in line with SBTi criteria [illegible]

[illegible] operational net zero by 2025 [illegible] operational and [illegible] by 2035 [illegible]

[illegible]

[illegible] form part of 2023 [illegible]

[illegible] 2030, the challenges we believe will be most difficult to address are the decarbonisation of [illegible]

Driving down GHG emissions

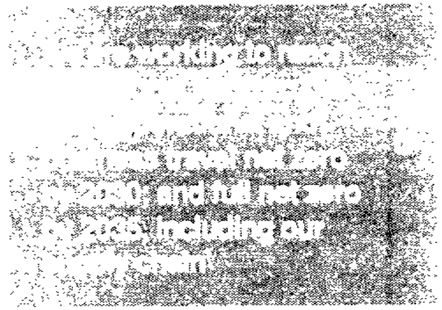
[illegible] we significantly reduced business travel. While [illegible] efficiency, sourcing more renewable power and reducing the property portfolio.

We have already achieved our 2025 and 2030 near-term science based targets apart from those relating to Scope 3 which we expect to [illegible]

Work to [illegible] of our [illegible] will accelerate in 2023 [illegible] develop our low carbon transition plan to ensure transparency to stakeholders across all areas of our carbon [illegible] responding to climate [illegible] and opportunities, and our contribution to economy-wide transition.

With more than 50,000 colleagues across the globe, we are all too aware of our own [illegible]. We therefore launched a new environmental standard, setting out Capita's [illegible] commitments and [illegible] environmental training module for all employees to support the environmental standard and net zero [illegible]

[illegible] first disclosure statement [illegible] the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) [illegible]



2025	2030	2035
Operational (Scope 1 & 2)	Operational (Scope 1 & 2) + business travel emissions	Operational (Scope 1 & 2) + business travel + supply chain emissions

Methodology

[illegible] ... issued an unqualified opinion [illegible]

Our disclosures cover sources of our GHG emissions from our operations in the UK, Ireland, Central Europe (Poland, Germany, Switzerland and Bulgaria), India and South Africa. Capita converts the consumption data [illegible] for the World Business Council for Sustainable [illegible] and World Resources Institute [illegible] Greenhouse Gas Protocol [illegible] together with the latest emissions factors from the UK Department for Environment, Food and Rural Affairs, Association of Issuing Bodies and International Energy Agency.

Annual GHG emissions

	2022	2021	2020
Scope 1 (tCO_2e)	**12,049***	15,021*	18,980*
Scope 2 (tCO_2e) (location-based)	**21,137***	24,088*	28,359*
Scope 2 (tCO_2e) (market-based)	**4,083***	10,328*	23,526*
Scope 3 (tCO_2e) (business travel and waste)	**6,101***	4,500*	7,881*
Total gross tonnes of CO_2e (location-based)	**39,287**	43,609	55,219
Total gross tonnes of CO_2e (market-based)	**22,233**	29,848	50,386
Total gross tonnes of CO_2e/£1m revenue (location-based)	**13.03**	**13.70**	**16.60**
Total gross tonnes of CO_2e/headcount (location-based)	**0.79**	**0.73**	**0.85**

Table of progress against targets

Progress against SBTi verified short-term targets	2022 actual	2022 target	2030 target
Scope 1 (tCO_2e)	**12,049**	**14,506**	10,201
Scope 2 (tCO_2e) (market-based)	**4,083**	**24,167**	14,876
Scope 3 (business travel and waste)	**6,101**	**26,869**	16,540
Progress against SBTi verified short-term engagement target	**2022 actual**	**2022 target**	**2025 target**
Scope 3 supply chain spend covered by science-based targets %	**50%**	32%	50%
Other metrics	**2022**	**2021**	**2020**
100% renewable power progress (as % of total power)	**85%**	80%	68%
Transition from internal combustion to low emission vehicles			
Diesel	**47%**	62%	77%
Hybrid electric	**48%**	32%	19%
Pure electric	**4%**	5%	4%
Average CO_2e	**96g/km**	96g/km	98g/km%
Fleet vehicle energy source			

Notes:

Total gross tonnes of CO_2e/£1m revenue (location-based) in 2022, 2021 and 2020 has been calculated using statutory revenue.

Scope 1: Emissions from Capita sources that are controlled by us, including the combustion of fuel, company-owned vehicles and the operation of our facilities.

Scope 2: Emissions from the consumption of purchased electricity, heat or steam.

Scope 3: Emissions from non-owned sources related to Capita's activities, including business travel and waste.

[illegible] to better outcomes for [illegible] everything we [illegible]

[illegible]

Client relations

[illegible] survey. In the survey we asked [illegible]

[illegible]

[illegible] we received feedback from [illegible]

[illegible] NPS score of [illegible] for 2022 [illegible]

[illegible] individuals across [illegible] clients providing a [illegible] [illegible] increase of [illegible] in 2021.

Supplier engagement

[illegible] of our total [illegible] small and medium-sized enterprises (SMEs) [illegible] of these suppliers, with varying demand for [illegible] their cash flow. Consequently, we strive as [illegible] to prioritise and ensure payment to terms with our vendors at all times [illegible] where possible.

[illegible] We value the businesses relationships we have [illegible] to work with suppliers who share our values [illegible]

[illegible] to ensure that together we can achieve wider social, economic and environmental benefit.

[illegible] charter, which is available on our website, remains at the core of strengthening our commitment to support more SMEs, [illegible] the diversity of our supply chain [illegible] carbon reduction targets. All new and renewing suppliers are expected to [illegible] with this charter.

Business-aligned objectives are in place for 2023 which are fully supported by the Board [illegible] to progress to meet our net zero goals for Scope 3 emissions. Our 2025 goals are that [illegible] of our suppliers by spend will have [illegible] science-based targets (SBTs) in place and, by 2030, 85% of our suppliers by spend will have committed to having SBTs in place.

As a signatory to the Prompt Payment Code, we [illegible] and performance to the UK Government every six months. [illegible] paid within 60 days.

[illegible] for 2022

+35

[illegible] with direct suppliers in 2022

£1.98bn

Valuing the employee voice

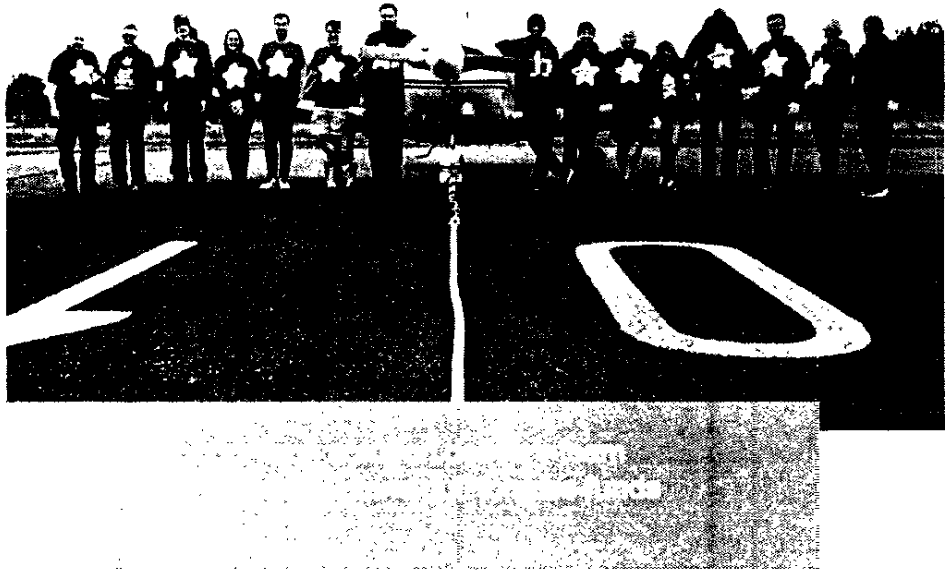
[illegible]

Targeting bribery and corruption

[illegible] hospitality. All employees must complete financial crime training annually.

Upholding human rights

[illegible]



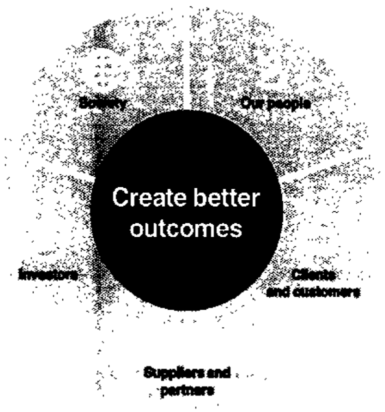
Protecting privacy

Non-financial information statement

This section of the report constitutes Capita's non-financial information statement, produced to comply with sections 414CA and 414CB of the Companies Act 2006. The table below, and information it refers to, is intended to help stakeholders understand our position on key non-financial matters. This builds on reporting that we do under the following frameworks: CDP, Dow Jones Sustainability Index and the EcoVadis Assessment.

Environmental matters	• Health, safety and environmental policy (E) • Environmental standard (I)	• Responsible business: fighting climate change pages 42 and 43
Employees	• Code of conduct (E) • Health, safety and environmental policy (E) • Diversity and inclusion policy (E) • Wellbeing policy (E) • Employee handbook (I)	• Our people section pages 33 to 36 • Responsible business: building an inclusive workplace pages 39 and 40 • Responsible business: diversity data page 40
Human rights	• Human rights policy (E) • Supplier charter (E) • Modern slavery statement (E) • Information and cyber security policy (E) • Privacy policy (E) • Employment screening policy (I) • Procurement policy (E) • Speak Up policy (E) • Safeguarding policy (E)	• Responsible business: operating responsibly – supplier engagement page 44 • Responsible business: community – tackling economic inequalities page 41 • Responsible business: operating responsibly – upholding human rights page 45 and 46
Social matters	• Community and charity policy (E) • Community and charity standard (I) • Volunteering FAQ (I) • Matched funding FAQ (I) • Fundraising FAQ (I)	• Responsible business: digital inclusion page 41 • Responsible business: community – tackling economic inequalities page 41
Anti-corruption and anti-bribery	• Code of Conduct: Anti-bribery and corruption policy (E) • Financial crime policy (E)	• Responsible business: targeting bribery and corruption page 45
Due diligence and outcome	• Risk management framework • Annual internal audit plan • Risk register • Audit and Risk Committee report	• Risk management framework pages 55 and 56 • Audit and Risk Committee report pages 90 to 98
Business model		• Business model pages 6 and
Non-financial KPIs		• Non-financial KPIs page 1 • Responsible business pages 37 to 45

I – Group policies, standards and guidance published internally. E – Group policies, statements and reports published externally.



See page 75 for more information.

Our people

Why they are important

[illegible]

What matters to them

[illegible]

How we engaged

- [illegible]

Topics of engagement

- [illegible]

Outcomes and actions

[illegible]

Risks to stakeholder relationship

- [illegible]

Key metrics

[illegible]

Further details

[illegible]

Clients and customers

Why they are important

[illegible]

What matters to them

[illegible]

How we engaged

- [illegible]

Topics of engagement

- [illegible]

Outcomes and actions

[illegible]

Risks to stakeholder relationship

- [illegible]

Key metrics

[illegible]

Further details

[illegible]

Suppliers and partners

Why they are important

[illegible]

What matters to them

[illegible]

How we engaged

[illegible]

Topics of engagement

[illegible]

Outcomes and actions

[illegible]

Risks to stakeholder relationship

[illegible]

Key metrics

[illegible]

Further details

[illegible]

Investors

Why they are important

[illegible]

What matters to them

[illegible]

How we engaged

[illegible]

Topics of engagement

[illegible]

Outcomes and actions

[illegible]

Risks to stakeholder relationship

[illegible]

Key metrics

[illegible]

Further details

[illegible]

Society

Why they are important

[illegible]

What matters to them

[illegible]

How we engaged

[illegible]

Topics of engagement

- Youth employment
- Promoting digital inclusion
- Workplace inequalities
- [illegible]
- [illegible]

Outcomes and actions

[illegible] Cost-of-living Taskforce

Risks to stakeholder relationship

- Lack of understanding of the issues important to them
- Insufficient communication or involvement in shaping and influencing strategies and plans

Key metrics

[illegible]

Further details

Responsible business: Planet section on pages 42 to 44

[illegible]

Board responsibility for climate-related risks and opportunities:
Capita's Board is responsible for promoting long-term sustainable success, generating value for shareholders and contributing to wider society. This includes its role in ensuring climate-related issues are appropriately considered when setting business strategy, deploying capital, agreeing remuneration metrics, and setting corporate policy.

To achieve these responsibilities, the Board is assisted by three committees:

- The Audit and Risk Committee (ARC) assists in managing risk systems, including managing climate change as a principal risk.
- The Remuneration Committee is responsible for setting policies for executive pay and incentives and approving changes to existing remuneration plans. In 2022, executive remuneration is linked to the achievement of Capita's climate targets during 2022.
- The newly formed ESG Committee has senior level oversight of climate-related issues and is chaired by the Chairman of the Board.

Management's responsibility for climate-related risks and opportunities:
Climate-related responsibilities are assigned to specific management-level positions that coordinate activity across and within each business division.

- Capita's Chief Executive Officer: overall responsibility for climate-related risks & opportunities and for ensuring that climate issues are appropriately considered at Board level.
- Divisional Heads of Responsible Business: deliver on Capita's sustainability initiatives and commitments, including those relating to climate change.
- Divisional Heads of Risk: adapt Group-wide risk policies and identify climate-related risks to align with their business divisions and operating context, which feedback to Group level.
- Group Head of Environment: ownership of the climate change principal risk and managing development of Capita's net zero strategy. Work closely with the Group Risk and Compliance functions, particularly around the climate change principal risk.

To identify, assess and manage climate risks and opportunities, Capita conducted an in-depth climate scenario analysis (CSA) in two phases.

Phase 1, a qualitative risks and opportunity assessment, was completed in 2021, while phase 2, the quantification of climate risks was completed in 2022.

This analytical work has allowed Capita to understand the range of possible impacts arising from different long-term climate change scenarios to inform the overall business strategy, build resilience and mitigate climate risk impacts.

Climate risks and opportunities are assessed across short-term (0–3 years), medium-term (4–9 years), and long term (10+ years) time horizons to reflect the longer-term impacts from climate change.

Phase 1 (completed in 2021): qualitative risk & opportunity assessment

[illegible] completed the first phase of [illegible] analysis by qualitatively [illegible] and opportunities [illegible] scenarios.

[illegible] climate-related disclosures [illegible]

[illegible] Business Growth & Continuity [illegible] Responsible Business [illegible]

[illegible] climate-related risks and [illegible] action.

[illegible] assessment of risks and [illegible]

[illegible] likelihood and [illegible]

[illegible]

Phase 2 (completed in 2022): quantitative modelling of five key climate risks

As a result of the qualitative [illegible] Capita identified five risks likely to affect its operation in different climate scenarios.

- [illegible]
- [illegible]
- [illegible]
- [illegible]
- [illegible] carbon credit [illegible] transition risks

[illegible] Capita's exposure to [illegible] was modelled on a global level for the transition [illegible] water stress [illegible]

Physical risks

Exposure modelling

All of Capita's sites were screened for exposure to water stress [illegible] baseline using publicly available projections. 20 highly exposed or strategic sites were taken forward for detailed modelling. The modelling was used to provide an exposure rating for each of Capita's sites. Scenarios used and timelines modelled are outlined in the risk table.

Vulnerability [illegible]

[illegible] Capita's vulnerability to water stress, an internal cross functional workshop was conducted. The discussions and output from this workshop provided an understanding of site operations which was used to provide each site with a vulnerability rating.

[illegible]

[illegible] exposure and vulnerability risk ratings were multiplied together to understand the overall [illegible] to each of the modelled sites. [illegible] mitigation measures are [illegible] risk.

Transition risks

Exposure modelling

Three transition risks (carbon pricing, supply-chain pass through costs and energy pricing) were modelled, using publicly available projections in a low carbon <2°C scenario. Carbon credit pricing was modelled using a bespoke offset modelling system based on offsetting project type and market fluctuations. All scenarios and timelines are outlined in the risk table.

Carbon pricing, supply chain pass-through costs and energy pricing were all modelling under two internal emissions/energy consumption projections: business as usual (BAU) and net zero.

BAU: assumes that Capita's emissions or energy consumption remains constant from a 2019 baseline.

Net zero: assumes that Capita's emissions and energy consumption decrease in line with the SBTi verified near-term targets and 2035 net zero target.

Vulnerability

To understand Capita's vulnerability to the modelled transitional risks, an internal cross-functional workshop was conducted. The discussions and output from this workshop provided an understanding of Capita's financial planning, strategy and current mitigation measures. The outputs of the workshop and the exposure modelling were assessed to provide an overall potential impact rating for each risk outlined in the risk table.

Risk table [illegible]

Risk description	Climate scenario and time horizon	Potential impact	Mitigation actions
Water stress			
[illegible]	[illegible]	[illegible]	[illegible]
Carbon pricing			
[illegible]	[illegible]	[illegible]	[illegible]

Risk description	Climate scenario and time horizon	Potential impact	Mitigation actions
Supply chain pass-through cost			
[illegible]	Scenario: IEA net zero and [illegible] [illegible]	Potential minor impact on [illegible] carbon [illegible] cost of carbon could have a greater impact if not considered in financial planning. [illegible] • Increased pass-through costs from supply chain [illegible] carbon prices. [illegible]	• Focus on emissions reductions, particularly for Scope 3 and ensure that the net zero and near-term reduction targets are met • Engage with supply chain • Implement an internal price of carbon • [illegible]

Risk description	Climate scenario and time horizon	Potential impact	Mitigation actions
Energy pricing			
[illegible]	[illegible]	[illegible]	[illegible]
Carbon credit pricing			
[illegible]	Scenario: N/A [illegible]	Potential financial impact [illegible]	[illegible]

Climate transition plan

[illegible] net zero by [illegible], with near-term and long-term science-based targets validated by the SBTi. Further details of our targets and climate transition plan can be found on our climate change hub webpage. Key climate initiatives underway to reduce our emissions footprint include:

- [illegible] property portfolio [illegible] emissions.
- Maintaining our energy efficiency programme which identifies energy anomalies and enables data-driven efficiency improvements [illegible] property portfolio.
- [illegible] across all Capita's controlled UK sites, with intent to extend coverage to 100% of tenanted [illegible] where possible.
- [illegible] hybrid, with 83% of fleet transitioned to date.
- [illegible] worked to [illegible]
- [illegible] supply chain [illegible] science-based GHG [illegible]

Planned actions in 2023:

- Integrate results of 2022 quantitative CSA into Group-wide risk matrix and assess requirements for mitigation.
- Establish which identified risks would be most beneficial to assess quantitatively or assess on a more granular level.
- More detailed analysis of potential opportunities afforded to Capita by the low-carbon transition.
- Develop climate transition plan to Gold Standard in line with UK Taskforce on Transition Plan recommendations.

[illegible] principal risk, climate change is subject to oversight by the ARC and Board, and [illegible] to the Group Head of [illegible]. Risk identification and [illegible] Capita has [illegible] views to understand how [illegible] manifest for different [illegible]. A long list of risks and [illegible] referenced against both a peer review and [illegible] qualitatively [illegible].

In 2022, the key climate risks were [illegible] strategy [illegible] process [illegible] legislation [illegible] the UK [illegible] a third-party legal register service provider and [illegible] compliance tool. Identified risks are [illegible] and escalated to the Executive Committee if needed. Each identified risk is evaluated against six impact categories: finance, people, legal & regulatory, [illegible] and strategy. Whichever [illegible] score will determine the [illegible] then matched [illegible] likelihood.

[illegible] potential risks, [illegible] process identifies key controls [illegible] to reduce risk from inherent to residual level. Further risk [illegible] to bring residual risks down to the risk appetite level set by the Board. Climate risk controls include adopting a science-based emission reduction target, monitoring supply chain emissions, climate factors integrated into due diligence, [illegible] business continuity planning [illegible] climate resilience, a travel policy to reduce business travel, and ongoing [illegible] of health, safety and environment [illegible]. [illegible] and their effectiveness [illegible] reviewed [illegible].

Climate-related metrics:

[illegible] TCFD [illegible] update.

- [illegible] chain emissions via [illegible] climate [illegible] GHG Protocol's methodology.
- [illegible] informs the amount of potential financial exposure [illegible].
- Revenue from climate-related opportunities in 2023: Capita will initiate the categorisation [illegible] directly or indirectly enable GHG emission reductions through customer implementation. Once defined, systems will be adjusted to track low carbon related revenues.
- Capital deployment on management of climate risks and opportunities: Capita has established a climate transition plan to achieve net zero, and the costs of achieving this target in alignment with the SBTi are being reviewed in 2023–2025.
- Internal carbon price: Capita is exploring how a bespoke internal carbon price can be used in the capital allocation process to support the business case for investment in low carbon initiatives.
- Proportion of executive remuneration [illegible] climate considerations: Capita [illegible] performance against Capita's climate targets [illegible] policy [illegible].

Other climate-related indicators monitored:

- Number of suppliers who set their own science-based GHG reduction targets [illegible] supply chain emissions and [illegible].
- [illegible] for electricity [illegible] phase out and adoption of new energy sources.
- [illegible] associated with business travel contributing to attainment of climate targets.
- Carbon intensity of business by turnover and headcount.

Climate-related targets:

- Capita has set a range of ambitious targets to reduce the company's impact on global warming and its exposure to climate-related risks. The SBTi has verified Capita's 2035 net zero science-based target.

Overall net zero target

Capita commits to reach net zero greenhouse gas emissions across the value chain by 2035 from a 2019 base year.

Near-term targets

Capita commits to reduce absolute Scope 1 and 2 GHG emissions and absolute Scope 3 GHG emissions covering business travel 50% by 2030 from a 2019 base year. Capita also commits that 50% of its suppliers by spend covering purchased goods & services and capital goods will have science-based targets by 2025.

Long-term targets

Capita commits to reduce absolute Scope 1 and 2 GHG emissions, and absolute Scope 3 GHG emissions covering purchased goods & services, capital goods, business travel and employee commuting 90% by 2035 from a 2019 base year.

This long-term SBT will require an ambitious 90% absolute reduction of Scope 1, 2 and 3 emissions from 2019, before counterbalancing residual emissions to achieve net zero.

At Capita, we recognise that effective risk management and internal control is fundamental to helping us achieve our strategic objectives. Our ability to identify, assess and manage risks successfully enables us to continue to protect shareholder value and allows us to pursue potential opportunities for growth.

Impact of cost of energy, elevated inflation, rising interest rates and global economic weakness on Capita

[illegible] in the UK and around the [illegible] ... was facing its longest [illegible]

[illegible] during the country's [illegible] ...

Internal control and risk management

[illegible]

[illegible] ... of the Group's internal control framework.

Key control questionnaire

[illegible] (KCQ) is an [illegible] ... with group policies ... KCQ process inform[illegible] ... plans for control ... the subsequent year

[illegible] accountability and ... awareness of their responsibilities in maintaining an effective control environment. The status of KCQ [illegible] arising from the exercise [illegible] and ethics are reported to the executive risk and ethics [illegible] throughout the year.

Minimum control standards

[illegible] undertake an annual [illegible] controls across the Group against a specified set of Minimum [illegible] identifying areas [illegible] improve efficiency [illegible] through [illegible] to ensure the effectiveness [illegible] over financial reporting of the existing controls.

During 2022 the [illegible] function continued to [illegible] ... assurance

over the operation of key financial controls. It is intended that this process will continue to operate in 2023, in parallel with new and existing control initiatives such as the finance control framework project, which will focus on strengthening key system access controls, refining key finance policies and standards and continuing to simplify and standardise key financial controls.

Risk oversight and governance

A risk-focused culture and tone is expected across all levels at Capita, reflecting the tone at the top set by the Board. The Board is ultimately accountable for providing strategic governance and stewardship of the company. Throughout 2022, the principal and emerging risks facing the company continued to be reviewed by the Board, including those risks that could threaten Capita's business strategy delivery, future performance, resilience or liquidity.

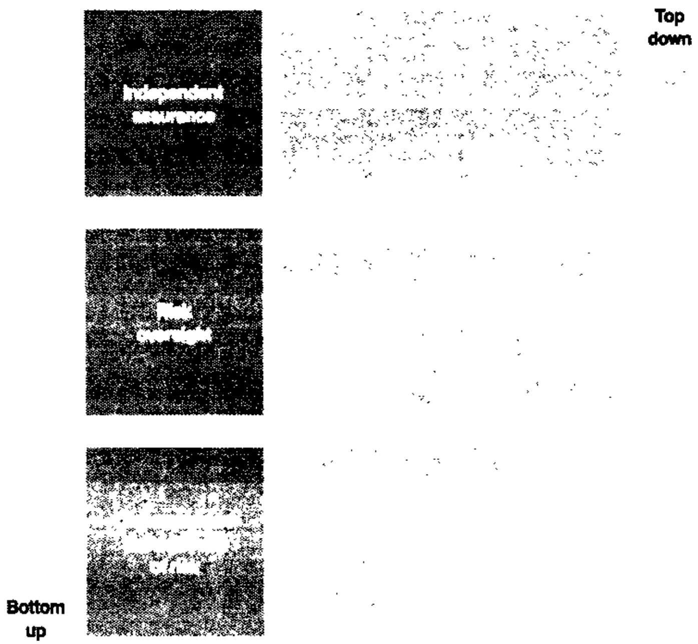
The Board is committed to the continuous improvement of our governance mechanisms and risk management processes, to ensure that risks, including new and emerging risks, continue to be identified and managed effectively at all levels of the Group. As part of this commitment, a regular review of the principal risks was undertaken during the year to ensure that they remain relevant and appropriate. This included determining whether any new or emerging risks should be added to the principal risk profile. The ARC, which has delegated responsibility from the Board for reviewing and assessing the risk management and internal control systems, is responsible for overseeing the Group's principal risk profile and management's risk mitigation strategy.

[illegible] the system of risk management and internal [illegible] procedures for internal control over financial [illegible] operational matters.

[illegible] the financial services businesses [illegible] and the need for specific oversight [illegible] financial regulated entities [illegible]

[illegible] cannot be fully eliminated and that [illegible] the Board and of the [illegible] opportunities. However [illegible] an appropriate authority level and reflect the organisation's defined risk appetite and its risk governance framework is [illegible]

Risk governance structure and assurance lines



- Internal Audit reports directly to the Board and ARC on the effectiveness of governance, internal control and risk management, through an independent risk-based assurance programme
- Help safeguard the first two lines and recommend improvements as the risk profile adapts and changes

- Provide the policies, framework, tools, techniques and support to empower risk and internal control to be managed by the first line
- Establish monitoring controls, provide oversight and regularly evaluate the effectiveness of the first line
- Promote consistency of the key objectives and management of risk across the Group

- Includes senior leadership and employees who, as part of their core role, identify and manage key risks
- Equipped with the necessary skills, knowledge and tools to operate effectively and have the relevant authority levels to embed the policies and procedures across the internal controls and risk management frameworks

Risk management process

The [illegible] management framework ensures that ownership and responsibility for identification [illegible] and mitigation of key risks and [illegible] are embedded throughout Capita. The Board sets the context for risk management through defining the strategy [illegible]

in collaboration to undertake a top-down bottom-up approach to identify, assess and respond to risks faced by Capita.

The risk management process is based on risk [illegible] reporting at the established risk governance committees. Key risks in the [illegible] have assigned risk owners who review them regularly and report on them at least a quarterly basis [illegible] part of the risk reporting process [illegible] the strength of existing controls is [illegible]

[illegible] appetite ... approved by the Board.

[illegible] level applied ... addressing ... [illegible] ... customer & client, technology, people, regulatory and legal & regulatory. These risks ... [illegible]

[illegible] to operate effectively throughout 2022. The ... [illegible] ... and external influences such as the potential UK recession, rapidly increasing inflation and [illegible] ... for their impact on ... and its principal risk profile ... [illegible]

Risk appetite

[illegible] proposed by the ERC, to ensure that it reflects [illegible] and market conditions. [illegible] Capita [illegible] tolerable level, and these [illegible] to deliver our [illegible]

[illegible] risk management maturity [illegible] risk owners, supported by Group Risk, have been developing risk appetite statements for [illegible] principal risks [illegible] clarity to the [illegible] on the [illegible] by the Board [illegible] to manage risk levels to within the agreed appetite.

Emerging risks

The identification of emerging risks is carried [illegible] and the executive [illegible]. Regular reviews of [illegible] emerging risks and project [illegible] in risk and [illegible] Capita's existing [illegible] Capita did not identify [illegible] during 2022. However the impact on our risk profile of the rapid [illegible] economy, potential prolonged recession in the UK and cost-of-[illegible] closely monitored.

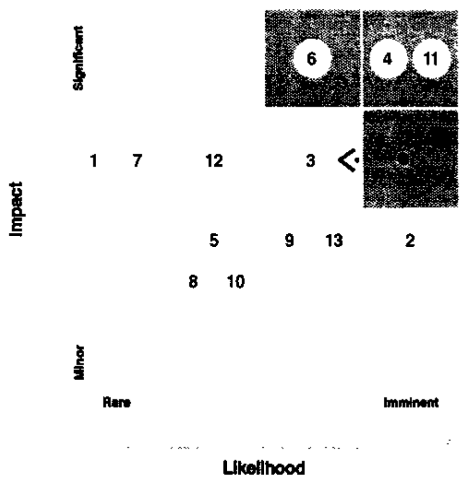
Principal risks

Principal risks are defined as those risks that are significant for the Group and are owned and managed by a specified member of the executive team who has accountability for ensuring that the risk is managed within the risk appetite levels set by the Board. Assigning risk ownership at executive level also ensures that an appropriate level of attention and focus is applied in addressing the principal risks.

A regular cycle of reassessment and reporting of the principal risks is undertaken within the remit of the EREC and the ARC.

For more details on the challenges faced and actions taken to address them, please refer to the Chief Executive Officer's review on page 10.

The Capita principal risk profile as at 31 December 2022, is illustrated below



Key: Level of risk

Critical	The maximum level of risk Capita can bear and remain effective at delivering its strategy. Of immediate critical concern.
Uncomfortable	Risk level will cause problems that would put uncomfortable pressure on delivery.
Vulnerable	Risk level likely to cause problems that would put uncomfortable pressure on delivery.
Acceptable	A business-as-usual risk, manageable with the right people and processes in place to respond to the threat. A tolerable level of risk.
●··>	Risk movement since 2021 year end

No.	Risk title	Risk description
1	**Living our purpose**	Failure to live our purpose and failure to change stakeholder perception so we are seen to live our purpose
2	**Strategy**	Failure to define, resource and execute the right medium-term strategy
3	**Innovation**	Failure to innovate and develop new value propositions for clients and customers
4	**People attraction & retention**	Failure to attract, develop, engage and retain the right people for current and future client propositions
5	**Culture**	Failure to change the culture and practices of Capita in line with our purpose and strategy
6	**Data protection**	Failure to protect data, information and IT systems
7	**Contracts**	Failure to secure new/extend existing contracts and services
8	**Delighting clients**	Failure to delight clients and customers and deliver contractual obligations
9	**Internal control**	Failure to maintain a risk-based system of internal control
10	**Geopolitical climate**	Failure to plan for, influence and respond to potential changes in the geopolitical climate
11	**Financial stability**	Failure to maintain financial stability and achieve financial targets
12	**Wellbeing, health & safety**	Failure of Capita to protect the wellbeing, safety and health of all Capita's employees, the people we work with and our service users
13	**Climate change**	Failure to adapt Capita and its services to the impacts of climate change

During the year, the likelihood of principal risk 3, failure to innovate and develop new value propositions for clients and customers, reduced when compared with the previous year. We now have a dedicated strategy team working on effectively managing existing propositions and working in collaboration with our sector, growth, consult and transform teams to identify opportunities to create new propositions for our clients. We have also developed stronger strategic partnerships with our key technology providers to enable us to better leverage their products to serve our clients.

The Board remains confident that our existing governance mechanisms and risk management processes will ensure that risks, including emerging risks, continue to be identified and dealt with effectively. However, the Board recognises that a number of these risks are taking a number of years to address and bring back to an appropriate level. The Board also recognises the improvement made, which has resulted in Capita being a simpler business with a stronger operational platform to underpin its future development. At Capita, the principal risks are considered over the same three-year period as the viability statement. They are listed and described opposite and, for each risk, we disclose key mitigations and future actions to further manage the risk and improve internal control.

	Potential impact	How we manage the risk
1 Failure to live our purpose and failure to change stakeholder perception so that we are seen to live our purpose [illegible]	[illegible]	[illegible] **Mitigation actions in 2022** [illegible] **Future actions** [illegible]

	Potential impact	How we manage the risk
2 Failure to define, *resource and* execute the right medium-term strategy [illegible]	[illegible]	This risk is managed through regular review, challenge and update of divisional strategies at least annually with Executive Committee and Board approval, ensuring alignment to Capita's corporate strategy. **Mitigation actions in 2022** • Embedded the operating changes and focused on growth in our areas of core competency. • [illegible] portfolio businesses at the right price to reduce debt and improve liquidity. • [illegible] the Board and Executive Committee. • [illegible] Public Service divisions capital strategy. • [illegible] within the Experience division [illegible] 2022. • [illegible] **Future actions:** • Focus on growth in our areas of core competency. • Execute and deliver Public Service division's capital strategy investment programme. • Contact Experience division's operating model changes to drive more effective operations and delivery. • Review and enhance Capita's strategy [illegible]

3 Failure to innovate and develop new value propositions for clients and customers

Potential impact

How we manage the risk

Mitigation actions in 2022

Future actions:

4 Failure to attract, develop, engage and retain the right people for current and future client propositions

Mitigation actions in 2022

Future actions:

5 Failure to change the culture and practices of Capita in line with our in line with our purpose and strategy

Potential impact

How we manage the risk

Mitigation actions in 2022

Future actions:

6 Failure to protect data, information and IT systems

[illegible]

Potential impact	How we manage the risk
[illegible]	[illegible]

Mitigation actions in 2022

[illegible]

Future actions:

[illegible]

7 Failure to secure new contracts/ extend existing contracts and services

[illegible]

Potential impact	How we manage the risk
[illegible]	[illegible]

Mitigation actions in 2022

- [illegible]
- [illegible] Public Service [illegible]
- Public Service commercial playbook [illegible]
- [illegible]
- Coordination between Pursuit, Programme and [illegible] teams improved
- [illegible] by the Board
- [illegible] Customer Value Proposition teams.

Future actions:

- [illegible]
- [illegible]
- [illegible]
- [illegible]
- [illegible] quality of deals [illegible] margins and profitability

8 Failure to delight clients and customers and deliver contractual obligations

Potential impact

[illegible]

How we manage the risk

[illegible]

Mitigation actions in 2022

[illegible]

Future actions:

[illegible]

9 Failure to maintain a risk-based system of internal control

Potential impact

[illegible]

How we manage the risk

[illegible]

Mitigation actions in 2022

[illegible]

Future actions:

[illegible]

10 Failure to plan for, influence and respond to potential changes in the geopolitical climate

Potential impact

[illegible]

How we manage the risk

[illegible]

Mitigation actions in 2022

[illegible]

Future actions:

[illegible]

11 Failure to maintain financial stability and achieve financial targets

[illegible]

Potential impact

[illegible]

How we manage the risk

[illegible]

Mitigation actions in 2022

[illegible]

Future actions:

[illegible]

12 Failure of Capita to protect the wellbeing, safety, and health of all Capita's employees, the people we work with and our service-users

Accountable: [illegible]

Potential impact

[illegible]

How we manage the risk

[illegible] mental health [illegible]

Mitigation actions in 2022

- [illegible]
- Assessed and validated Capita's legal and statutory wellbeing, safety and health requirements.
- [illegible] risk assessments for new contracts.
- Updated the approach and process to wellbeing, safety and health incident and [illegible] reporting, management and analysis.

Future actions:

- [illegible]
- [illegible]
- [illegible]
- [illegible]
- Review and [illegible] health screening [illegible]

13 Failure to adapt Capita and its services to the impacts of climate change

Potential impact

How we manage the risk

Mitigation actions in 2022

Future actions:

[illegible] Governance Code 2018, the Board [illegible] assessed the viability of the Group and [illegible] over the three-year period to [illegible] 2025, aligned with the period of [illegible] business planning [illegible]. The Board believes that a three-year [illegible] sufficient clarity to consider the [illegible] company's prospects and [illegible] development of a robust base [illegible] financial projections against which [illegible] plausible downside scenario stress [illegible] conducted.

[illegible]

[illegible] growth in 2023 of 2.1 [illegible] reduction in the Group's cost [illegible] cumulative savings during the transformation programme of £[illegible]

- [illegible] the proceeds from the non-core business disposal programme [illegible] totalling £[illegible] since 1 January 2021 [illegible] Group's adjusted net debt, to make further [illegible] contributions to the Group's [illegible] and [illegible] accelerating growth in the remaining core businesses.
- The repayment of £[illegible] of debt, excluding lease liabilities, since 1 January 2021.
- The extension during [illegible] of the Group's revolving credit facility [illegible] August 2023 and in February 2024 the Group entering into a committed bridge facility [illegible] with three of its relationship banks providing additional liquidity from 1 January 2024.
- The payment of £[illegible] of deficit reduction contributions to the Group's main defined benefit pension scheme since 1 January 2019, and the commitment to a further [illegible]

[illegible] Group.

The following elements provide the backdrop to the three-year business plan, approved by the Board in January 2023, and are key factors in the Group's viability [illegible] assumptions underpinning the [illegible] financial projections in the Group's business plan are set out below:

- Further adjusted revenue growth broadly in line with market trends in each of the two [illegible]
- Operating profit margin expansion over the business plan period reflecting the benefit of operating leverage coupled with ongoing efficiency delivery.
- [illegible] of the portfolio disposal [illegible]
- The refinancing of the Group's RCF prior to its maturity in August 2024.

[illegible] viability assessment perspective relate to the continuation of adjusted revenue growth, operating profit margin expansion and the refinancing of the RCF. Capita has been successful in obtaining new and extended financing facilities over the last few years. As such, in concluding on viability the Board believes that it is reasonable to assume that the Group will be successful in refinancing the RCF [illegible] balance sheet and financial projections.

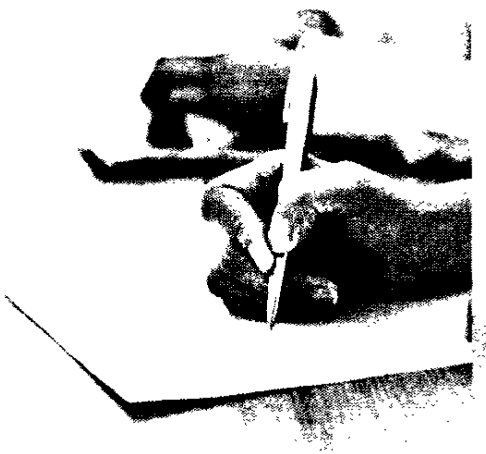
The three-year base case financial projections [illegible] covenant compliance and [illegible] the sensitivity of the financial performance of the Group to changes in trading conditions in line with those considered in the severe but plausible downside case for the going concern [illegible] and from the crystallisation of [illegible] set out in the [illegible] 2022 Annual Report and Accounts (refer to section 1 of the consolidated financial statements).

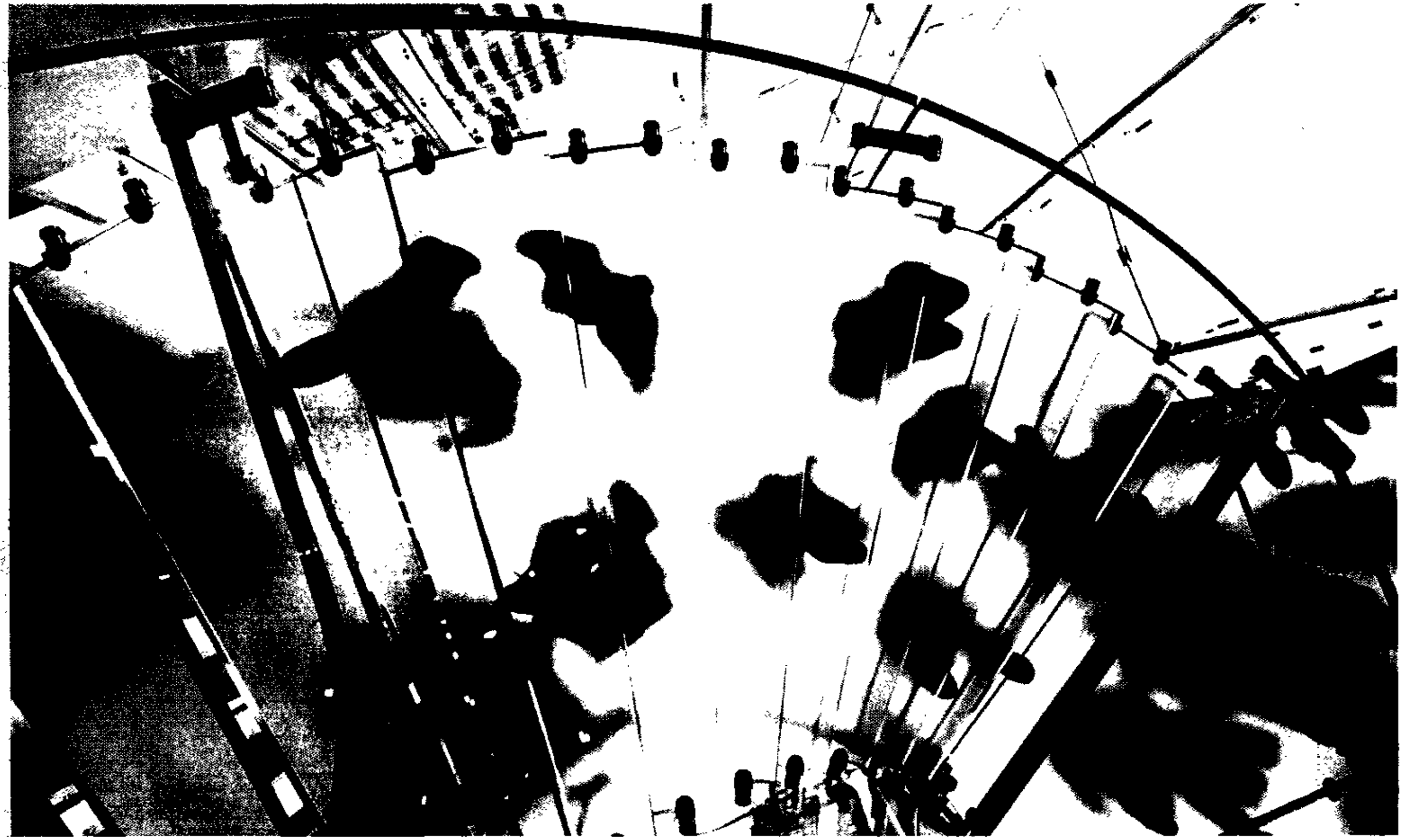
The risks applied have not been probability weighted but rather consider the impact should each materialise by applying a more likely than not test. These wide-ranging risks are unlikely to crystallise simultaneously and there are mitigations under the direct control of the Group, including reductions in capital investment, substantially reducing and/or removing in full bonus and incentive payments and significantly reducing discretionary spend that can be actioned to address a combination of risk crystallisations that may occur under a severe but plausible downside. These have been considered in the Board's viability assessment.

Based on this assessment and reflecting the Board's confidence in the platform for improving financial performance resulting from completion of the transformation plan, and the Group's ability to refinance, the Board has a reasonable expectation that the Group and Parent Company will be able to continue in operation and meet their liabilities as they fall due over the period of the viability assessment.

The strategic report was approved by the Board and signed on behalf of the Board:

Claire Denton
Chief General Counsel and Company Secretary





On behalf of the Board, I am pleased to introduce the Company's corporate governance report for the year ended 31 December 2022, which is my first report as your Chairman.

Corporate governance

[illegible] sets out how the Company has complied with the 2018 UK Corporate Governance Code. It also aims to explain the work and activities of the Board, and the work of its committees, and details the annual evaluation process for the year under review.

Capita is a [illegible] led business, and we are committed to being a responsible business – in how we operate, serve society, respect our people and the environment, and deliver improved returns to our investors. The Board is committed to ensuring Capita's governance structure aligns with this and operates to the highest standard – this is one of my principal objectives as your Chairman.

In June 2022, the Board established an ESG (environmental, social and governance) Committee, a forum not affected by the time pressures of the wider Board agenda. This enables ESG matters to be properly considered and helps support the work being undertaken by the business to tackle them, including our commitment to achieve net zero across our value chain by 2035. I am proud that in 2022 Capita was, for the first time, included in the Carbon Disclosure Project 'A' list, a [illegible] that scores companies and cities based on their journey through disclosure and towards environmental leadership.

As a Board, we were also kept fully informed of the Company's refreshed mandatory Code of Conduct training and the relaunched Speak Up policy, which is overseen by the Audit and Risk Committee. Both initiatives are pivotal to our commitment to ensuring we remain true to our values and, by complying with the Code of Conduct, we demonstrate our commitment to creating better outcomes for [illegible] Capita.

The current Board and committee structure, including the new ESG Committee, is outlined below. Further information on the ESG Committee and its remit is provided on pages 88 and 89, with further information on Capita's responsible business focus provided on pages 34 to 45.

Board composition

There were several changes to the Board during 2022.

Matthew Lester stepped down on 30 June 2022, having served as a director for five years. On behalf of the Board, I would like to thank Matthew for his hard work, commitment and wise counsel, and especially for his leadership as Chair of the Audit and Risk Committee.

Lyndsay Browne and Joseph Murphy, our first employee directors, resigned on 30 June 2022 having served their three-year terms. I would also like to thank them for their commitment and professionalism. Their contribution to the Board was significant and provided fresh insight and a vital new perspective.

[illegible]	31 December 2022
[illegible]	44%

[illegible] welcomed Nneka Abulokwe and Brian McArthur-Muscroft to the Board as independent [illegible] Directors on 1 February and 1 June 2022 respectively. Nneka has a wealth of [illegible] gained within both entrepreneurial and corporate environments. Her expertise has already been of great benefit to the Board as Capita continues to develop digital innovation to help [illegible] growth strategy.

[illegible] took over the responsibilities of Audit and Risk Committee Chair on 1 July 2022 [illegible] chief financial officer and [illegible] joined the Board on [illegible] our new Employee Non-Executive Director and has already provided great insight.

[illegible] Director on 1 January 2021 and was appointed as Senior Independent Director [illegible] March 2021. Sir Ian Powell stepped down as Chairman at the conclusion of the Company's [illegible] having been [illegible] Chairman designate on [illegible] March 2021 as part of the Board's succession planning. [illegible] to the Board during a period of significant change for the business.

[illegible] February 2023, we announced that John Cresswell, independent Non-Executive Director, had [illegible] down from the Board with effect from [illegible] March 2023. I would like to thank John for [illegible] and valuable contribution to the Board during his seven year tenure as a director.

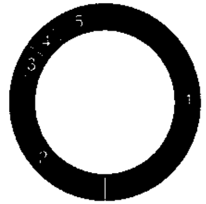
[illegible] where we benefit from all colleagues sharing their different perspectives. The Board [illegible] to lead by example through its own approach to inclusion and diversity across its [illegible]. As at the date of this Annual Report, 44% of the Board is female, exceeding the [illegible] including our Senior Independent Director. Our ethnic diversity continued to improve [illegible] appointment of Nneka Abulokwe. Further details of Board appointments during 2022 can [illegible] in the Nomination Committee report on pages 86 and 87.

Company purpose and culture

[illegible] able to underpin how the business behaves towards all its stakeholders. Our culture [illegible] the foundation to drive our purpose and delivery of our strategy.

[illegible] society and our investors. The Board receives regular reports on activities that [illegible] to monitor developments in the Group's culture and provides supportive challenge to management. The dashboard below is an aggregation of key measures informing the Board's

Board time allocation (%)



1 50% Strategy, transformation and growth
2 30% Executive reports
3 5% Governance (incl. Board evaluation)
4 5% IR / brand / reputation
5 10% Full and half-year results

	2015	2018	2022
David Lowden (Chairman)[1]			
Jon Lewis (CEO)			
Tim Weller (CFO)			
Georgina Harvey[2]			
John Cresswell			
Neelam Dhawan			
Nneka Abulokwe[3]			
Janine Goodchild[4]			
Brian McArthur-Muscroft[5]			

1. Joined the Board on 1 January 2021, appointed as Senior Independent Director (SID) on 1 March 2021 and as Chairman on 10 May 2022 when he ceased to be SID
2. Joined the Board on 1 October 2019 and as SID on 1 July 2022
3. Joined the Board on 1 February 2022
4. Joined the Board on 1 July 2022
5. Joined the Board on 1 June 2022

[illegible] and rewarding its workforce is set out in the people and responsible business sections of the strategic report on pages 32 to 36 and 37 to 45 respectively.

Metric	2022	2021
[illegible]	+15 points	[illegible] points
[illegible]	65%	[illegible]
[illegible]	72%	59%
[illegible]	90%	[illegible]
[illegible]	55%	[illegible]

[illegible] that the 2022 [illegible] and there is a general trend towards positivity. However, the Board [illegible] that we are still behind the [illegible] [illegible] from Group level down [illegible] and the senior management team. The Board, through its [illegible] Committee [illegible]

Board evaluation

[illegible] out effectiveness reviews annually. Due to the changes in Board membership [illegible] evaluation being undertaken in 2021, the 2022 evaluation was undertaken internally.

[illegible] the evaluation performed in 2021 are set out below together with actions taken during [illegible] in response to the 2021 external evaluation performed by Independent Board Evaluation.

Finding from 2021 evaluation	Action in 2022
[illegible]	[illegible]

Finding from 2021 evaluation	Action in 2022
[illegible] would be beneficial	Regular presentations from the [illegible] Public Service are scheduled into the Board's annual calendar, together with presentations on the Group's growth strategy which includes both divisions. In September 2022, the Board held a strategy day where these matters were discussed in detail

The 2022 Board evaluation (and the evaluation of the committees) was undertaken by the completion of a questionnaire by each director, followed by a one-to-one meeting with the Chairman. The Board received a report from the Chairman on the outcome of the evaluation, including formal recommendations which were discussed and approved by the Board. Committee feedback was presented to the relevant committee chair. The Chairman was assisted in this process by Claire Denton, Chief General Counsel and Company Secretary.

The evaluation concluded that the performance of the Board was viewed positively. A particular strength of the Board was found to be a culture with honest and open debate. The evaluation also identified certain aspects of the Board's work that could be improved and these areas, set out in the following table, were highlighted and discussed by the Board.

Finding from 2022 evaluation	Proposed actions in 2023
[illegible]	Additional presentations have been included in the Board's annual calendar. These include a strategic focus on digital solutions to meet client requirements and margin improvement from Experience and Public Service
[illegible] would be beneficial	[illegible] to client [illegible] will be organised for the Board. In addition, more members of the senior management [illegible] Executive Committee will be asked to present and meet with the Board in both a formal and more informal setting

Corporate governance and committee reports

The following pages in this section consist of our corporate governance and committee reports. I hope that you will find these and the entire Annual Report informative. The Board will be happy to receive any feedback you may have.

David Lowden
Chairman

Chairman

David Lowden

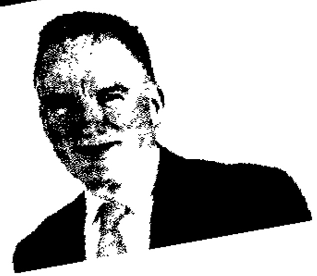
Appointed: [illegible] 2021 independent [illegible] Director March 2021 [illegible] Director May 2021 [illegible]

Independent at appointment: [illegible]

Key skills and experience: [illegible] Chair of the [illegible] committee of William Hill [illegible]

Other current appointments: Chairman of [illegible] plc and Senior Independent Director of Morgan Sindall plc

Executive Directors



Jon Lewis

Appointed: December 2017

Key skills and experience: Before joining Capita, Jon was Chief Executive Officer of Amec Foster Wheeler. Prior to that he had a 30-year career at Halliburton [illegible] roles, including [illegible] Senior Vice President [illegible] the Halliburton [illegible] Committee.

Board responsibilities: [illegible] developing Capita's [illegible] the Company's strategic objectives.

External appointments: [illegible] of Equinor ASA

Tim Weller

Appointed: May 2021

Key skills and experience: [illegible] joining Capita, Tim was [illegible] years [illegible] CFO and [illegible] Director [illegible] Thames Water [illegible] United Utilities [illegible] Worldwide plc and [illegible] his career at KPMG [illegible] Chartered Accountant [illegible] becoming a partner in 1997.

Board responsibilities: overall control and responsibility for all financial aspects of the [illegible] strategy.

External appointments: Non-Executive Director of The [illegible] Trust

Independent Non-Executive Directors

Georgina Harvey

Appointed: October 2019 (Non-Executive Director), July 2022 (Senior Independent Director)

Key skills and experience: Georgina has significant experience across highly competitive consumer-facing markets and of delivering successful transformational change. Prior to her current roles, Georgina was Managing Director of Regionals and a member of the Executive Committee of Trinity Mirror plc from 2005 to 2012.

Other current appointments: Non-Executive Director of Superdry plc and McColl's Retail Group plc

Brian McArthur-Muscroft

Appointed: June 2022

Key skills and experience: Brian was formerly the Group Chief Financial Officer at Micro Focus International plc, a FTSE 100 global infrastructure software company. Previous roles include CFO at Paysafe Group plc, leading the business to a FTSE 250 listing on the LSE Main Market in 2016, and Group FD at Telecity Group plc. Also a restructuring specialist, he was interim CFO on the successful turnaround of MCI Worldcom EMEA. Prior to joining Capita he was a Non-Executive Director at Robert Walters plc. Brian holds a law degree and qualified as a chartered accountant with PricewaterhouseCoopers in London.

Other current appointments: Chief Financial Officer of Quantiq, a financial intelligence and investment management business

Independent Non-Executive Directors

Nneka Abulokwe OBE

Appointed: [illegible]

Key skills and experience: [illegible] ... spanning more than [illegible] ... MicroMax [illegible] ... CEO [illegible]

Other current appointments: Non-Executive [illegible] ... Consulting [illegible] ... Audit & Risk [illegible] ... University of Cambridge [illegible] School of Management Advisory Board and [illegible]

John Cresswell

Appointed: November 2019

Key skills and experience: [illegible] ... Chartered Accountant [illegible] ... Economics and Politics and attended the advanced management programme at Harvard Business School. Previously he was CEO of Bibby Line Group and Arriva [illegible] ... director [illegible] plc.

Other current appointments: [illegible] Murphy [illegible] Ltd, Chair of [illegible] Holdings Limited and an Operational Advisor with [illegible] Asset Management.

Neelam Dhawan

Appointed: March 2021

Key skills and experience: Neelam has [illegible] 40 years' leadership experience in the IT industry, where she held senior positions in Hewlett-Packard, Microsoft, [illegible] and IBM [illegible] a wide range of areas including strategy, corporate development, software engineering and [illegible]. She now advises multinationals on business and technology transformation and [illegible] ... Neelam [illegible] Board of [illegible] ... as a member of Koninklijke Philips NV Supervisory Board, having served for the maximum term of [illegible] years.

Other current appointments: Non-Executive Board Member of [illegible] ... mentors and advises women startup companies and is on the board of Capillary Technologies.

Employee Non-Executive Director

Janine Goodchild

Appointed: July 2022

Key skills and experience: Janine is a registered adult nurse and lead clinical trainer in the Capita team which [illegible] personal independence payment [illegible] on behalf of the Department for Work and Pensions. Janine joined Capita in January 2016. Janine's previous experience includes working in the banking industry within corporate actions, asset reconciliations and within employee learning and development.

Other current appointments: None

Directors who served during the year 2022

Sir Ian Powell stepped down from the Board on 10 May 2022 at the conclusion of the Company's 2022 AGM.

Matthew Lester, **Lyndsay Browne** and **Joseph Murphy** retired from the Board on 30 June 2022.

On 3 February 2023, the Company announced that **John Cresswell** had decided to step down from the Board with effect from 31 March 2023.

Corporate Governance Code

[illegible] and its subsidiaries (the Group) are committed to maintaining high standards of [illegible] governance. The UK Corporate Governance Code 2018 (the Code) applies to accounting [illegible] beginning on or after 1 January 2019 and is available from the Financial Reporting [illegible] website: www.frc.org.uk

[illegible] of the accounting period to which this report relates, the Company complied with all [illegible] set out in sections 1 to 5 of the Code except:

[illegible] audit and remuneration committees respectively to comprise independent non-executive directors. Joseph Murphy (member of the Audit and Risk Committee (ARC) until 30 June 2022) and Lyndsay Browne (member of the Remuneration Committee (RemCo) until 30 June 2022) were both non-executive employee directors and therefore not considered independent. However, the Board considered that the value of the employee perspective brought by Lyndsay and Joseph to Board meetings should be replicated on those two committees. Lyndsay and Joseph resigned from the Board on 30 June 2022 having served their three-year term.

[illegible] appointment of a senior independent director. Following David Lowden's appointment as Chairman on 10 May 2022 and until the appointment of Georgina Harvey as senior independent director (SID) on 1 July 2022, the Company did not have a SID.

Following the appointment of David as Chairman, and the establishment of the [illegible] committee, the Nomination Committee undertook a review of Committee membership and considered who should be appointed as members of each Committee and who should be appointed as SID. The Nomination Committee considered the skillset of each Director to ensure that each Committee has the appropriate skillset, balance of experience and diversity, and that all members have sufficient time available to devote to the committees of which they are members. This review culminated in the appointment of Georgina Harvey as SID on 1 July 2022, given her experience as RemCo chair and her engagement with shareholders in this role, and the Committee membership which is detailed on page 8[illegible].

The RemCo comprises solely independent non-executive directors, while the ARC, which is chaired by Brian McArthur-Muscroft, comprises John Cresswell and Neelam Dhawan (all independent non-executive directors) and Janine Goodchild (employee non-executive director). The formal appointment of Janine to the ARC continues to demonstrate how the Group values diversity of perspective and that this is considered more important than a purely compliance-driven approach to the Code. Janine was not appointed as a member of the RemCo recognising the strong views of shareholders relating to the independence of RemCo members given the more than 20% of votes cast against the re-election of Lyndsay at the 2022 AGM, as detailed on page 76.

Except for Janine's membership of the ARC, which does not comply with provision 24 of the Code, the Company currently complies with all relevant provisions of the Code set out in sections 1 to 5.

Board changes during the year

Nneka Abulokwe and Brian McArthur-Muscroft were appointed as independent Non-Executive Directors on 1 February and 1 June 2022 respectively. Sir Ian Powell stepped down as Chairman and David Lowden was appointed as his successor on 10 May 2022. Georgina Harvey was appointed as SID on 1 July 2022. Matthew Lester, chair of the ARC, resigned from the Board on 30 June 2022. Lyndsay Browne and Joseph Murphy, non-executive employee directors, resigned from the Board on 30 June 2022 having served their three-year term. Janine Goodchild was appointed Employee Non-Executive Director on 1 July 2022. Further information on Board changes is set out on page 87.

Board changes after year end

There have been no changes to the Board since 1 January 2023.

On 3 February 2023, the Company announced that John Cresswell had decided to step down from the Board with effect from 31 March 2023. John joined the Board in 2016 and has made a significant contribution during this period.

Board composition

Composition of the Board at 31 December 2022 and at the date of this report is shown in the following table.

Board composition at 31 December 2022

Executive directors	Independent non-executive directors	Employee non-executive director
Jon Lewis	David Lowden	Janine Goodchild
Tim Weller	Georgina Harvey	
	Brian McArthur-Muscroft	
	John Cresswell	
	Neelam Dhawan	
	Nneka Abulokwe	

The Board

To promote Capita's long-term sustainable success, generating value for shareholders and contributing to wider society.

• Strategy and management • Structure and capital	• Financial reporting • Internal controls	• Major contracts • Shareholder communication	• Board membership

Nomination Committee	**Audit and Risk Committee**	**Remuneration Committee**	**ESG Committee**
• Board and committee composition • Succession planning • Diversity • People strategy	• External audit • Financial reporting • Risk management and internal controls • Internal audit	• Remuneration policy • Remuneration principles • Incentive design and setting of targets • Executive and senior management remuneration	• Approval of ESG strategy • Oversee and monitor Capita's net zero emissions strategy
Read more on page 86.	Read more on page 90.	Read more on page 99.	Read more on page 88.

Role of the directors

Chairman

The Chairman is responsible for leadership of the Board and ensuring its effectiveness on all aspects of its role. This includes setting the Board's agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues. The Chairman should also promote a culture of openness and debate, by facilitating the effective contribution of non-executive directors in particular and ensuring constructive relations between executive and non-executive directors. The Chairman is responsible for ensuring that the directors receive accurate, timely and clear information, and should ensure there is effective communication with shareholders.

Senior independent director

The SID acts as a sounding board for the Chairman on Board-related matters, chairs meetings in the absence of the Chairman, acts as an intermediary for other directors when necessary, leads the evaluation of the Chairman's performance, leads the search for a new Chair, when necessary, and is available to shareholders who wish to discuss matters which cannot be resolved otherwise.

Non-executive directors

The non-executive directors constructively challenge and help develop proposals on strategy. They scrutinise the performance of management in meeting agreed goals and objectives, and monitor the reporting of performance. They satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible. They are responsible for determining appropriate levels of remuneration of executive directors and have a prime role in appointing and, where necessary, removing executive directors, and in succession planning.

Executive directors

The executive directors are responsible for the day-to-day running of all aspects of the Group's business. This responsibility is different from the Chairman's role in running the Board. The role of CEO is separate from that of Chairman to ensure that no one individual has unfettered powers of decision making.

Employee non-executive directors

Employee non-executive directors are appointed from the workforce to contribute an employee perspective to Board discussions. This is a key element of the Board's approach to employee engagement.

Board meetings and attendance

During 2022 the Board held seven scheduled meetings. Additional ad hoc meetings were held as required. In 2022 this included meetings to approve the disposal of Pay360 Limited and the related shareholder circular.

Attendance of the directors at Board and committee meetings is shown below; the maximum number of meetings a director could attend is in brackets.

	Board	Audit and Risk Committee	Remuneration Committee	Nomination Committee	ESG Committee
David Lowden	[illegible]	2(3)	1(3)	6(8)	[illegible](3)
Jon Lewis	[illegible]	n/a	n/a	0(2)	n/a
Tim Weller	[illegible](7)	n/a	n/a	n/a	n/a
Georgina Harvey	[illegible]	5(5)	[illegible]	8(8)	[illegible]
Brian McArthur-Muscroft	4(4)	4(4)	3(3)	[illegible]	n/a
John Cresswell	6(7)	n/a	5(5)	[illegible]	5(5)
Neelam Dhawan	[illegible](7)	5(5)	6(6)	8(8)	n/a
Nneka Abulokwe	6(6)	[illegible]	5(5)	[illegible]	3(3)
Janine Goodchild	2(3)	2(3)	n/a	n/a	[illegible]
Sir Ian Powell	3(3)	n/a	n/a	3(3)	n/a
Matthew Lester	4(4)	3(3)	[illegible]	[illegible]	n/a
Lyndsay Browne	4(4)	n/a	3(3)	n/a	n/a
Joseph Murphy	4(4)	3(3)	n/a	n/a	n/a

Meetings held outside the normal schedule need to be flexible and are often held by telephone or video conference.

Any director's absence from Board or committee meetings was previously agreed with the Chairman of the Board or relevant committee and the CEO. Where possible the Chairman or committee chair will contact the director who is unable to attend the meeting to obtain their comments on Board and committee papers prior to the meeting.

During 2022, the following formal director meetings took place:

- The Chairman held one-to-one individual review sessions with each executive director and each non-executive director.
- The non-executive directors met without executive directors.
- The directors met without the Chairman, led by the SID.

Board leadership

There is a clear division of responsibility between the running of the Board by David Lowden as Chairman and responsibility for the running of the Group's business by Jon Lewis as CEO.

David Lowden as Chairman has held meetings comprising solely the non-executive directors. Both David and Georgina are available to meet with significant shareholders when requested.

Governance and strategy

The Group recognises the contribution made by good governance to the Company's success and changes made at both Board and Executive Committee level demonstrate the importance of embedding the right structures with the right people to deliver the Group's strategy. The connection between governance and delivery of strategy is reflected throughout this Annual Report.

In addition to their statutory duties, the directors must ensure that the Board focuses effectively on all its accountabilities.

Section 172 of the Companies Act 2006 requires directors to act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of shareholders as a whole. In doing so, the directors must have regard (among other matters) to:

- the likely consequences of any decision in the long term
- the interests of the Company's employees
- the need to foster business relationships with suppliers, clients and others
- the impact of the Company's operations on the community and the environment
- the desirability of the Company maintaining a reputation for high standards of business conduct
- the need to act fairly towards all shareholders of the Company

[illegible]

Board independence

[illegible]

Matters reserved for the Board

[illegible]

Strategy and management, including responsibility for the overall leadership of the Group [illegible] culture [illegible]

Structure and capital [illegible]

- Financial reporting, including the approval of the Annual Report, half-yearly report, trading [illegible], preliminary announcement for the final results and dividend, treasury and [illegible] policies
- Internal controls, ensuring that the Group manages risk effectively by approving its risk appetite and [illegible] risk exposures
- Contracts, including approval of all major capital projects and major investments
- Ensuring satisfactory communication with shareholders
- Board membership and other appointments, including changes to the structure, size and composition of the Board, and succession planning for the Board and senior management

Board of directors' induction and training

Following appointment to the Board, all new directors receive an induction tailored to their individual requirements. They are encouraged to meet and be briefed on the roles of key people across the [illegible] and have open access to all business areas and employees to build up an appropriate level of knowledge of the business that extends beyond formal papers and presentations to the Board [illegible] an appropriate induction for their roles within Capita, including some or all of the following:

- The nature of the Group, its business, markets and relationships
- Meetings with the external auditor, lawyers, brokers and relevant operational and functional senior management
- Board procedures, including meeting protocols, committee activities and terms of reference, and matters reserved for the Board
- [illegible] of the business via monthly performance review reports
- [illegible] risk management
- [illegible] are also given to all directors, including external courses as required [illegible] were prepared for Nneka Abulokwe, Brian McArthur-Muscroft and [illegible] to ensure they were properly equipped to fulfil their roles

Company Secretary

All [illegible] members have access to independent advice on any matters relating to their responsibilities as directors and as members of the various committees of the Board at the Group's [illegible] directors and as members of the various committees of the Board at the Group's [illegible] separate roles of Chief General Counsel and Group Company Secretary [illegible] with the appointment of Claire Denton as Chief General Counsel and Group Company Secretary on [illegible] March 2022. Claire is available to all directors and is responsible for ensuring that all Board procedures are complied with. Claire has direct access and responsibility to the chairs of the standing committees and open access to all directors, and has been appointed as Secretary to the [illegible] and Risk, Remuneration, Nomination and ESG Committees.

Claire will meet regularly with the Chairman of the Board and the chairs of the ARC and RemCo [illegible] and [illegible] them on areas of governance and committee requirements.

Shareholder engagement

[illegible] proactive engagement programme with the Company's investors. The executive directors meet regularly with institutional investors to discuss and obtain feedback on the business [illegible] performance, strategy and corporate governance, and address any issues of concern. This is [illegible] through a combination of roadshows, group or one-to-one meetings and attendance [illegible] conferences. David Lowden also met with existing institutional shareholders both prior [illegible] his appointment as Chairman on 16 May 2022.

[illegible] Chair of the RemCo, engaged with shareholders to discuss remuneration prior [illegible] AGM. The investor relations team has day-to-day responsibility for managing investor [illegible] and always acts in close consultation with the Board. All members of the Board [illegible] directors receive a report on any significant discussions with [illegible] executive directors [illegible] feedback that follows the annual and half-yearly presentations to [illegible] analysts and institutional investors. Analyst reports concerning Capita are circulated [illegible] and the Board is kept informed of changes in the share register.

Principal decisions

Principal decision[1]	Impact on long-term sustainable success	Stakeholder considerations	Further details
Disposal of Pay360 Limited: following a strategic review the Board decided to dispose of its Pay360 payments solutions business, a non-core business. The disposal of Pay360 required shareholder approval which was sought at a general meeting held on 1 November 2022.	**Strategy:** the disposal of Pay360 was expected to allow the Company to strengthen its balance sheet by reducing its indebtedness, improve the Group's liquidity and pension funding position and support the Group's strategy to build a more focused sustainable business for the long term. **Principal risks:** the strengthening of the Group's balance sheet as a result of the disposal has assisted in reducing two of Capita's principal risks: (i) to execute its medium-term strategy, and (ii) maintain financial stability.	**Our people, customers and suppliers:** the strengthening of the Group's balance sheet has supported the Group's strategy to build a more focused sustainable future providing more stability for our colleagues, customers and suppliers. **Investors:** the disposal of Pay360, a non-core business, has contributed to the ability of the Group to focus on its core business and to progress its growth strategy by strengthening the balance sheet and improving liquidity. The Company believes that this will improve the prospects of the Company and will benefit shareholders. Shareholders voted 99.99% in favour of the disposal of Pay360 at the general meeting held on 1 November 2022.	pages 30 and 171.
Appointment of David Lowden as Chairman	**Governance:** the chairman is critical in ensuring the effectiveness of the board in all aspects of its role. **Principal risks:** the appointment of a chairman with the appropriate skills and attributes is essential to the delivery of our strategy	**All of our stakeholders:** all of our stakeholders have an interest in the delivery of our strategy and the way it is delivered. David Lowden, Chairman has a critical role in ensuring that our strategy is delivered in line with our purpose and values.	Nomination Committee report on page 87.
Establishment of Board ESG Committee	**Strategy:** to provide additional and strategic focus on ESG matters. **Principal risks:** the ESG Committee will have an increased focus on people attraction and retention, culture, wellbeing, health and safety, and climate change.	**Our people, customers, suppliers, investors:** all of our stakeholders are concerned by the issues that will receive increased focus by the ESG Committee on behalf of the Board.	ESG Committee report on pages 88 and 89

1. Principal decisions are those that are material to the Group and/or significant to any of our key stakeholder groups.

Shareholder meetings

[illegible] the 2022 AGM [illegible] consequently the 2022 AGM was held as a combined physical and electronic meeting.

[illegible] that the 2023 annual general meeting will be held as a physical meeting only and the [illegible] looks forward to meeting and welcoming shareholders to the meeting. Directors, including [illegible] committees, are expected to be present at the [illegible] AGM and will be available [illegible] shareholders and answer any questions.

[illegible] and SID are normally available to meet with Capita's significant shareholders.

2022 voting outcome

[illegible] the Board was again pleased that the majority of resolutions were passed with a [illegible] support from shareholders. The Board has considered the vote against resolution 11 [illegible] Lyndsay Browne [illegible] was appointed as an employee non-executive director [illegible] and was a member of the [illegible]. In order to better understand the reasons for [illegible] was not considered independent [illegible] shareholders who voted against this resolution and [illegible] the Board [illegible] proxy voting [illegible]

[illegible] following the establishment of a Board [illegible] committee in June 2022, the Board [illegible] committee has the appropriate [illegible] composition of all committees to ensure that each committee has the appropriate [illegible] and diversity, and that all members have sufficient time available [illegible] of experience and diversity [illegible] committees of which they are members.

[illegible] the employee non-executive director [illegible] was not appointed as [illegible] importance of bringing the [illegible] However the Board continues to believe in the importance of bringing the employee [illegible] into committee meetings and considers that the value of the employee [illegible] of considerable value to this committee. Consequently [illegible] brought by Lyndsay was of considerable value [illegible] attend meetings [illegible] at the invitation of the [illegible]

Shareholder communications

[illegible] the AGM, shareholders can access up-to-date information through the Group's [illegible] at www.capita.com. Shareholders can also view their holdings by using the Signal [illegible] shareholder portal, a service offered by Link Group, the Group's registrar, at [illegible] The Signal shares portal is an online service enabling shareholders to quickly and easily access and maintain their shareholding online. Shareholders can also contact [illegible] by email at shareholderenquiries@linkgroup.co.uk. Link also provides a telephone helpline [illegible] Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. Lines are open between 9.00am and 5.30pm, Monday to Friday, excluding public holidays in England and Wales.

Business relationships

Details regarding relationships with suppliers, clients and others, together with further cross references, are provided in the engaging with stakeholders section on pages 47 and 48.

Remuneration Committee

Details of the RemCo and its activities are given in the directors' remuneration report on pages 94 to 1[illegible]

Risk management and internal control

The Board monitors the Company's risk management and internal control systems and carries out an annual review of their effectiveness. The ARC report contains further details. The monitoring and review includes all material controls, including financial, operational and compliance controls. This process is regularly reviewed by the Board. The Group's key internal control procedures are fully documented within the strategic report on pages 54 to 6[illegible]

Furthermore, through the operation of the risk governance process, the directors confirm, for the purposes of provision 29 of the Code, that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. A description of those principal risks, what procedures are in place to identify emerging risks, and an explanation of how these are being managed or mitigated is set out on pages 54 to 63.

Other statutory and regulatory information

Strategic report

The Company is required to prepare a fair review of the business of the Group during the financial year ended 31 December 2022 and of the position of the Group at the end of the financial year, and a description of the principal risks and uncertainties facing the Group (known as a strategic report).

The purpose of the strategic report is to enable shareholders to assess how the directors have performed their duty under section 172 of the Companies Act 2006 (duty to promote the success of the Company). The information that fulfils the requirements of the strategic report can be found on pages 1 to 34. Details of the Group's business goals, strategy and business model are on pages 2 to 7.

Corporate governance report

[illegible] corporate governance statement as required by Rule 7.2.1 of the Financial Conduct Authority's [illegible] Guidance and Transparency Rules (DTRs) is set out on pages 71 to 84.

Management report

[illegible] purposes of Rule [illegible] and Rule 4.1.8R of the DTRs, this directors' report and the [illegible] on pages 1 to 64 comprise the management report.

Post-balance sheet events

[illegible] following events occurred after 31 December 2022, and before the approval of these [illegible] financial statements, but have not resulted in adjustment to the 2022 financial results.

[illegible] 2023, the Group entered into a committed bridge facility of [illegible] with three of its [illegible] banks providing additional liquidity from [illegible] January 2023. The committed bridge facility [illegible] 31 December 2024 and is subject to covenants, which are the same as those [illegible] credit facility (RCF). Both the RCF and the [illegible] bridge facility incorporate [illegible] that they will partially reduce in quantum as a consequence of specified [illegible] including disposals, equity-raises or other refinancing.

Election to apply FRS 101 – reduced disclosure framework

[illegible] Company continues to apply UK GAAP in the preparation of its individual financial [illegible] in accordance with FRS 101 and these are contained in section 7 of the financial statements on pages [illegible] applies IFRS as adopted by the UK with certain [illegible] exemptions. No objections have been received from shareholders.

Appointment, reappointment and removal of directors

Directors are appointed and may be removed in accordance with the Articles of Association [illegible] of the Company and the provisions of the Companies Act 2006. All directors are subject [illegible] after their appointment and [illegible] provision 18 of the [illegible] annual re-election thereafter. [illegible] to elect or re-elect [illegible] director will therefore [illegible] at the AGM on 11 May 2023.

[illegible] person, other than a director retiring at the meeting, shall be appointed or reappointed a director [illegible] of the Company at any general meeting unless they are recommended by the directors.

No person, other than a director retiring at a general meeting as set out above, shall be appointed or reappointed unless between seven and 35 days' notice, executed by a member qualified to vote [illegible] the appointment or reappointment, has been given to the Company of the intention to propose that person for appointment or reappointment, together with notice executed by that person of his [illegible] willingness to be appointed or reappointed.

Group activities

Capita is a purpose-led and responsible business which exists to create better outcomes for all its stakeholders. Our strategy is to simplify and strengthen in order to succeed. Capita's business model is based upon being a leading provider of business process services driven by data, technology and people. We deliver innovative solutions to simplify the connections between businesses and customers, and between government and citizens. We partner with clients to transform their businesses and services. A review of the development of the Group and its business activities during the year is contained in the strategic report on pages 1 to 64. The operational and financial performance of its divisions are detailed on pages 16 to 25.

Results and dividends

The Group's reported profit before tax amounted to £61.4m from continued operations (2021: £28[illegible]m). As previously announced, the directors do not recommend the payment of a final dividend (2021: nil). The total dividend for the year was nil (2021: nil). The employee benefit trust, which holds shares for the purpose of satisfying employee share scheme awards, has waived its right to receive future dividends on shares held within the trust.

Conflicts of interest

Under the Companies Act 2006, directors are under an obligation to avoid situations in which their interests can or do conflict, or may possibly conflict, with those of the Company. A policy and procedures are in place for identifying, disclosing, evaluating and managing conflicts so that Board decisions are not compromised by a conflicted director. The Company's Articles give the Board power to authorise matters that give rise to actual or potential conflicts. Procedures are reviewed annually to ensure they are operating effectively.

All conflicts of interest are reviewed annually by the Board and included in year-end attestations by the directors. None of the directors of the Company has a material interest in any contract with the Company or its subsidiary undertakings, other than their contracts of employment.

Major shareholders

[illegible] 2022 the Company had received notifications in accordance with the [illegible] that [illegible] in the Company's shares.

Shareholder	Number of shares	% of voting rights at 31 December 2022	Number of shares direct	Number of shares indirect
[illegible]	[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	–
[illegible] Management LLP	[illegible]	[illegible]	–	[illegible]
[illegible] Limited	[illegible]	[illegible]		[illegible]
[illegible] Management LLP	[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	4.34		–
[illegible]	[illegible]	3.84	[illegible]	
[illegible]	[illegible]	3.30		[illegible]
[illegible]	[illegible]	[illegible]	–	[illegible]
[illegible] Management Limited	[illegible]	[illegible]	[illegible]	–
[illegible] Management LLP	[illegible]			

Directors' interests

[illegible] in the share capital of the Company are detailed on page [illegible]

Share capital

[illegible] 2022 the number of ordinary shares of [illegible] each in issue, fully paid up and traded [illegible] is detailed in the table below:

	Number of shares	% of issued share capital
[illegible]	[illegible]	100%
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]

[illegible] ended 31 December 2022 no new ordinary shares were issued [illegible] the Company's share schemes [illegible] No new ordinary shares have been allotted under the Company's [illegible]

[illegible] option schemes since the end of the financial year to the date of this report. 37,102 shares have been allotted under the Company's share option schemes since the end of the financial year to the date of this report.

The share price at 31 December 2022 was 24.26p. The highest share price in the year was [illegible]p and the lowest was 19.99p.

The Company renewed its authority to repurchase up to 10% of its own issued share capital at the [illegible] May 2022. During the year, the Company did not purchase any shares (2021: nil).

Viability statement

This statement is detailed in full on page 64. The directors have assessed the viability of the Group over the [illegible]-year period to 31 December 2025, taking into account the Group's current position and the potential impact of the principal risks set out in the strategic report. Based on this assessment, the directors have a reasonable expectation that the Group and Parent Company will be able to continue in operation and meet their liabilities as they fall due over the period of the viability assessment.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the strategic report on pages 1 to 64. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on pages [illegible] to [illegible]. In addition, section [illegible] in the financial statements on pages 188 to 202 includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk.

In determining the appropriate basis of preparation of the financial statements for the year ending 31 December 2022, the directors are required to consider whether the Group can continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of approval of the financial statements.

The Board monitors closely the Group's funding position throughout the year, including monitoring compliance with covenants and available facilities to ensure it has sufficient headroom to fund operations. In addition, to support the going concern assumption, the Board conducts a robust assessment of the Group's financial projections for the foreseeable future, considering also the committed facilities available to the Group. The Board has considered risks to the projections under a severe but plausible downside. This includes adverse impacts arising from: 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 risks 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.

To mitigate these, the Board has considered the mitigations, under the direct control of the Group, that could be implemented to address the financial impact should these risks materialise. These mitigations include reductions in capital expenditure, materially reducing and/or removing annual bonus and incentive payments and significantly reducing discretionary spend. Taking these mitigations into account, the Group's financial forecasts over the going concern period demonstrate liquidity headroom and compliance with all covenant measures throughout the going concern period to 31 August 2024.

After due and careful consideration and reflecting also the Board's confidence in the expected benefits from the completion of the transformation and its ability to implement the above mitigations to address the severe but plausible downside materialising, coupled with the potential to obtain further financing beyond its existing committed funding facilities, the Board has concluded that the Group and Parent Company will continue to have adequate financial resources to discharge their liabilities as they fall due over the going concern assessment period.

Accordingly, the directors have formed the judgement that it is appropriate to prepare the consolidated financial statements on the going concern basis. The Board's assessment is set out in more detail in Section 1 of the consolidated financial statements.

Auditor review

The auditor has reviewed:

- the statement regarding going concern – see page 78;
- the longer-term viability statement – see page 64; and
- the parts of the statement of compliance with the Code relating to:
  - the Board's and auditor's responsibilities;
  - the fair, balanced and understandable statement;
  - the maintenance of robust risk assessment and monitoring and review of effectiveness of risk management and internal control systems;
  - Audit Committee composition, role and responsibilities.

Further details are in the auditor's report on pages 124 to 141.

Disabled persons

As part of the Group's commitment to create a workplace that fully reflects the diversity of the communities we serve, and a working environment in which no one feels excluded, full consideration is given to all suitable applications for employment regardless of a candidate's disability, age, gender, religion or belief, sexual orientation or race. Colleagues who declare a disability are supported with reasonable adjustments made throughout the hiring process, the workplace or job content so no opportunity, including training and career development, is inaccessible. Opportunities also exist for employees of the Group who become disabled to continue in their employment with any reasonable adjustments being made or to be retrained for other positions in the Group. Demonstrating our commitment to ensure that both applicants and colleagues with disabilities and those with long-term health conditions have the opportunity to fulfil their potential and realise their aspirations, the Group became a Disability Confident Employer Level 2 in April 2022. We are currently finalising plans to achieve Level 3 status in 2023.

Employee development and engagement

Actions taken during the year regarding the consultation of and provision of information to UK employees are described in the people section on pages 33 to 36. Communication with employees in relation to Capita's financial performance is detailed in the remuneration report on page 103.

Capita has an established UK employee share purchase plan designed to promote employee share ownership and to give employees the opportunity to participate in the future success of the Company. An international share incentive plan is available to employees in Ireland.

Further information on employee development, consultation and engagement is included in the people and responsible business sections on pages 33 to 36 and 37 to 45, and the stakeholder engagement section on pages 47 and 48.

Political donations

The Group did not make any political donations or incur any political expenditure during the year (2021: nil).

Greenhouse gas emissions

Details of the Group's greenhouse gas (GHG) emissions, including metrics and methodology, are set out in the table on page 80 and on page 43 of the strategic report.

GHG emissions (tCO_2e) and energy use (kWh) for period 1 January 2022 to 31 December 2022

Period	Data source	Current reporting year 2022			Comparison reporting year 2021			Comparison reporting year 2020		
Region		UK and offshore	Global (excluding UK and offshore)	Total	UK and offshore	Global (excluding UK and offshore)	Total	UK and offshore	Global (excluding UK and offshore)	Total
[illegible]										
[illegible]	[illegible]	[illegible]	[illegible]	61,004,825	[illegible]	1 726 618	66,866,204	73 668 847	1,871 964	75,540,811
[illegible]		[illegible]	[illegible]	81,218,550	[illegible]	26 513 142	119,724,918	81 491 440	16 112 463	97,603,902
[illegible]	[illegible]	[illegible]	[illegible]	16,047,610	[illegible]	[illegible]	14,774,974	46 912 511	3 351 543	50,264,055
[illegible]		[illegible]	[illegible]	158,270,986	[illegible]	[illegible]	201,366,097	[illegible]	[illegible]	223,408,768
[illegible]		[illegible]	[illegible]	100%	[illegible]	[illegible]	100%	[illegible]	10%	100%
[illegible]	[illegible]	[illegible]	[illegible]	9 686	[illegible]	320	11,941	15 594	592	16,186
[illegible]	[illegible]	[illegible]	[illegible]	1,918	[illegible]	[illegible]	1,916	1 695	86	1,782
[illegible]	[illegible]	[illegible]	[illegible]	445	1 466	0	1,466	1 011	0	1,011
[illegible]	[illegible]	34	264	298	40	157	198	45	136.60	181
[illegible]	[illegible]	[illegible]	[illegible]	20,839	23 891	6 853	30,744	18 938.58	9 239.43	28,178
[illegible]	[illegible]	[illegible]	[illegible]	4,083	[illegible]	8 132	18,460	12 513	11 009	23,522
[illegible]	[illegible]	[illegible]	[illegible]	6,101	3 860	640	4,500	6 829	1 052	7,881
[illegible]		[illegible]	[illegible]	33,186	[illegible]	[illegible]	46,264	[illegible]	10 055	47,338
[illegible]		[illegible]	[illegible]	39,287	[illegible]	8 042	50,763.93	44 113	[illegible]	55,220
[illegible]		[illegible]	[illegible]	22,233	29 119	9 163	38,282.35	37 643	12 740	50,383
[illegible]		[illegible]	[illegible]	11.0	[illegible]	[illegible]	12.3	11.2	3.0	14.2
[illegible]		[illegible]	[illegible]	0.66	[illegible]	0.39	0.73	[illegible]	0.54	0.85

Methodology [illegible]

Energy efficiency action 2022

[illegible] energy-efficiency measures across our estate in 2022 to deliver savings below.

Building plant upgrades and initiatives	tCO_2e reduction per annum
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	48.3
[illegible]	185.1

[illegible] virtual meetings initiative resulted in further reductions in business travel [illegible]. Post pandemic [illegible] emissions began to climb in 2022 but remained significantly below our short-term SBTi target [illegible]. We have set a 2035 net zero target to augment our short term [illegible] science based targets for greenhouse gas reduction. This target covers our full value chain and has been verified [illegible]. In 2022 we set net zero targets for functions and divisions, linked to incentive plans [illegible] progress against our net zero milestones and plan. Capita reached the CDP A list for [illegible] 2022.

Financial instruments

[illegible] insufficient liquidity [illegible] and the creditworthiness of debtors [illegible] management of each, and the related financial instruments, are described below.

Liquidity remains a key area of focus. The Group monitors the risk of a liquidity shortage through [illegible] and liquidity cycle forecasts and analysis, taking into consideration the maturity [illegible] financial instruments, and the forecast cash flows from operations.

[illegible] not rely on sources of funding that are not contractually committed. Its policy is to [illegible] undrawn committed facilities at a level sufficient to fund the Group's operations and [illegible] plans, and to maintain a balance between continuity of funding and flexibility through the use or availability of multiple sources of funding.

[illegible] committed bank facilities provide liquidity for the cash fluctuations of the business [illegible] allowance for contingencies. At 31 December 2022 the RCF commitment was [illegible] at 31 December 2021 and was subsequently reduced to £[illegible] in January [illegible] following receipt of proceeds from disposals.

The size of the available commitment will be right-sized each time the Group either refinances, raises funds through disposals, or raises equity with the RCF including mandatory cancellation mechanisms that determine the amount of the cancellation in each case. The commitments are subject to a maximum value of £180m regardless of the quantum of receipts.

The RCF expires on 31 August 2024 and was undrawn at 31 December 2022 (31 December 2021: £40m drawn).

US private placement loan notes and euro fixed-rate bearer notes (private placement loan notes) provide the Group's core funding, and to mitigate the risk of needing to refinance in challenging conditions, these have been arranged with a spread of maturities to November 2027. The bank facilities and private placement loan notes all include provisions that would require repayment in the event of a change of control, which are typical of these arrangements.

Finally, certain property and assets used in the Group's operations are funded by lease arrangements. From time to time, the Group may act as lessor to third parties.

Various other financial instruments, such as trade debtors and trade creditors, arise directly from the Group's operations. In respect of trade creditors, the Group's standard supplier payment terms are to pay micro-businesses (less than 50 employees) within 14 days, SMEs (less than 250 employees) within 30 days, and larger organisations within 60 days. The Group aims to pay its suppliers on time in accordance with agreed contractual terms.

The Group's customers are offered credit terms that are consistent with market practice. The Group uses a non-recourse invoice discounting facility to mitigate the risk of late customer payment and to provide working capital funding at an economically favourable rate versus the RCF. The value of invoices sold under the arrangement at 31 December 2022 was £36.9m (2021: £3.9m). In addition, the Group's German business uses an invoice discounting arrangement relating to a specific customer contract, and the value of invoices sold under that arrangement at 31 December 2022 was £[illegible] (2021: £12.5m).

As set out in note [illegible] (contingent liabilities), the Group has provided, through the normal course of its business, [illegible] letters of credit, performance bonds and guarantees (2021: £28.7m; £12.5m of these were issued by our banks and, within this group, some are subject to security terms where the bank can demand cash collateral in the event the guarantee facility is cancelled.

Exposure to movements in interest rates and foreign exchange rates arise through the Group's operations, and where financial instruments are transacted at floating rates of interest or in non-operational currencies. These exposures are managed through derivative transactions, primarily cross-currency interest rate swaps and forward foreign exchange contracts.

[illegible] is naturally exposed to [illegible] purchase of cloud software services in [illegible] contracts including non-deliverable forward contracts [illegible] transactions denominated in INR [illegible] which fix the [illegible] instruments can be found in note [illegible] to the [illegible] statements [illegible]

[illegible] credit risk [illegible] the Group trades only with parties that are expected to be creditworthy [illegible] that all clients who wish to trade on credit terms are subject to credit verification [illegible] In addition receivable balances are monitored on an ongoing basis with the result that [illegible] exposure to bad debts is not significant [illegible] credit risk also arises from financial assets [illegible] and the mark-to-market value of derivative instruments where positive. The risk of [illegible] limits on the exposure to any counterparty and with reference to the public [illegible]

Directors' indemnities

[illegible] its Articles, the Company has indemnified each director [illegible] costs they might incur in the execution of their duties as a director [illegible] qualifying third-[illegible] together with [illegible] service contracts [illegible]

Powers of directors

[illegible] the Company is managed by the directors who are subject to the provisions of the [illegible] the Articles of the Company and any directions given by special resolution [illegible] power to repurchase [illegible] shares [illegible]

[illegible]

Change of control

[illegible] Company's share schemes contain provisions in relation to a change of control [illegible] would normally vest and become exercisable on a change of control [illegible] any performance conditions at that time.

[illegible] borrowing facilities provided by banks [illegible] has issued loan notes to [illegible] contain change of control provisions under which the lenders may require [illegible] repayment in full on a change of control of Capita plc. The loan notes issued by Capita [illegible] change of control provisions which are likely to require the Group to offer to prepay [illegible] if there is a change in control of Capita plc.

[illegible] contracts and client agreements which contain provisions relating to change of control which in some cases could present a right of termination of the contract.

Rights and restrictions attaching to shares

Under the Company's Articles, holders of ordinary shares are entitled to participate in the receipt of dividends pro rata to their holding. The Board may propose and pay an interim dividend and recommend a final dividend in respect of any accounting period out of the profits available for distribution under English law. A final dividend may be declared by the shareholders in general meeting by ordinary resolution, but no dividend may be declared in excess of the amount recommended by the Board.

At any general meeting, a resolution put to vote shall be decided on a poll, and every member who is present in person or by proxy shall have one vote for every share of which they are the holder.

No person holds securities in the Company carrying special rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

Restrictions on transfer of shares

The Company's Articles allow directors to, in their absolute discretion, refuse to register the transfer of a share in certificated form unless the instrument of transfer is lodged, duly stamped, at the registered office of the Company, or at such other place as the directors may appoint and (except in the case of a transfer by a recognised person where a certificate has not been issued in respect of the share) is accompanied by the certificate for the share to which it relates and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer. They may also refuse to register any such transfer where it is in favour of more than four transferees or is in respect of more than one class of shares.

The directors may refuse to register a transfer of a share in uncertificated form in any case where the Company is entitled to refuse (or is exempted from the requirement) under the Uncertificated Securities Regulations to register the transfer.

Annual general meeting

The 2023 AGM of the Company will be held at 65 Gresham Street, London, EC2V 7NQ on 11 May 2023. Details of the meeting format and the resolutions to be proposed are set out in the Notice of Meeting, which is sent to shareholders with the 2022 Annual Report and includes notes explaining the business to be transacted. The Notice of Meeting is also available on the Company's website at www.capita.com.

In May 2022, shareholders granted authority for the Company to purchase up to 168,4[illegible] ordinary shares. This authority will expire at the conclusion of the 2023 AGM. No shares were [illegible] expiring in 2022. A resolution to renew this authority will be put to shareholders at the [illegible] AGM.

The directors consider that each of the resolutions is in the best interests of the Company and the [illegible] as a whole, and recommend that shareholders vote in favour of all of the resolutions.

[illegible] general meetings the notice given would be 14 clear working days.

Cross-references

[illegible] LR 9.8.4R, the following information is located as set out below.

Listing Rule	Subject	Page no.
[illegible]	Capitalisation of interest	148
[illegible]	Shareholder waiver of dividends	

Directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards [illegible] and the [illegible] Guidance and Transparency Rules of the UK's Financial Conduct Authority, and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including FRS 101 [illegible] 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 Group and Parent Company and of the [illegible] loss for that period. In preparing each of the Group and Parent Company 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, for the Group financial statements, whether they have been prepared in accordance with [illegible]
- State, for the Parent Company financial statements, whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements
- Assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern
- Use the going concern basis of accounting unless they intend either to liquidate the Group or the Parent 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 Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations.

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.

Directors' responsibility statement

[illegible] the Company confirm that to the best of our knowledge:

- [illegible] statements, prepared in accordance with the applicable set of accounting standards, [illegible] fair view of the assets, liabilities, financial position and profit or loss of the [illegible] undertakings included in the consolidation taken as a whole;
- [illegible] report includes a fair review of the development and performance of the business, and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face;
- [illegible] Report and Accounts, taken as whole, [illegible] fair, balanced and understandable, and [illegible] the information necessary for shareholders to assess the Company's position and [illegible] business model and strategy.

[illegible] report on pages 1 to 122 has been approved by the Board.

[illegible] behalf of the board

Claire Denton
Chief General Counsel and Company Secretary

The terms of reference of the Nomination, Remuneration and Audit and Risk committees were reviewed in June 2022 upon the establishment of the ESG Committee, to ensure that relevant matters are now considered by the ESG Committee, when appropriate matters are considered in conjunction with other committees.

Committee terms of reference were also reviewed in December 2022 to reflect updates in good governance practices. These are summarised below and the Nomination, Remuneration, Audit and Risk and ESG committee terms of reference are displayed in full in the investor centre at www.capita.com/investors/corporate-governance, together with a summary of matters reserved for the Board.

	Brief description of responsibilities
Nomination Committee	• Reviews composition of the Board. • Recommends appointment of new directors. • Ensures plans are in place for orderly succession to both the Board and senior management positions. • Oversees development of diverse pipeline for succession.
Audit and Risk Committee	• Reviews accounting policies and contents of financial reports. • Monitors internal control environment. • Considers adequacy, effectiveness and scope of external and internal audit programme. • Oversees relationship with external auditor. • Monitors risk profile and obtains assurance that principal risks have been properly identified and appropriately managed.
Remuneration Committee	• Sets policy for Board and senior management remuneration. • Approves individual remuneration awards. • Agrees changes to senior executive incentive plans.
ESG Committee	• Oversees the development of the Group's ESG strategy, monitoring its performance in relation to ESG matters. • Considers the adequacy of the Group's ESG policies and processes. • Oversees and monitors the Group's progress against its net zero emissions strategy. • Oversees and supports stakeholder engagement on ESG matters.
Disclosure Committee	• Responsible for the appropriate identification and management of inside information, including any decision to delay public disclosure.

Membership of the Company's standing committees at 31 December 2022 is shown below:

David Lowden	C	–	–	C
Jon Lewis	X	–	–	–
Georgina Harvey	X	–	C	X
Brian McArthur-Muscroft	X	C	X	
John Cresswell	X	X	–	X
Neelam Dhawan	X	X	X	
Nneka Abulokwe	X	–	X	X
Janine Goodchild	–	X	–	X

(C) Chair

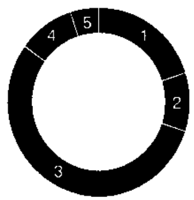
Following the establishment of the ESG Committee on 30 June 2022, the Nomination Committee reviewed the membership of the Company's standing committees on behalf of the Board to ensure that each committee comprised members with the appropriate skillset and diversity and that all members had sufficient time to devote to the committees.

Prior to this review John Cresswell, Neelam Dhawan and Nneka Abulokwe were members of all of the standing committees. David Lowden stepped down as a member of the Remuneration and Audit and Risk Committees upon his appointment as Chairman on 10 May 2022.

During 2022, the Nomination Committee met eight times, the Remuneration Committee six times, the Audit and Risk Committee six times and the ESG Committee three times. Attendance of directors at committee meetings is shown in the table on page 73.

The committee met eight times in 2022 and the members' attendance record is shown on page 73. The Chief General Counsel and Group Company Secretary acts as Secretary to the committee and is available to assist committee members as required, also ensuring the distribution of timely and accurate information. The committee reports and makes recommendations to the Board in relation to its activities. It is authorised under its terms of reference to obtain the advice of independent search consultants. The committee's terms of reference can be found on Capita's website at www.capita.com/investors/corporate-governance.

Nomination Committee time allocation (%)



1 **20%** Board appointments
2 **10%** Employee director appointment
3 **55%** Succession planning
4 **10%** Diversity
5 **5%** Governance

Key responsibilities

- Identify and nominate appropriate candidates for appointment to the Board, having due regard to the provisions of the Code and, in particular, the balance of skills, knowledge and experience on the Board and the diversity of its composition.
- Keep the structure and size of the Board, its committees and the leadership needs of the organisation under review and ensure that plans are in place for orderly succession and appointment to the Board.
- Review the time commitment and performance of non-executive directors.
- Oversee development of a diverse pipeline for succession.

Activity in 2022

- Succession planning for the Chairman.
- Recruitment and appointment of two independent non-executive directors.
- Overseeing the process of the appointment of a new employee director and reviewing and recommending the appointment of the preferred candidate to the Board.
- Review of diversity and inclusion activities and measures.
- Reviewing succession planning for members of the Executive Committee.
- Consideration of the contributions and effectiveness of the non-executive directors seeking re-election at the 2022 AGM.
- Reviewing committee membership and appointment of the SID.

Diversity and inclusion

[illegible] diversity [illegible] direct result of the experience [illegible] embracing of diversity in all its forms [illegible] the Board [illegible] representative of the communities in which Capita operates [illegible] equality, diversity and inclusion [illegible] treated with respect and dignity [illegible] pages 32 and 46 of the strategic report.

Gender and ethnicity balance

[illegible] and ethnicity (at least one director [illegible]) beginning on or after 1 April 2022 [illegible] throughout the organisation [illegible]

Appointment process

[illegible] are made on merit, taking account of the specific skills, experience, knowledge [illegible]

Skills and experience

[illegible] delivery of Capita's strategy [illegible] the future needs of the business.

Succession planning and Board composition

[illegible] The purpose of the framework is to apply a fair, objective and [illegible] to identify future potential [illegible]

[illegible] means the pool of [illegible] is sufficiently wide and diverse.

Board appointments during the financial year

[illegible] the committee considered the following Board appointments [illegible] External search agencies Spencer Stuart and [illegible] candidates for these Board positions. These firms have no other connection with the Company or individual directors.

Nneka Abulokwe, who has significant experience of business and technology innovation, was appointed to the Board on 1 February 2022 [illegible] with Spencer Stuart assisting the committee.

The committee considered succession planning for the role of chairman. Lygon evaluated potential external candidates against David Lowden, the Company's SID and strong internal candidate [illegible] before concluding that [illegible] Following this process the committee [illegible] Sir Ian Powell when he stepped down [illegible] David was appointed [illegible] on 10 May 2022. David was [illegible] Sir Ian and David did not participate in these discussions [illegible] on 27 March 2022 [illegible]

[illegible] the committee engaged Lygon to identify candidates [illegible] This concluded in the appointment of Brian McArthur-Muscroft to the Board on 1 June 2022 and as Audit and Risk Committee chair on 1 July 2022 [illegible] chief financial officer for Contigo.

[illegible] the appointment of Janine Goodchild as employee [illegible] in the Capita team which assesses Personal [illegible] for Work and Pensions [illegible] on 1 July 2022.

Board evaluation

Details of the [illegible] Board evaluation process are provided in the Chairman's report on page 68.

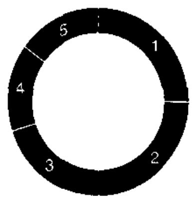
David Lowden
Chair

The committee oversees Capita's conduct as a responsible business and validates through ESG principles our approach to being a purpose-led business.

We have continued to make progress in delivering on our environmental, social and governance (ESG) objectives.

To enhance how we serve and respect our stakeholders, including society and the environment, we have also established an ESG committee to the Board. This committee was established on 30 June 2022 and met three times during 2022. David Lowden has been appointed as ESG Committee chair. Other members of the committee are Georgina Harvey, Nneka Abulokwe, John Cresswell and Janine Goodchild.

ESG Committee time allocation (%)



1 **25%** Governance
2 **25%** Employee-related issues including diversity and inclusion
3 **20%** Net zero
4 **15%** ESG-related bonus targets
5 **15%** Strategy

Key responsibilities

- Oversee the development of the Group's ESG strategy and monitor its performance in respect of ESG-related matters on behalf of the Board.
- Consider the adequacy of the Group's ESG-related policies.
- Oversee and monitor the Group's progress against its net zero strategy.
- Liaise with the Audit and Risk Committee regarding the Company's Speak Up policy.
- Receive, review and approve the Group's people strategy on behalf of the Board.

Activity in 2022

- Reviewed the terms of reference of the committee.
- Reviewed Capita's progress towards its net zero target.
- Received awareness training on net zero.
- Received a presentation on the Group's HSE framework and divisional/functional compliance, including wellbeing matters.
- Reviewed diversity and inclusivity data.
- Considered Capita's ESG strategy and governance structure.
- Received an update on Capita's people plan.
- Reviewed and recommended to RemCo ESG bonus-related targets for 2023 and reviewing and approving the outcome of ESG bonus-related targets for 2022.
- Received a report on ESG indices and how Capita is performing.
- cyber and information security
- IT resilience
- internal controls
- securing contracts and extending existing contracts
- risk of failing to deliver on our contractual obligations to our clients
- attracting, developing and retaining our people
- anti-bribery and corruption, including details of matters raised under the Group's Speak Up policy
- privacy
- legal update.

Establishment and role of the committee

[illegible] Capita's conduct [illegible] business [illegible] through ESG [illegible]

[illegible] United Nations' Sustainable Development Goals (UNSDGs) [illegible] where we can have the greatest impact [illegible] through our own operations [illegible]

[illegible] and provide [illegible] approach [illegible] ESG [illegible] the Ten Principles of the UN Global Compact in support of achieving the [illegible]

[illegible] closely with the Nomination, Remuneration and Audit and Risk [illegible] related issues, including in relation to diversity and inclusion (D&I) [illegible] targets, Capita's [illegible] policy and TCFD compliance.

[illegible] Director of [illegible] Engagement [illegible] and Dr Charles Young, Senior Medical Officer [illegible]

[illegible] ESG-related matters. Members of the working group are invited to committee [illegible]

Focus of the committee

[illegible]

Net zero target

[illegible] net zero [illegible] 2035 [illegible] focus for the [illegible]

[illegible] Carbon Disclosure Project [illegible]

[illegible] climate-related target setting, verified Capita's 2035 net zero target as compliant with the highest standards of target setting methodology. At that date, only 134 companies had net zero targets verified by SBTi, showing the level of commitment and authenticity required.

Task Force on Climate-related Financial Disclosures

The committee has reviewed and considered the disclosures made within this annual report which are consistent with the TCFD recommendations.

The Group's HSE framework and wellbeing of our colleagues

The health and safety and the wellbeing of all our colleagues is a priority for the committee. The committee received presentations from the Senior Medical Officer detailing Capita's HSE framework, noting the improvements that had been made to the Group's HSE compliance during 2022, and from the Group Head of Wellbeing and Occupational Health, which explained the wide variety of global wellbeing support tools and activities that we provide for all our colleagues to help them manage their own wellbeing as well as supporting colleagues through challenging times. Our employee assistance programmes are a fundamental support service available to all colleagues providing 24/7 counselling and advice.

ESG-related bonus targets

This committee worked closely during the year with the Remuneration Committee on ESG-related bonus targets, both reviewing the outturn of the ESG-related targets included in the 2022 management bonus plan and reviewing ESG targets for the 2023 management bonus plan, making recommendations to the Remuneration Committee. These include traditional measures such as employee engagement together with targets that address broader societal concerns, such as climate change and D&I, consistent with the Board's responsibility to all stakeholders. Further details can be found in the Directors' remuneration report on pages 99 to 122.

Other matters

During the year, the committee also addressed a range of other strategic and current issues, including the results of our employee survey, gender pay gap information and D&I, and discussed the initiatives that are being undertaken by Capita in these areas.

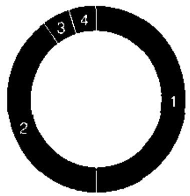
Details of the progress made by our responsible business team and the challenges that the Group faces are detailed on pages 37 to 46 of this report. This includes details of our continuing commitment to be a real living wage accredited employer in the UK, our adherence to the UK Prompt Payment Code and other matters that will be considered by the committee during 2023, including Capita's focus on delivering an increasingly positive, consistent employee experience.

David Lowden
Chair

The Audit and Risk Committee's terms of reference set out in full the role, responsibilities and authority of the committee and can be found on the Company's website at www.capita.com/investors/corporategovernance.

The terms of reference are reviewed annually and updated as required.

Audit and Risk Committee time allocation (%)



1 **50%** Risk management, internal control & compliance
2 **40%** Financial reporting (incl. external audit)
3 **5%** Private meetings with auditors
4 **5%** Governance

The committee is responsible for carrying out the audit functions as required by DTR 7.1.3R and assists the Board in fulfilling its oversight responsibilities in respect of the Company and the Group. The committee's key responsibilities are:

Financial reporting
To review the reporting of financial and other information to the Company's shareholders and to monitor the integrity of financial statements, including the application of key judgements in determining reported outcomes, to ensure they are fair, balanced and understandable.

Risk management, internal control and compliance
To review and assess the adequacy of systems of internal control and risk management, and monitor the risk profile of the business.

Internal audit
To approve the annual internal audit plan, review the effectiveness of the internal audit function and review all significant recommendations, and ensure they are addressed in a timely manner.

External audit
To review the effectiveness and objectivity of the external audit process, assess the independence of the external auditor and ensure appropriate policies and procedures are in place to protect such independence.

Effectiveness
To report to the Board on how it has discharged its responsibilities.

Risk and control framework

[illegible] committee continued to fulfil its role of supporting the Board in its review of the integrity of the [illegible] financial reporting, monitoring the effectiveness of the Group's system of risk management and internal controls, and overseeing the activities of the Group's internal audit function and its external auditor.

As noted below, further progress was made in strengthening the Group's controls. In addition, as in the prior year, a key control questionnaire process was completed across the Group where every [illegible] attested to compliance with key controls. This enables management to focus [illegible] and areas that need improvement.

Further detail on the risk management and internal control environment is set out later in this report [illegible].

Controls improvement

Following the decision by the Board and the committee at the end of 2021 to focus on optimising the [illegible] finance reporting systems, programmes have been established to deliver further improvements to the Group risk and control framework, including financial controls. These programmes have focused on the simplification of finance activities and controls, continuing to [illegible] enterprise risk management framework, and further rationalisation of the overly complex legal structure. Key improvements in 2022 included strengthening key system access controls [illegible] policies, supporting standards, and communications, and continuing to mature risk management within our functions and divisions. In addition the legal entity rationalisation [illegible] well during the year with the number of legal entities in the Group being [illegible] At 31 January 2023 the Group had 190 legal entities compared with 2[illegible] legal entities [illegible] The rationalisation programme is ongoing and the number of legal entities will further [illegible] during 2023. Further improvements to the Group risk and control framework are planned for [illegible] government's proposed audit and governance reform.

[illegible] Board and the committee also recognise the UK government's proposed reforms in respect of fraud prevention and reporting. Elements of the Group's existing control framework are targeted at detecting fraud, bribery, corruption and criminal tax evasion. These include Capita's Code of Conduct and supporting mandatory training, a delegation of authority matrix applicable to all employees, and segregation of duties within key systems and processes to prevent fraud. These controls are supported by a Speak Up policy which enables whistleblowing within the Group and a [illegible] dedicated to identifying, preventing and investigating where fraud concerns have been raised.

Committee membership and attendance

Until 30 June 2022, all non-executive directors and Joseph Murphy, employee non-executive director, were members of the committee. Following a review of committee membership by the Nomination Committee in June 2022, the committee comprises myself as chair, together with John Cresswell and Neelam Dhawan, non-executive directors and Janine Goodchild, employee non-executive director. Although not considered independent under the UK Corporate Governance Code 2018 (Code), Janine brings valuable insights from the employee perspective into committee discussions and the Board considered that it was important from an employee engagement perspective for both Joseph and Janine formally to be a member of the committee despite their lack of independence.

I joined the committee on 1 June 2022 and was appointed as committee chair on 1 July 2022 with Matthew Lester stepping down as a director and chair of the committee on 30 June 2022. I was also invited to attend the April 2022 committee meeting as an observer. This, together with the one-month handover between Matthew and I, ensured that there was a seamless transition of the committee chair. Prior to my appointment as chair I also met with KPMG, our external auditor, and members of our Group Finance and Internal Audit teams, as part of my induction programme.

I would like to thank Matthew for his leadership of the committee. During his five-year tenure as committee chair, Matthew enhanced the committee's focus on financial controls and the identification and management of the material risk factors that Capita continues to face.

The committee is required to include at least one financially qualified member, with this requirement fulfilled by myself since my appointment as a committee member and by Matthew until his retirement from the committee.

All other committee members are considered to be financially literate given their qualifications and experience. John is a chartered accountant and has substantial experience in leading and growing companies as a CEO and executive director. Neelam has held senior positions in Hewlett-Packard, Microsoft, Compaq and IBM with responsibility for areas including strategy and corporate development. Janine's previous experience includes working in the banking industry within corporate actions and asset reconciliations.

As announced on 3 February 2023, John will step down from the Board and as a member of the committee on 31 March 2023. On behalf of the committee, I would like to thank John for his significant and valuable contribution to the committee's deliberations. Georgina Harvey, Senior Independent Director and Remuneration Committee Chair will be appointed as a member of the Committee upon John's departure.

[illegible] attendance [illegible] In addition to the above members, the Chairman, the [illegible] Chief General Counsel and Company Secretary, Director of Group Financial Control and [illegible] Accountant are invited to attend committee meetings along with certain members of the senior management team, the Director Internal Audit and Risk, and representatives from [illegible] the Group's external auditor. Opportunity exists at the end of each committee meeting [illegible] of the internal and external audit [illegible] to meet with the committee [illegible] management and both have access to the committee [illegible] they wish to [illegible] formal meetings.

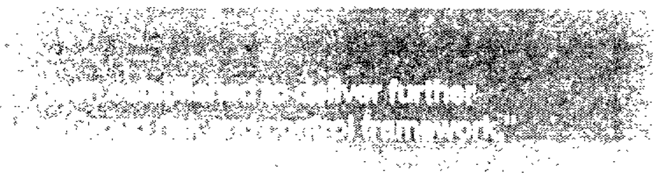
[illegible] was assessed as part of the Board evaluation (see page [illegible] for more [illegible]). The Board is satisfied that the combined knowledge and experience of its members [illegible] that the committee discharges its responsibilities in an effective, informed and challenging [illegible] as a whole, the committee has competence relevant to the sector in which the [illegible] operates. The Chief General Counsel and Company Secretary, or their nominee, acts [illegible] to the committee and is available to assist the members of the committee as required [illegible] that timely and accurate information is distributed accordingly.

How the committee operates

[illegible] committee has an annual forward agenda to cover the key events in the financial reporting [illegible] matters identified by the committee and standing items that the committee is [illegible] in accordance with its terms of reference. The annual agenda is supported by [illegible] held in advance of each committee meeting, led by me and attended by the [illegible] of the Group Finance team and the Director of Internal Audit and Risk. I will also [illegible] the external auditor prior to committee meetings. Their purpose is to identify key [illegible] matters that may require [illegible] by the committee [illegible] internal audit [illegible] and [illegible] risk and accounting [illegible] as appropriate. Additional reports are provided [illegible] required. I report to the Board the key matters of discussion and make any [illegible] recommendations as necessary.

How the committee discharged its roles and responsibilities in 2022

[illegible] held six scheduled meetings during the year and attendance at each meeting is [illegible]. Meetings are planned around the Company's financial calendar.



Financial reporting

Accounting judgements and significant accounting matters

As part of the process of monitoring the integrity of the financial information presented in the half-year results and the Annual Report and Accounts, the committee reviewed the key accounting policies and judgements adopted by management to ensure that they were appropriate. The significant areas of judgement identified by the committee, in conjunction with management and the external auditor, together with a number of areas that the committee deemed significant in the context of the financial statements, are set out in the tables on pages 93 to 95.

Fair, balanced and understandable

At the Board's request, the committee considered whether the half-year results and the Annual Report and Accounts were fair, balanced and understandable, and whether the information provided was sufficient for a reader of the statements to understand the Group's position and performance, business model and strategy. The committee reviewed both the narrative and financial sections of the reports to ensure they were consistent and gave a balanced view of the performance of the business in the year and that appropriate weight was given to both positive and negative aspects. The committee also considered whether the full-year announcement was presented clearly.

The committee considered whether the Annual Report and Accounts enables readers to understand the Company's financial position and prospects, as well as assess its going concern status and longer-term viability.

Significant issues in relation to the financial statements considered by the Audit and Risk Committee

Going concern and viability assessment

Matter considered

Consideration of the going concern assumption and viability of the Group and Parent Company is the responsibility of the Board. The committee conducted an assessment as part of its support role given the judgements required to assist the Board evaluate the resilience of the Group.

Action

The committee considered the projections within the business plan, agreed by the Board in January 2023, and the key assumptions underpinning the future cash flow and profit forecasts. The committee received reports from executive management and KPMG (as part of their standard reporting to the committee in the course of performing their duty as statutory auditor) concerning the going concern and viability assessments, including the risks identified. These included details on the key assumptions, the forecasting process including historical forecasting accuracy, the committed facilities available, and the mitigations within direct control of the Group. The committee also considered the risks identified and appraised the severity and plausibility of these in a severe but plausible downside scenario (see section 1 to the consolidated financial statements for details).

The committee also reviewed the disclosures presented in section 1 of the consolidated financial statements, together with the viability statement on page 84 to ensure there was sufficient detail provided to explain the basis of preparation and the Board's conclusion.

Outcome

The committee is satisfied that the analysis presented by executive management and KPMG provides enough detail to allow a robust assessment of relevant risks and mitigations to be undertaken. This supported full discussion of the severe but plausible downsides and allowed the committee to recommend to the Board that the going concern assumption be applied and the viability statement be approved.

The committee is satisfied that section 1 to the consolidated financial statements and the viability statement on page 84 include proportionate disclosures to inform users of the assessments undertaken by the Board.

Revenue and profit recognition

Matter considered

There is significant risk on long-term contracts related to revenue recognised from variations or scope changes, where significant judgement is required to be exercised by management. There is a risk that revenue may be recognised where it is not probable that consideration will be collected, which could be due to disputes over contractual terms and ongoing negotiations with clients.

Judgement is also required when customers request scope changes, to determine if there is a contract modification or a contract termination followed by a new contract. Contract terminations can lead to the immediate recognition of any deferred income being held for recognition in future periods.

Action

The committee received regular updates on all major contracts during the year and specifically reviewed the material judgements as part of the half-year and year-end close process. The committee has also considered the recognition of onerous contract provisions, where appropriate, and the lifetime profitability of contracts.

To aid the reader, the company has included a detailed explanation of the Group's accounting for long-term contracts (see note 2.1 to the consolidated financial statements).

Outcome

The revenue recognition policy includes disclosure of the significant judgements and estimates in relation to its application and the committee is satisfied that these have been properly disclosed. The committee is satisfied that the disclosures given within the accounts are sufficient to gain a proper understanding of the methodology of accounting for revenue across the Group, including the recognition of deferred income at the balance sheet date. The committee reviewed the disclosure and concluded that these provide information that is helpful to allow a fuller understanding of the application of IFRS 15 to the Group's contracts.

Contract fulfilment assets

Matter considered

[illegible] in the recognition of contract fulfilment assets (CFAs): judgements are involved in [illegible] whether the costs incurred on a contract or an anticipated contract meet the capitalisation criteria as [illegible] the standard.

[illegible] the amortisation of these assets involves estimation of the expected life of the contract, and when [illegible] in the early years, post the option and undergoing major transformation activities, the CFAs are at [illegible] judgements are involved in [illegible] whether the costs are incurred [illegible] contract [illegible] meet the capitalisation criteria [illegible] set out under the standard.

Action

[illegible] and challenged the significant judgements and estimates involved in [illegible] carrying value of CFAs.

[illegible] all major contracts, the committee has also considered the recoverability of CFAs.

Outcome

The committee is satisfied that appropriate judgements and estimates have been made in determining the carrying value of CFAs and the extent of impairment of CFAs recognised in these statements is appropriate. The committee is satisfied that the accounting policy note provides sufficient clarity as to the policy adopted and that the disclosures provide information to allow a reader to understand the risks associated with different stages of a typical long-term Capita contract.

Impairment of goodwill and Parent Company's investment in subsidiaries, and recoverability of receivables from subsidiary undertakings in the Parent Company

Matter considered

[illegible] asset balances in respect of goodwill related to acquisition activity. In addition the Parent Company carries a material balance of investments in, and receivables from, subsidiaries in its [illegible] statements. The impairment and recoverability assessments require the application of judgement [illegible] future prospects and forecasts.

Action

[illegible] reviewed the robustness of the impairment [illegible] the assumptions [illegible] discount rates [illegible] the impact of [illegible]

The committee has also reviewed the robustness of the assessment of recoverability of receivables from subsidiary undertakings in the parent company and challenged the appropriateness [illegible] provisions required.

Outcome

The committee is satisfied with the impairment of goodwill recognised in these financial statements in respect of certain businesses within the Group's Portfolio division.

The committee is also satisfied that the assumptions, methodology and disclosure in note 3.4 to the consolidated financial statements are sufficient to give the reader an understanding of the action taken and the sensitivities of the goodwill balance to any further impairment risk.

Of particular importance to the committee was the inclusion of sufficient disclosures regarding the events and circumstances that have led to the impairment charges recorded in the year and the analyses showing sensitivity of the goodwill valuation to changes in key assumptions.

The committee also considered that any impairment of investment in subsidiaries, or any provision against amounts receivable from subsidiaries, at the parent company level were appropriate and properly accounted for.

Pensions

Matter considered

The measurement of the defined benefit liabilities in respect of defined benefit pension schemes operated within the Group is a complex area relying on assumptions on inflation, mortality, corporate bond yields, expectations of returns on assets and several other key inputs. There is a risk that any one of these could lead to misstatement of the Group's liabilities in respect of pension obligations and the pension charge or movement recognised in the income statement or statement of comprehensive income.

Action

The committee reviewed the disclosure as presented in the accounts. The committee also challenged the key assumptions and reviewed the sensitivity to changes in some of the key assumptions on a standalone basis as well as in the context of defined benefit schemes across other external benchmarks.

Outcome

The committee is satisfied that the estimation of the Group's pension liabilities and the narrative that accompanies them gives the required level of information for a reader of the accounts to determine the impact on the Group of its pension obligations.

Deferred tax assets

Matter considered

The Group carries significant deferred tax assets. The recoverability assessment requires the application of judgement concerning future prospects and forecasts.

Action

The committee reviewed the disclosure as presented in the accounts. The committee also challenged the key assumptions and reviewed the sensitivity to changes in some of the key assumptions on a standalone basis as well as in the context of defined benefit schemes across other external benchmarks.

Outcome

The committee is satisfied with the amount of deferred tax recognised in these financial statements.

The committee is also satisfied that the assumptions, methodology and disclosure in note 2.6 to the consolidated financial statements are sufficient to give the reader an understanding of the approach taken and the sensitivities within the assumptions that could reasonably give rise to a material derecognition of deferred tax.

Other issues considered in relation to the financial statements

Materiality

[illegible] audit materiality set by the external auditor to ensure that the committee is informed of individual [illegible] that are most likely to have an impact on the financial statements. [illegible] the external auditor's report and the individual items that [illegible] statement of comprehensive income, balance sheet, statement of changes in [illegible] as well as the notes to the accounts.

The committee [illegible] from the external auditor, the CFO and [illegible] as to the nature of these items and also their relative importance in the [illegible].

[illegible] the committee [illegible] has been applied [illegible] the accounts.

Disclosure of information to the auditor

The directors who held office at the date of the approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information required for the audit and to establish that the Company's auditor is aware of that information.

Statutory auditor

The committee provides a forum for reporting by the Group's auditor, KPMG, and it advises the Board on the appointment, independence and objectivity of the auditor and on fees [illegible] for audit and audit-related work. The committee discusses the nature, scope and timing of the statutory audit with the auditor and [illegible] recommendation to the Board on [illegible]. [illegible] performs an annual independent assessment of the auditor's suitability [illegible].

The external auditor attends meetings of the committee and provides updates on statutory [illegible] and [illegible] matters.

The auditor has the opportunity to raise any concerns in private session with the committee and separately with the chair. Specifically, the committee asks the auditor if discussion of business performance in the strategic report is consistent with the auditor's overall impression of Capita and if material disclosures are discussed (refer to the independent auditor's report).

Auditor independence

The committee has a responsibility to put in place safeguards to auditor objectivity and independence, and the key measures are:

- The CFO monitors the independence of the auditor as part of the Group's assessment of auditor effectiveness and reports to the committee accordingly.
- The CFO must approve all audit-related engagements – further details are set out in the section below on audit-related services. The committee reviews audit-related fees twice a year and considers the implications for auditor objectivity and independence.
- The auditor must confirm its independence to the committee every six months.

Ensuring conflicts of interest are avoided is a fundamental criterion in the selection of any third-party auditor. Such conflicts may arise across public and private sector clients, and in key supplier relationships. This is also a key factor in the award process for an external audit assignment.

Audit-related services and fees

The Company's policy on auditor independence describes the services that may be procured from the auditor, namely audit and audit-related services only. To avoid the perception of a conflict of interest, the provision of non-audit services is not permitted. Audit-related services include those required by laws and regulations, or where it is more practical for the external auditor to perform the service (e.g. reporting accountant role related to certain public company transactions). KPMG continues to perform the review of interim results which, although technically classified as a non-audit service, relates closely to the audit.

Under the policy, which is reviewed annually, executive management has discretion to engage the auditor for audit-related services, but the nature of such assignments and associated fees must be reported regularly to the committee. All assignments require approval from the CFO. Where executive management has any concern that a proposed assignment might threaten the auditor's independence, this is discussed with the committee chair.

Total non-audit fees during the year were £[illegible]m and related to the review of interim results and services as reporting accountant for the disposal of Pay360 Limited. Further details are provided in note [illegible] to the consolidated financial statements.

External auditor performance

The committee discussed regularly the performance of KPMG during the year and was satisfied that the level of communication and reporting was appropriate. These discussions included a review of the effectiveness and quality of the audit process, audit planning and a formal post-audit evaluation [illegible] ... and the committee [illegible]

[illegible] including:

- [illegible] risk profile of the audit firm
- [illegible] independence and objectivity
- [illegible]
- [illegible] with management and [illegible] of audit [illegible]

[illegible] Reporting Council [illegible] Audit Quality Review team (AQR) of the FRC issues a report [illegible] in the previous calendar year [illegible] the Audit Quality Review [illegible] arising from the audit quality inspections [illegible] for all major audit firms. The AQR's objective is to monitor and promote [illegible] a sample of audits for all major audit firms [illegible] of auditing. The reports highlight improvements required [illegible] of good practice. The FRC publishes separate reports on the individual [illegible] audit quality, and areas of good practice. [illegible] KPMG.

[illegible] received a presentation from the KPMG [illegible] audit partner on the findings from the [illegible] Quality Inspection Report for KPMG.

External auditor reappointment

[illegible] audit tender process in 2016, the committee and Board [illegible] KPMG [illegible] as the Group's auditor [illegible] KPMG was first appointed in 2017 [illegible]

[illegible]

[illegible] of the Statutory Audit Services [illegible] Order [illegible]

[illegible] that the Company has complied with the provisions of the Statutory Audit Services Order [illegible] KPMG as the external auditor of the Company will be put forward at the [illegible] annual general meeting. If approved, KPMG will hold office from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the Company, and its remuneration will be determined by the committee.

Review of risk management and internal control

Responsibility for reviewing the effectiveness of the Group's risk management and internal control systems is delegated to the committee by the Board. The principal risks and risk management processes are set out on pages 54 to 63.

[illegible]

During the year, the committee completed a robust assessment of the principal risks, including [illegible] reviews on four of the 13 principal risks. The assessment also considered any emerging risks that would threaten its business model, future performance, solvency or liquidity. The assessment process included regular engagement with the Executive Committee members accountable for the management of risk falling under their remit. As part of each deep dive, the committee reviewed existing controls and further risk reduction actions to ensure they were valid and effective in reducing the overall risk level.

The committee received reports on the following themes during the year:

- Cyber and information security
- IT resilience
- Internal controls
- [illegible] existing controls
- [illegible] to deliver on our contractual obligations to our clients
- Attracting, developing and retaining our people
- [illegible] including details of matters raised under the Group's Speak Up policy
- [illegible]
- Privacy

The enterprise risk management framework and control environment continues to be enhanced and embedded across Capita in the revised operating model. The committee concluded that risk management processes and the system of internal controls were adequate and there were no material weaknesses requiring specific disclosure. The committee reported the conclusions to the Board to support the annual confirmation that a robust assessment of the principal risks had been carried out.

[illegible] controls

[illegible] in the internal control and risk management [illegible] of internal financial controls is in the internal control and risk management section of this report and can be found on page 54. As detailed on page 54 further improvements to the Group's risk and control framework, including financial controls were delivered during the year.

[illegible] committee concluded that the Group risk and control framework, including financial controls, [illegible] to be materially effective, noting that further improvements to the Group risk [illegible] framework are planned for 2023 to ensure that financial controls are appropriately [illegible] of the scale and complexity of Capita.

Internal audit

The Group internal audit function has an administrative reporting line to the [illegible] and an independent reporting line to me as Chair of the committee. The function has in place a co-sourcing [illegible] which adds expertise and breadth to the work of the in-house audit team. The function [illegible] Director Internal Audit and Risk, who is also responsible for the Group's unregulated [illegible] regulated business risk is the responsibility of the [illegible] experience.

[illegible] plan approved by the committee in June 2021, which focuses on key business risks [illegible] formed the baseline for audit planning in 2022. Conducting audits over these risks [illegible] provides better insight into how risk is being managed, and provides comparison [illegible]. The plan is structured to be flexible, to provide assurance over [illegible] activities aligned to our principal risks, and to offer continued support for [illegible] activities.

[illegible] the year, the Group internal audit function provided written reports to the committee on [illegible] carried out to date and the in-flight work to be completed, together with audit updates. An [illegible] provided [illegible] summarising the key matters [illegible]. Reports set out strengths [illegible] identified during the work, together with any recommendations for action.

[illegible] audits have continued to identify [illegible] including the lack of defined [illegible] over key processes, risks being managed through the experience of our [illegible] knowledge, roles, responsibilities and accountabilities not always clear, and [illegible] to demonstrate monitoring and reporting of control activity.

[illegible] management responded with appropriate actions to mitigate the associated risks. The [illegible] reviews management's response to the matters raised and ensures that any action is [illegible] with the level of risk identified [illegible].

[illegible] result of the [illegible] themes identified during audits, a plan was presented and approved by the committee during 2022 to address these issues and further improve the Group's financial controls framework. The committee will receive regular updates on the progress of this project.

[illegible] regular interaction between the committee and the Director Internal Audit and Risk, as well [illegible] reports received from the function, the committee can assess and satisfy itself that the Group's [illegible] internal audit is effective.

Anti-bribery and corruption

Capita has a Group-wide anti-bribery and corruption policy, which complies with the Bribery Act 2010. Procedures are reviewed periodically to ensure continued effective compliance in Group businesses around the world.

Code of Conduct and Speak Up

During the year, the company refreshed its mandatory Code of Conduct training and relaunched its Speak Up policy. The Speak Up policy provides a framework for concerns to be raised in a responsible and effective manner. To ensure that concerns are addressed in a manner independent of a worker's business area, concerns can be raised through a facility provided by an independent third-party provider. Where concerns are raised, they are escalated to named contact points within Capita for further assessment and investigation.

As part of the relaunch, a 12-month Speak Up communication plan was prepared to raise awareness of this policy and stimulate engagement with employees. The number of reported cases has increased following the relaunch, although reported cases are still considered to be low in certain jurisdictions given the size of Capita. The Chief General Counsel and Company Secretary and members of the Business Integrity team are scheduled to visit some of Capita's international sites during 2023 to reinforce and embed the Speak Up policy in these businesses.

This is an area of focus for the committee, which receives a report and update on the current level of reported cases at every meeting. Oversight of these arrangements is a matter reserved to the Board and it receives updates on the operation of the policy from the committee chair.

Privacy

In November 2022, the privacy function was restructured to form a central team with a managerial reporting line to the Data Protection Officer of Capita plc, while retaining the existing operational alignment of the current privacy teams to the divisions, TSS and shared services, ensuring that privacy is managed where data is created while ensuring that Capita's privacy policies and standards are implemented consistently throughout the Group.

The privacy teams across Capita continue to provide privacy assurance, training and support to business units in line with the requirements of data protection legislation. Throughout 2022, there were a number of new initiatives undertaken by the central privacy team aimed at raising privacy awareness throughout Capita including targeted training and regular meetings with key stakeholders.

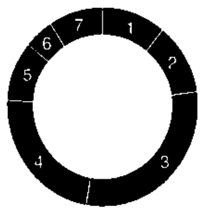
Brian McArthur-Muscroft
Chair

This report is split into three sections:

- The annual statement summarises how the committee discharged its roles and responsibilities in respect of 2022 and the proposed implementation of the directors' remuneration policy for 2023.
- A summary of the directors' remuneration policy (the policy) which was approved by shareholders at the 2021 annual general meeting (AGM). No changes are proposed for 2023. A new policy will be put to shareholders for approval at the 2024 AGM.
- The annual report on remuneration sets out the remuneration arrangements and incentive outcomes for the year under review and explains how the policy will be operated for 2023.

The directors' remuneration report, excluding the policy, will be subject to an advisory shareholder vote at the 2023 AGM.

Remuneration Committee time allocation (%)



1 11% Governance
2 12% Executive director and executive committee remuneration
3 30% Annual bonus plan
4 23% LTIP/RSA
5 10% Wider workforce/gender pay gap
6 5% Shareholder consultation/feedback
7 9% Committee time only

All members of the committee are independent non-executive directors. Following a change to the non-executive employee director during the year, this role now attends committee meetings by invitation, rather than being a member of the committee. The number of formal meetings held and the attendance by each member is shown in the table on page 73. The committee also held informal discussions as required. The Chief General Counsel and Company Secretary acts as secretary to the committee and is available to assist the members of the committee as required, ensuring that timely and accurate information is distributed accordingly.

The committee's terms of reference set out the role, responsibilities and authority of the committee and can be found on the Company's website at www.capita.com/investors. These are reviewed and updated where appropriate, on an annual basis.

Annual statement

[illegible]

[illegible] set out below.

How the committee operates

[illegible] with the committee Chair, Chief People Officer and Group Reward Director to identify issues [illegible]

Committee activities

[illegible] of the committee during the year included:

- [illegible] percentage in respect of the 2019 LTIP awards for the performance period ended 31 December 2021
- [illegible] annual bonus awards under the annual bonus plan for the year ended 31 December 2021
- Agreeing appropriate 2022 RSA levels under the 2021 Capita Executive Plan
- [illegible] targets for the 2022 annual bonus
- [illegible] remuneration arrangements for senior management leavers/joiners
- [illegible] executive pay arrangements and alignment with those for the wider workforce
- [illegible] engagement in respect of executive remuneration and considering feedback
- [illegible] updates in respect of a review of wider workforce strategy on pay and [illegible]

In addition, the committee has ensured that the remuneration policy and practices are consistent with the six factors set out in Provision 40 of the 2018 UK Corporate Governance Code (the Code).

Clarity – our policy is well understood by our senior management team and has been clearly articulated to our major shareholders and representative bodies (both on an ongoing basis and [illegible] exercise in respect of the last policy review).

Simplicity – [illegible] mindful of the need to avoid overly complex remuneration structures [illegible] and deliver unintended outcomes. A key objective of the committee is [illegible] remuneration policies and practices are straightforward to communicate [illegible]

Risk – [illegible] designed to ensure that inappropriate risk taking is discouraged and will [illegible] the balanced use of both short-term incentives and long-term share awards [illegible] the significant role played by equity in our incentive plans together with in-employment and post-[illegible] shareholding guidelines) and [illegible] clawback provisions and the committee's ability to use discretion to adjust vesting levels.

Predictability – [illegible] plans are subject to annual individual limits, with our share plans also subject to [illegible]

[illegible] ... there is a clear link between individual awards, delivery of strategy and our long- [illegible] ... In addition, the significant role played by incentive/at-risk pay, together with the structure [illegible] ...

[illegible] culture [illegible] ... fixed pay (executive director pension provision) is aligned with the workforce and [illegible] ... of performance metrics that measure how we perform against our financial and [illegible] ... alignment to Capita's responsible business strategy by [illegible]

Remuneration for 2022

[illegible] ... Chief Executive Officer [illegible] ... salary [illegible] ... 2021 [illegible] ... the bonus was based on revenue, profit before tax and [illegible] ... of maximum bonus [illegible]

Annual bonus for 2022

[illegible] ... were both between target and stretch. However, following a review of the broader [illegible] ... when assessing performance against the financial targets that were set [illegible] ... flow element to a target payout. Strategic and individual objectives were considered to [illegible] ... significant extent. Further details in respect of the performance assessment of [illegible]

After consideration of the progress made by Capita during 2022 in respect of the [illegible] ... strategy and individual performance, the committee believes that a 60[illegible] of maximum [illegible] award to the CEO and CFO for 2022 are both proportionate and appropriate.

[illegible] ... the shareholder approved remuneration policy, 50% of the bonus awards will be deferred into Capita plc shares for three years.

2020 LTIP award

The LTIP award granted to Jon Lewis in April 2020, which is due to vest in April 2023, will vest at [illegible] of the maximum opportunity as a result of the strong performance against the customer [illegible] ... targets which are considered to be critical underpins to the performance and [illegible] ... of the business over the three years to 31 December 2022. Further details [illegible] ... assessment and the estimated pre-tax value of the awards at vesting [illegible]

Total remuneration

The committee is satisfied that total remuneration awarded to the CEO and CFO in respect of 2022 was appropriate when Capita's strategic progress and the stakeholder experience more generally in 2022 are considered.

Use of discretion

[illegible] to ensure that any payments made reflect overall company performance and [illegible]

	2020	2021	2022
Annual bonus	[illegible]	[illegible]	Annual bonus awards for the CEO and CFO for the year ended 31 December 2022 were reduced from 69% to 60% of the maximum, see page 115.
Share awards	[illegible]	[illegible]	The 2022 RSA level for the CEO was reduced from the normal award level of 150% of salary to 100% of salary, see page 116.

Board changes in 2022

[illegible] May 2022 [illegible] was appointed Senior Independent [illegible]

[illegible] 1 July 2022 respectively [illegible] and Joseph Murphy stepped down as employee non-executive director, and [illegible] stepped down as non-executive director on 30 June 2022.

Remuneration policy for 2023

[illegible] approval of the policy at the 2021 AGM and support received at the 2022 AGM, [illegible] proposed at the 2023 AGM. See pages 104 to 109 for a summary of [illegible] policy. A new policy will be put to shareholders for approval at the 2024 AGM.

Implementing the policy for 2023

The committee's intended approach to the implementation of the policy for 2023 is set out below.

Fixed remuneration: the committee is mindful of the need for pay restraint at senior management levels in the current economic environment. As such, and consistent with the approach adopted for the majority of senior executives across Capita, executive directors will not receive an increase in salary in 2023. No changes will be made to benefit provision and executive directors will continue to receive a workforce-aligned pension allowance ([illegible]% of salary) in line with other employees.

2023 annual bonus: maximum annual bonus potential will continue to operate at 200% (CEO) and [illegible] of salary. The financial performance metrics will be based on revenue, profit before tax and free cash flow (all equally weighted and totalling 80% of maximum bonus). The remaining 20% [illegible] to be based on strategic/individual objectives incorporating ESG targets. To the extent that the threshold profit before tax target is not met, the committee will consider whether it is appropriate to pay out a bonus under the strategic/individual objectives and [illegible] to reduce pay out under these elements (including to zero) if considered appropriate.

2023 RSAs: the 2023 RSAs to be awarded to executive directors in March 2023 will:

- [illegible] 150% of salary for the CEO and 100% of salary for the CFO;
- [illegible] years from grant subject to [illegible] employment, [illegible] personal performance during the relevant vesting periods, and (iii) a positive assessment of [illegible] (see below); and
- [illegible] may not normally be sold until at least six years from the grant [illegible] taxes).

[illegible] the committee must be satisfied with the underlying performance of Capita and that [illegible] deemed to be met, the committee will consider in addition to the [illegible]

[illegible] Capita performance over the vesting period.

Shareholder views

[illegible] the committee did note concerns from a number of shareholders and proxy [illegible] the feedback received, and as stated in the RNS [illegible] Capita has committed to repay all furlough support taken during 2021 no later than the first [illegible]

Employee engagement

[illegible] was regularly communicated with all employees, including on our 2021 financial [illegible] remuneration policy and report, pay and benefits, both online and during live [illegible]

[illegible] noted that this role would no longer be a member of the committee [illegible]

During 2022, the committee has continued to evolve the process of engaging with the workforce on how executive remuneration aligns with wider company pay policy in compliance with the Code. A [illegible] chairs and co-chairs of the Capita employee network groups in mid 2022 [illegible] with a cross section of employees from different levels [illegible] Georgina Harvey and covered the work of the committee, how executive remuneration is linked to [illegible] strategy on workforce pay and progression and how Capita executive pay policy aligns [illegible] including how each element of the remuneration package cascades [illegible] These sessions provide an opportunity for questions and answers and the provision of feedback is encouraged. Further workforce engagement sessions will take place during 2023.

Concluding thoughts

As Capita continues to make material progress under our new, simpler, more client-focused divisional structure, the committee is satisfied that the remuneration policy has operated as [illegible] that the senior management team is appropriately retained and [illegible] of remuneration and, as such, welcomes all input as it starts to consider its approach to reviewing the [illegible] the 2023 AGM.

I hope you find this report to be clear and helpful in understanding our remuneration practices and [illegible] of the advisory vote to approve the annual report on remuneration [illegible] thank our shareholders for their continuing support.

Georgina Harvey
Chair

Directors' remuneration policy

[illegible]

Responsibilities and activities of the Remuneration Committee

[illegible]

[illegible] General Counsel and Company Secretary role, the committee ensures that the [illegible]

[illegible]

[illegible] directly linked to performance [illegible]

[illegible] pay between the achievement of financial performance [illegible] reward and providing a focus on sustained improvements in profitability [illegible]

[illegible]

Consideration of shareholder views

[illegible] communications with shareholders. It considers [illegible] to communicate with shareholders, giving them the opportunity to [illegible] they may have. In addition, the committee seeks to engage directly with [illegible] and the main representative bodies, should any material changes be [illegible] to the policy.

Consideration of our people

[illegible] executive director remuneration policy and practices, the committee reviews [illegible] remuneration and related policies, and the alignment of incentives and rewards with culture, to ensure that workforce pay and conditions are taken into account when setting the pay of executive directors and senior management.

Remuneration policy table

[illegible]

Base salary

[illegible]	Operation	Maximum opportunity	Performance framework
[illegible]	Normally reviewed annually in December with any changes usually effective in January. The committee may award salary increases at other times of the year if it considers it to be appropriate. The review takes into account: • Salaries in similar companies and comparably sized companies • Remuneration policy • Economic climate • Market conditions • Group performance • The role and responsibility of the individual director • Employee remuneration [illegible]	There is no prescribed maximum monetary annual increase to base salaries. Any annual increase in salaries is at the discretion of the committee taking into account the factors stated in this table and the following principles: • Salaries would typically be increased at a rate consistent with the average salary increase (in percentage of salary terms) for the broader workforce • Larger increases may be considered appropriate in certain circumstances (including, but not limited to, a change in an individual's responsibilities or in the scale of their role or in the size and complexity of the Group) • Larger increases may also be considered appropriate if a director has been initially appointed to the board at a lower than typical salary.	Individual and business performance are considerations in setting base salaries

Benefits

Purpose and link to strategy	Operation	Maximum opportunity	Performance framework
[illegible] available to [illegible] the Group	Benefits include car allowance, private medical insurance, travel and property hire. Executive directors can also participate in all-employee share plans. The committee has discretion to add additional benefits which are not currently provided, such as relocation expenses.	Benefit provision varies between different executive directors. While there is no maximum level set by the committee, benefits provision will be set at a level the committee considers appropriate and be based on [illegible]. Participation in the Company's HMRC-approved all-employee share plan will be limited by the maximum level prescribed by HMRC	Not performance-related.

Pension

Purpose and link to strategy	Operation	Maximum opportunity	Performance framework
[illegible] benefits [illegible] employees [illegible] the Group	Pension contributions are paid into the Group's defined contribution scheme and/or as a cash allowance	[illegible] of salary	Not performance-related

Annual bonus

Purpose and link to strategy	Operation	Maximum opportunity	Performance framework
[illegible]	The bonus measures and targets are reviewed annually to ensure that bonus opportunity and performance measures continue to support the business plan. Stretching targets are set at the start of each financial year. Performance against targets is reviewed following completion of the final accounts for the period under review. 50% of any bonus earned (net of tax) is normally delivered as shares deferred for three years, with the remainder delivered in cash or deferred shares at the executive director's discretion. An additional payment may be made at the time of vesting in respect of dividends that would have accrued on deferred shares during the deferral period. Malus and clawback provisions apply to all annual bonus and deferred bonus share awards for a period of up to three years after the determination of the annual bonus.	200% of salary	Performance is normally measured over a one-year period relative to challenging targets for selected measures of Group financial, strategic and/or individual performance. The majority of the bonus will be determined by measure(s) of Group financial performance. A sliding scale is set for each Group financial measure. 50% of the bonus will be paid at target performance, increasing to 100% for maximum performance. Any bonus payout is ultimately at the discretion of the committee and the amount of any bonus that would be determined based on performance may be reduced if the committee believes this better reflects the underlying performance of Capita over the relevant period.

Restricted share awards

Purpose and link to strategy	Operation	Maximum opportunity	Performance framework
[illegible]	Awards will normally vest after three years from grant and vested shares may not normally be sold until at least five years from the grant date (other than to pay any relevant taxes). Dividends or dividend equivalents may accrue over the vesting period and any holding period but only to the extent awards vest. Malus and clawback provisions apply to awards for a period up to the fifth anniversary of grant.	150% of salary	Vesting will be subject to: (i) continued employment; (ii) satisfactory personal performance during the relevant vesting periods; and (iii) a positive assessment of performance against one or more underpins. In addition, the committee may reduce the extent to which an award vests if it believes this better reflects the underlying performance of Capita over the relevant period.

Shareholding guidelines

Purpose and link to strategy	Operation	Maximum opportunity	Performance framework
[illegible]	Shareholding guidelines require executive directors to build up and hold a shareholding. The executive directors are required to retain 50% of any shares from deferred bonus awards, RSAs and LTIPs as granted under the previous policy, net of tax, until the guideline level is achieved. Post-cessation guidelines apply to share awards granted following the 2020 AGM. In determining the relevant number of shares to be retained post cessation, [illegible] awards granted prior to the 2020 AGM [illegible]	**In employment:** 300% of salary (CEO) or 200% of salary (CFO) **Post cessation:** 100% of the relevant guideline between cessation and the second anniversary of cessation (or the actual shareholding if the guideline has not been met at the date of cessation)	Not performance-related.

Non-executive director (NED) fees

Purpose and link to strategy	Operation	Maximum opportunity	Performance framework
[illegible] effectively carry out their responsibilities.	Reviewed periodically by the Board. Fee levels set by reference to market rates, taking into account the individual's experience, responsibilities, time commitment and pay decisions for the broader workforce. NED fees comprise payment of an annual basic fee and additional fees for further Board responsibilities such as: • Senior independent director • Audit and Risk Committee chair • Remuneration Committee chair • The Chairman of the Board receives an all-inclusive fee Additional fees/allowances may also be paid for intercontinental travel for business purposes where appropriate. No NED participates in the Group's incentive arrangements or pension plan or receives any other benefits other than where travel to the Company's registered office is recognised as a taxable benefit in which case a NED may receive grossed-up costs of travel as a benefit	As per the executive directors, there is no prescribed maximum monetary annual increase. Fees are limited to an aggregate annual sum of £1m increased only to take account of the effect of inflation as measured by the retail price index or such index as the directors consider appropriate or such other amount as the Company may by ordinary resolution decide.	Not performance-related.

Malus and clawback

[illegible] RSA awards [illegible] awards granted under the previous policy up to the fifth anniversary of grant. The [illegible] malus or clawback provisions can be applied include:

- [illegible] restatement of a Group company's financial results
- [illegible] relevant parties regarding financial performance
- [illegible] conduct which [illegible] loss
- [illegible]

[illegible] of the award

[illegible]

Application of our remuneration policy

[illegible] remuneration and related policies [illegible] and the alignment of incentives and [illegible] culture.

[illegible]

Directors' recruitment and promotions

[illegible]

[illegible] to be appointed on a permanent basis, the committee would seek [illegible] package with other executive directors in line with the policy table. However, flexibility would be retained to make 'buyout' awards or payments in respect of [illegible] arrangements and contractual terms forfeited on leaving a previous employer. In such circumstances, the committee would look to replicate the arrangements being forfeited as closely as possible and, in doing so, would take account of relevant factors including the nature of the remuneration and contractual terms, performance conditions and the time over which they would have vested or been paid.

[illegible] incentives in the year of joining may be subject to different targets [illegible] directors. The committee may also agree that the Company will meet [illegible] expenses, as it considers appropriate.

The maximum level of variable remuneration which may be granted (excluding awards to [illegible] remuneration arrangements and contractual terms forfeited on leaving the previous [illegible] directors in the year of recruitment shall be limited to 350% of salary [illegible] within the policy table).

The [illegible] period for a service contract may be up to 24 months, which is longer than that stated in the policy of a 12-month notice period, provided it reduces to 12 months within a short [illegible] time.

For [illegible] appointment or an appointment following the Company's acquisition of or merger with [illegible] any incentive amount awarded in respect of a prior role may be allowed to [illegible] adjusted as relevant to take into account the appointment. Any other [illegible] terms and conditions existing prior to appointment may [illegible].

The committee [illegible] to make appropriate remuneration decisions outside the standard [illegible] circumstances of recruitment when:

- An [illegible] appointment is made to fill an executive director role on a short-term basis
- Exceptional circumstances require that the Chairman or a non-executive director takes on an executive function on a short-term basis

In the event of the appointment of a new non-executive director, remuneration arrangements will normally be in line with the structure set out in the policy table for non-executive directors. However [illegible] may include any element listed in the policy table or [illegible] the committee considers is appropriate given the particular circumstances [illegible] with due regard to the best interests of shareholders.

Directors' service agreements and payments for loss of office

[illegible]

[illegible] service contracts for executive directors are for an indefinite period and provide for a 12-month [illegible] of basic salary, pension and benefits. There are no arrangements in place between the [illegible] and its directors that provide for compensation for loss of office following a takeover bid. [illegible] are appointed for an indefinite period but are subject to annual re-election at the annual [illegible]

[illegible] determine an equitable compensation [illegible] of the case. The committee reserves the right to make payments in connection with a director's cessation of office or employment where the [illegible] discharge of an existing legal obligation (or by way of damages [illegible] settlement of any claim arising in [illegible] the cessation of a director's office or employment. Any such payments may include [illegible] advice fees in connection with his cessation of office or employment. The committee [illegible]

[illegible] may be payable for a good leaver (as defined in the plan rules) in respect of the [illegible] Bonus payments would normally [illegible]

[illegible]

[illegible] and cessation. However, the committee has discretion to allow awards to instead continue to vest in [illegible] (as defined in the relevant plan rules).

In respect of RSAs/LTIPs, unvested awards will normally lapse on the earlier of notice being given [illegible]. However, the committee has discretion to allow awards to instead continue [illegible] (or earlier at the discretion of the committee) to the extent any performance conditions/underpins attached to the relevant award are satisfied at vesting. In such cases, awards will, other than in exceptional circumstances, be scaled back on a time pro-rated basis and post-vesting holding periods would normally apply.

In the event of a change of control, all unvested LTIP awards/RSAs would (unless rolled over) vest to the extent that any performance conditions/underpins attached to the relevant awards have been achieved. Awards would normally be subject to time pro-rating (unless the committee determines otherwise).

Unvested deferred share awards would vest in the event of a change of control (unless rolled over). Shares held within the share ownership plan will be removed from the plan or exchanged for replacement shares in accordance with the scheme rules and HMRC guidelines.

Non-executive directors' terms of engagement

[illegible] are appointed by letter of appointment for an initial period of three years. Each appointment is terminable by three months' notice on either side. At the end of the initial period, the appointment may be renewed by mutual consent, subject to annual re-election at the AGM.

Employee non-executive directors' terms of engagement

Employee non-executive directors are appointed by letter of appointment for an initial period of two to three years. Each appointment is terminable by one month's written notice on either side. At the end of the initial period, the appointment may be renewed by mutual consent, subject to annual re-election at the AGM.

Inspection of service agreements/letters of appointment

[illegible] and non-executive directors' letters of appointment are available for inspection during normal business hours at the Company's registered office, and available for inspection at the AGM.

Annual report on remuneration

[illegible]

Shareholder voting at the AGM

The 2022 directors' remuneration report will be presented to shareholders at the 2023 AGM. At the 2022 AGM the actual voting in respect of the ordinary resolution to approve the remuneration report for the year ended 31 December 2021 is set out below together with the vote on the current remuneration policy approved at the 2021 AGM.

	Votes cast for	Votes cast against	Abstentions
Directors' remuneration report (other than the part containing the directors' remuneration policy) for the year ended 31 December 2021	1,148,723,621	23,356,565	3,956,21[illegible]
	98.01%	1.99%	
Directors' remuneration policy (2021 AGM)	1,254,719,423	37,105,242	108,597
	97.13%	2.87%	

[illegible]

Policy implementation for 2023

Details of the committee's intended approach to the implementation of the policy for 2023 is set out in the tables below.

Fees for the Chairman, senior independent director, non-executive directors and employee non-executive director

A summary of the fees for 2023 are as follows.

	Annual fee from 1 January 2023
David Lowden, Chairman	£290,000
Georgina Harvey, Senior Independent Director and Remuneration Committee Chair	£85,500
Brian McArthur-Muscroft, Audit and Risk Committee Chair	£75,000
Nneka Abulokwe	£64,500
John Cresswell	£64,500
Neelam Dhawan	£64,500
Janine Goodchild	£64,500

Following a review of the Chairman's fee, including his anticipated time commitment, David Lowden was appointed on an annual fee of £290,000. This is lower than the fee of his predecessor, Sir Ian Powell (£[illegible]). Fees for non-executive directors, the senior independent director and committee chairs are unchanged from 2022.

Directors' remuneration earned in 2022 – single-figure table (audited)

[illegible] directors' remuneration received in 2022 with prior year comparatives.

		Base salary and fees £	Benefits £	Pension £	Annual bonus £	LTIP £	RSA £	Total remuneration £	Total fixed remuneration £	Total variable remuneration £
[illegible]	2022	213,44?	[illegible]	–	–	–	–	214,286	214,286	0
	2021	75,000			–			75,000	75,000	0
[illegible]	2022	[illegible]	[illegible]	[illegible]	[illegible]	69,986	–	1,767,972	803,386	964,586
	2021	[illegible]	18,85?	[illegible]	[illegible]	16,506	–	1,185,415	780,087	405,328
[illegible]	2022	[illegible]	[illegible]	[illegible]	[illegible]	–		1,162,899	590,649	572,250
	2021	[illegible]	[illegible]	[illegible]	[illegible]	–	–	459,188	323,892	135,296
[illegible]	2022	80,250	–	–	–	–	–	80,250	80,250	0
	2021	75,000	–		–	–	–	75,000	75,000	–
[illegible]	2022	42,875					–	42,875	42,875	0
	2021							–	–	0
[illegible]	2022	[illegible]	[illegible]	–	–	–	–	59,318	59,318	0
	2021	–		–	–	–	–	–	–	0
[illegible]	2022	64,500				–		64,500	64,500	0
	2021	64,500	–		–	–	–	64,500	64,500	0
[illegible]	2022	64,500	25,599	–	–	–	–	90,099	90,099	0
	2021	53,750	4,000				–	57,750	57,750	0
[illegible]	2022	32,250					–	32,250	32,250	0
	2021	–			–			–	–	0
Former Directors										
[illegible]	2022	128,951	16			–		128,967	128,967	0
	2021	325,000	–	–	–	–	–	325,000	325,000	
[illegible]	2022		–	–	–	–	–	–	–	0
	2021	[illegible]	[illegible]					514,320	514,320	0
[illegible]	2022					–	–	–		0
	2021		905	–	–	–	–	905	905	0
[illegible]	2022	37,500				–	–	37,500	37,500	0
	2021	75,000						75,000	75,000	0
[illegible]	2022	–		–		–	–	–	–	0
	2021	[illegible]	–	–	–	–	–	62,163	62,163	0
[illegible]	2022					–	–	–	–	0
	2021	[illegible]	[illegible]		–	–	–	14,646	14,646	0
[illegible]	2022					–	–	–	–	0
	2021	[illegible]	[illegible]		–	–	–	24,194	24,194	0
[illegible]	2022	32,250						32,250	32,250	0
	2021	64,500	–	–	–	–	–	64,500	64,500	0
[illegible]	2022	32,250	–	–	–	–	–	32,250	32,250	0
	2021	64,500			–	–	–	64,500	64,500	–

Annual bonus for 2022 (audited)

[illegible] for 2022 was operated at normal levels (200% of salary for the CEO and 175% of salary for the [illegible]). The bonus was based on a combination of revenue, profit before tax (PBT), [illegible] free cash flow (all equally weighted and totalling 80% of maximum bonus) and strategic [illegible] of maximum bonus). For each performance measure, 25% of bonus was payable for achieving the threshold target, 50% was payable for achieving target performance, with 100% of the bonus payable for achieving the maximum target. Details of performance against the financial and strategic/individual targets are set out below.

Financial targets (80% of the bonus)

	Weighting (% of maximum bonus)	Threshold target (25% vests)	Target (50% vests)	Stretch (100% vests)	Actual performance[1]	Achievement against financial performance weighting
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	80%				42	

Strategic/individual objectives (20% of the bonus)

[illegible] strategic and individual objectives represented 20% of the total annual bonus opportunity for each executive director. The objectives were focused on ESG measures [illegible] employee, diversity & inclusion [illegible] data [illegible] based measures. The objectives and targets were aligned for both executive directors.

Jon Lewis and Tim Weller

Objective	Weighting (% of maximum bonus)	Assessment				Score (% of maximum bonus)
Customer – cNPS [illegible]	[illegible]	Threshold	Target	Maximum	Actual	
		Maintain score	+2 point improvement	+4 point improvement	**+8 point improvement (max)**	4%
		Following a review of cNPS in respect of the year ended 31 December 2022, which remains key to the delivery of Capita's strategy, the committee noted a significant improvement compared with the year ended 31 December 2021. As such, the committee was satisfied that this objective was met in full.				
Employee – eNPS [illegible]	4%	Threshold	Target	Maximum	Actual	
		+2 point improvement	+5 point improvement	+10 point improvement	**+15 point improvement (max)**	4%
		Following a review of eNPS in respect of the year ended 31 December 2022, the committee was pleased to see a material improvement when compared with the 2021 outcome. As such, the committee was satisfied that the objective was met in full.				
Diversity & inclusion [illegible]	[illegible]	Achieve minimum of 11% ethnic minority (including [illegible] Black)				
		Threshold	Target	Maximum	Actual	2%
		11% (including 2% Black)	+4 point improvement	+8 point improvement	**13.9% ethnic minority (including 3% Black) (below target)**	
		Achieve minimum of female average representation across senior middle management in the UK				
		Threshold	Target	Maximum	Actual	
		38%	+4 point improvement	+8 point improvement	**+4 point improvement (target)**	
		In assessing this target, the committee noted that both hurdles were achieved with 13.9% ethnic minority (including 3% Black) and 41.8% female average representation across senior middle management in the UK. Performance against the target for the Inclusion Index was at target with a +4 improvement. The committee therefore considered the objective to be partially met.				

Objective	Weighting (% of maximum bonus)	Assessment				Score (% of maximum bonus)
Net zero [illegible]	[illegible]	**Threshold**	**Target**	**Maximum**	**Actual**	[illegible]
		[illegible] the monthly performance review [illegible] year end and 2023 targets set	[illegible] detailed [illegible] executable plan for [illegible] (first phase of net zero)	[illegible] demonstrable reduction in Capita's carbon footprint during the year	**Met in full**	
		[illegible] the target, the committee [illegible] that emissions reporting had been successfully established in the monthly performance review process, a detailed and executable plan had been developed for [illegible] and Capita's overall carbon footprint reduced by 16,323 tonnes [illegible]. As such, the committee was satisfied that the objective was met in full.				
Debt reduction [illegible]	[illegible]	**Target**	**Maximum**	**Actual**		[illegible]
		[illegible] declared timeline and within the agreed [illegible] range	[illegible] the [illegible]	**Met in full**		
		[illegible] together with the sale of Pay360, which were consistent with the [illegible] strengthening of Capita's balance sheet and reduced net debt position ahead of market expectations. As such, the committee was satisfied that the objective was met in full.				
Total	[illegible]					18% (out of 20%)

[illegible]

	[illegible]		[illegible]	
	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]		[illegible]	
[illegible]	[illegible]		[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]		[illegible]	

[illegible] recommendations to the committee on outturn. Following a review of financial and personal [illegible] performance [illegible] three years.

Long-term incentive awards due to vest in 2023 based on performance to 31 December 2022 (audited)

[illegible] of the 2020 LTIP awards held by Jon Lewis is as follows:

Performance measure	Weighting	Threshold (25% vests)	Target (50% vests)	Stretch (100% vests)	Result	Vesting % of maximum
Relative TSR	[illegible]	Median TSR performance vs the constituents of the FTSE 250 (excluding investment trusts)	[illegible] between median and upper quartile performance [illegible]	Upper quartile TSR performance vs the constituents of the FTSE 250 (excluding investment trusts)	Below median	[illegible]
Responsible business scorecard						
[illegible]	15	[illegible] point positive [illegible] NPS	[illegible] NPS	[illegible] point positive [illegible] NPS	[illegible]	[illegible]
[illegible]	10	[illegible] positive [illegible] NPS	[illegible] NPS	[illegible] NPS	Below threshold	0
[illegible] payment [illegible]	[illegible]	–	Maintain current	Exceed current	Exceed	[illegible]

The [illegible] performance period runs for three years from the date of grant (16 April 2020) and therefore has not yet concluded. Based on performance to 31 December 2022 against the FTSE 250 constituents (excluding investment trusts) Capita's TSR was below median and therefore [illegible] of this part of the award is expected to vest. Actual vesting will be assessed at the end of the three-year performance period and any change in the vesting outcome and value of the [illegible] for the purposes of the single figure of remuneration will be shown in next year's report.

While employee engagement has improved significantly during 2022, it fell below the threshold set for the 2020 LTIP award resulting in zero vesting for this element. However, performance against the customer NPS and supplier targets (which are considered to be critical underpins to the [illegible] of the business) were very strong over the performance period [illegible] point positive swing in eNPS delivered full vesting of this element. In addition, adherence to the [illegible] Payment Code exceeded the target set (with a record level of suppliers paid in less than 30 days) resulting in maximum vesting of this element.

Based on the customer and supplier performance, the committee believes that the [illegible] vesting is appropriate due to progress made in improving customer satisfaction and supplier payment [illegible].

[illegible] levels as a % of salary (which together with the subsequent share price decline has significantly [illegible] compared with normal award [illegible] progress made in respect of the customer and supplier [illegible] delivery of Capita's strategy, the committee also considered Capita's [illegible] over the three-year performance period. In this regard, it noted the [illegible] delivering the strategy including the performance of the disposal programme, the significant strengthening of the balance sheet and strong operational delivery.

[illegible] the estimated vesting of the long-term incentive for Jon Lewis in [illegible]:

	Awards granted	Shares vesting based on performance (15% of maximum)	Dividend equivalent shares[1]	Total shares expected to vest	Estimated value at vesting
Jon Lewis[2]	1,770,000	265,500		265,500	£66,986

RSAs granted in 2022 (audited)

[illegible]

Name of director	Number of shares awarded	Face value of RSA	Percentage of salary
[illegible]	[illegible] 481 985	[illegible] 48 000	100
[illegible] Weller	2 [illegible] 608	[illegible]	100

[illegible] significantly underwater at the date of grant. No reduction was made to the [illegible] [illegible] that the [illegible] was not originally intended to apply when the [illegible] remuneration package was agreed [illegible]

[illegible]

Directors' interests and shareholding guidelines (audited)

[illegible] expected to hold 200% (300% for the CFO) of salary in shares in the company. The guidelines include shares held beneficially and also shares within the deferred annual bonus (DAB) plan that have been deferred over the three-year period. RSA awards which are not subject to performance conditions/performance underpins and share awards which have vested but not yet been exercised. Any shares in the DAB, RSA awards which are not subject to performance [illegible] performance underpins and vested but unexercised LTIP awards used [illegible] calculated net of tax. Share awards that are subject to performance conditions are not included.

The remuneration policy adopted in 2021 incorporated post cessation shareholding guidelines which require executive directors to retain 100% of the relevant guideline (or the actual shareholding [illegible]) until the second anniversary of the date of cessation.

	Beneficially held interests at 31 December 2022	Beneficially held interests at 31 December 2021	Interests in share incentive schemes awarded without performance conditions at 31 December 2022	Interests in share incentive schemes awarded without performance conditions at 31 December 2021	Interests in share incentive schemes awarded subject to performance conditions at 31 December 2022	Interests in share incentive schemes awarded subject to performance conditions at 31 December 2021	Interests in share option schemes where performance/vesting conditions have been met but not exercised at 31 December 2022	Interests in share option schemes where performance/vesting conditions have been met but not exercised at 31 December 2021	Percentage of shareholding target requirement at 31 December 2022
David Lowden	150 000	[illegible]		–				–	
Jon Lewis	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5,721 886	[illegible]	[illegible]	[illegible]
Tim Weller	270,689	[illegible]	[illegible]	–	[illegible]	1 082 [illegible]	–	–	[illegible]
Georgina Harvey	[illegible]	6 000			–	–		–	–
Brian McArthur-Muscroft	0	–	–	–	–	–	–	–	–
Nneka Abulokwe	0	–	–		–	–	–	–	
John Cresswell	[illegible]	[illegible]				–	–	–	
Neelam Dhawan	0	–		–	–	–	–	–	–
Janine Goodchild	0	–		–	–	–	–	–	–
Sir Ian Powell	[illegible]	[illegible]	–		–	–	–	–	–
Matthew Lester	[illegible]	[illegible]				–		–	
Lyndsay Browne	[illegible]	11 240		–	–	–	–	–	–
Joseph Murphy	[illegible]	[illegible]	–	–	–	–	–	–	–

... financial year and 1 March 2023, Jon Lewis and Tim Weller acquired [illegible] shares under the Capita share ownership plan, increasing their beneficial interest in ordinary ... and non-executive directors attest annually they have ... the Company.

Share plans (audited)

DAB plan

[illegible]

Unvested DAB deferred/restricted awards at 31 December 2022[1]

Name of director	2022 award	Total
Jon Lewis	[illegible]	[illegible]
Tim Weller	[illegible]	[illegible]

[illegible]

Unvested LTIP award

Name of director	2020 award
[illegible]	1 770 [illegible]

[illegible]

The performance targets and underpin for the 2020 LTIP award are as follows:

Performance underpin	Performance measure	Weighting	Threshold (25% vests)	Target (50% vests)	Stretch (100% vests)
Assessment of the underlying financial and operational performance of Capita over the performance period	Relative TSR	75%	Median TSR performance vs the constituents of the FTSE 250 (excluding investment trusts)	Pro-rating vesting between median and upper quartile performance on a straight line basis between 25% and 100%	Upper quartile TSR performance vs the constituents of the FTSE 250 (excluding investment trusts)
	Responsible business scorecard:				
	Customer	10%	3 point positive swing in NPS	6 point positive swing in NPS	9 point positive swing in NPS
	Employee	10%	3 point positive swing in NPS	6 point positive swing in NPS	9 point positive swing in NPS
	Suppliers adherence to prompt payment code	5%	-	Maintain current	Exceed current

Unvested restricted share awards

Name of director	2021 award	2022 award
Jon Lewis	2,169 100	3,481,965
Tim Weller	1 082 695	2,537 006

There are no performance targets attached to the RSAs. However, vesting is subject to (i) continued employment, (ii) satisfactory personal performance during the relevant vesting periods, and (iii) a positive assessment of performance against two underpins (see below).

The underpins for the 2021 awards are as follows:

- underpin 1: [illegible] over the three years ending 31 December 2023 must be positive for any RSAs granted to executive directors to vest; and
- underpin 2: the committee must be satisfied with the underlying performance of Capita and that there have been no environmental, social or governance issues resulting in material reputational damage. If this is not deemed to be met, the committee will consider a reduction to the final vesting level of the RSAs (including to nil).

[illegible] as follows:

[illegible]

[illegible] the committee must be satisfied with the underlying performance of Capita and that [illegible] reputational [illegible]. If this is not deemed to be met, the committee will consider a reduction to the final [illegible]

Satisfaction of options

[illegible] share plans, the Company uses newly issued, treasury [illegible] as appropriate.

Dilution

[illegible]

Executive directors' service agreements

Executive directors	Date of joining the Company	Notice period
[illegible]	1 December 2017	12 months
[illegible]	12 May 2021	12 months

Non-executive directors' terms of engagement

Non-executive directors	Date of joining the Board	Expiry date of current appointment
[illegible]	1 January 2021	[illegible]
[illegible]	1 October 2019	1 July 2022
[illegible]	1 June 2022	[illegible]
[illegible]	1 February 2022	[illegible]
[illegible]	1 November 2015	10 November 2024
[illegible]	1 March 2021	[illegible]
[illegible]	[illegible]	10 May 2022
[illegible]	[illegible]	30 June 2022

[illegible]

Board changes

[illegible] and Matthew Lester stepped down from the Board on 10 May 2022 and 30 June 2022 respectively. No payments were made or are payable outside of their normal annual fees up to cessation. Lyndsay Browne and Joseph Murphy stepped down from the Board as employee non-executive directors on 30 June 2022. No payments were made or are payable outside of their normal annual fees up to cessation. However, they both remained employees and so continued to receive earnings from the Group as employees.

Payments to former directors (audited)

No payments were made to former directors.

External appointments for executive directors

During the year [illegible] served as a non-executive director for Equinor ASA. He received and [illegible] for the period from 1 December 2021 to 30 November 2022. Tim Weller is a non-executive director of The Carbon Trust for which he receives an annual salary of [illegible]. The committee acknowledges these roles can benefit Capita through broadening Jon's [illegible] knowledge and experience.

Percentage change in remuneration levels

[illegible] compared with the average for all employees of the [illegible]

	2022			2021			2020		
	Base salary/fees	Taxable benefits[14]	Annual bonus	Base salary/fees	Taxable benefits[14]	Annual bonus	Base salary/fees	Taxable benefits[14]	Annual bonus
Executive directors									
[illegible]	3.2%	-4.5%	150%	14.3%	5.1%	100%	-12.5%	-36.9%	–
Tim Weller	0%	23%	132%	–	–	–	–	–	–
[illegible]	–	–	–	0%	100%			–	
[illegible]	–	–	–		-100%		-12.5	-10.8%	–
Non-executive directors									
[illegible]	286.7%	100%	–	–	–	–	–	–	–
[illegible]	14%	–	–	14.3%	–	–	-12.5%	–	–
[illegible]	–	–	–		–	–	–	–	–
[illegible]	–	–	–		–	–	–	–	
[illegible]	0%	–	–	14.3%	–	–	-12.5%	–	–
[illegible]	0%	540%	–	–	–	–	–	–	–
[illegible]	–	–	–			–	–	–	–
[illegible]	0%	100%	–	14.3	–	–	-12.5%	-100%	
[illegible]	0%	–	–	15.9%	–	–	-12.5%	–	–
[illegible] Neville-Rolfe	–	–	–	11.3	–	–	-12.5%	–	–
[illegible]	–	–	–	14.3%	100%	–	-12.5%	–	–
[illegible]	–	–	–	14.3	100%		-12.5%	–	
[illegible]	0%	–	–	14.3	–		-12.5%		
[illegible]	0%	–	–	14.3	–	–	-12.5%	–	–
[illegible]	5%	7.4%	38.1%	[illegible]	14%	123.2%	5.5%	20.6%	-35.2

CEO pay ratio

[illegible] compares the single total figure of remuneration for the CEO with that of the [illegible]

Year	Method	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2022	Option B	76:1	56:1	36:1
2021	Option B	[illegible]	[illegible]	[illegible]
2020	Option B	[illegible]	[illegible]	[illegible]
2019	Option B	[illegible]	[illegible]	14:1?

[illegible]

The 2022 remuneration figures for the employee at each quartile were determined with reference to the financial year ending 31 December 2022. Due to the complexity of Capita's corporate and workforce structure, Option B was used to calculate these figures. The committee believes that this approach provides a fair representation of the CEO to employee pay ratios and is appropriate in comparison to alternative methods, balancing the need for statistical accuracy with internal [illegible]

[illegible] full-year equivalent total pay and benefits figure for 2022 was calculated for each [illegible] of employee using the single figure methodology. This was also sense-checked against [illegible] employees with hourly pay rates either side of the identified individuals to ensure that [illegible] No adjustments were made to the total pay and benefit figures other than the approximate up-rating of pay elements where appropriate to [illegible] full-year equivalent values and the components of pay have been [illegible]

[illegible] sets out the 2022 full-time equivalent salary and total pay and benefits for the three [illegible] employees.

2022	25th percentile (P25)	Median (P50)	75th percentile (P75)
Salary	£22,354	£29,878	£46,260
Total pay and benefits	£23,188	£31,821	£48,707

The committee recognises that the 2022 ratios are higher than last year. The CEO's single figure of remuneration for 2022 is higher than the figure for 2021 (c.49% increase) for the following reasons:

- The CEO received a base salary increase of 3.1%, his first salary increase since appointment in 2017.
- The 2022 single figure includes an annual bonus of £[illegible] ([illegible]% of maximum). This compares with an annual bonus award of £359,020 in 2021.
- The value of the 2020 LTIP vesting outcome (included in the 2022 single figure) is higher than the adjusted 2019 LTIP vesting outcome (included in the revised ratios for 2021).

The pay ratios have fluctuated since reporting commenced in 2019, primarily as a result of variability in incentive outcomes for the CEO.

Capita is committed to offering its employees a competitive remuneration package. Base salaries for employees, including our executive directors, are determined with reference to a range of factors including market practice, experience and performance in role. Due to the nature of his role, the CEO's remuneration package has higher weighting on performance-related pay (including the annual bonus and historical LTIP) compared to the majority of the workforce. This means the pay ratios are likely to fluctuate depending on the outcomes of incentive plans in each year. The committee also recognises that, due to the nature of the Company's business and the flexibility permitted within the regulations for identifying and calculating the total pay and benefits for employees, the ratios reported above may not be comparable to those reported by other companies. For these reasons, the committee considers that the median CEO pay ratio is representative of the UK employee base.

Gender pay gap reporting

The Company's 2022 gender pay gap data will be available on the government website https://gender-pay-gap.service.gov.uk from April 2023.

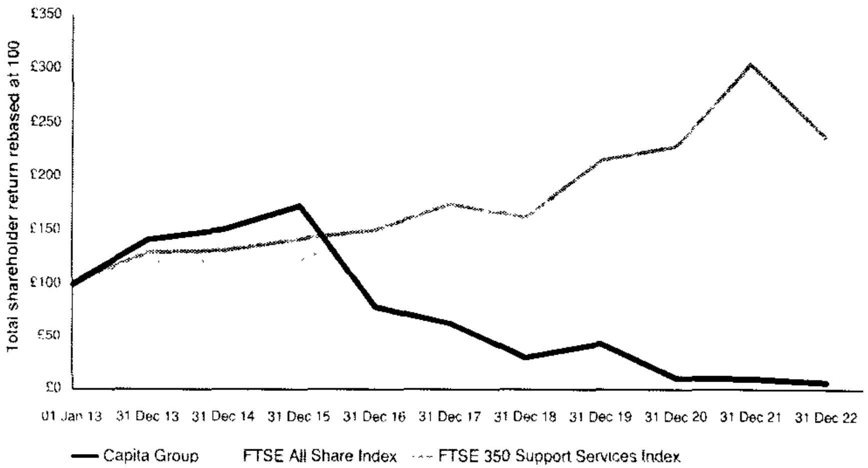
Relative importance of the spend on pay

The table below shows the spend on employee costs in the 2022 and 2021 financial years [illegible]

	2022 £m	2021 £m	% change
Employee costs	1,758.1	[illegible]	[illegible]
Dividends	–	–	–

Performance graph and CEO pay

[illegible]



[illegible]

[illegible]

[illegible] shown in respect of the estimated/actual value at vesting in [illegible] to the vest date.

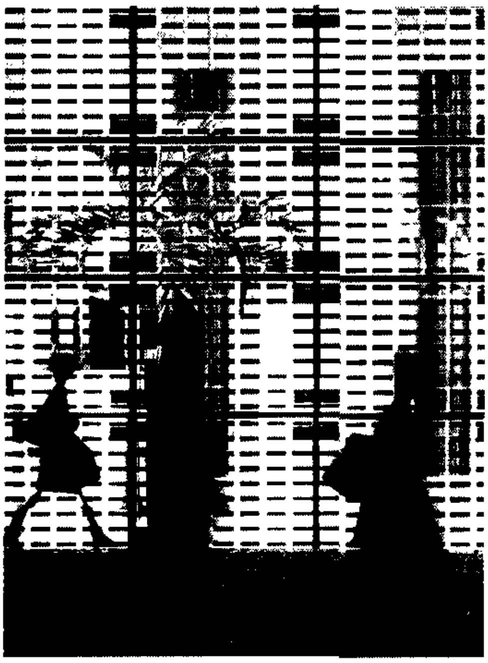
Year	CEO – single figure of total remuneration	Annual bonus (vs max opportunity)	Long-term incentive (vs max opportunity)
2022	£1,767,972	60%	15%
2021	£1,185,415	24.8%	12.5%
2020	£1,196,562	0%	[illegible]
2019	£789,678	0%	0%
2018	£2,014,209	85%	0%
2017	£[illegible]11,376	0%	0%
2016	£682,958	0%	0%
2015	£2,520,428	50%	71.4%
2014	£2,558,998	100%	[illegible]
2013	£2,326,250	75%	54.5%

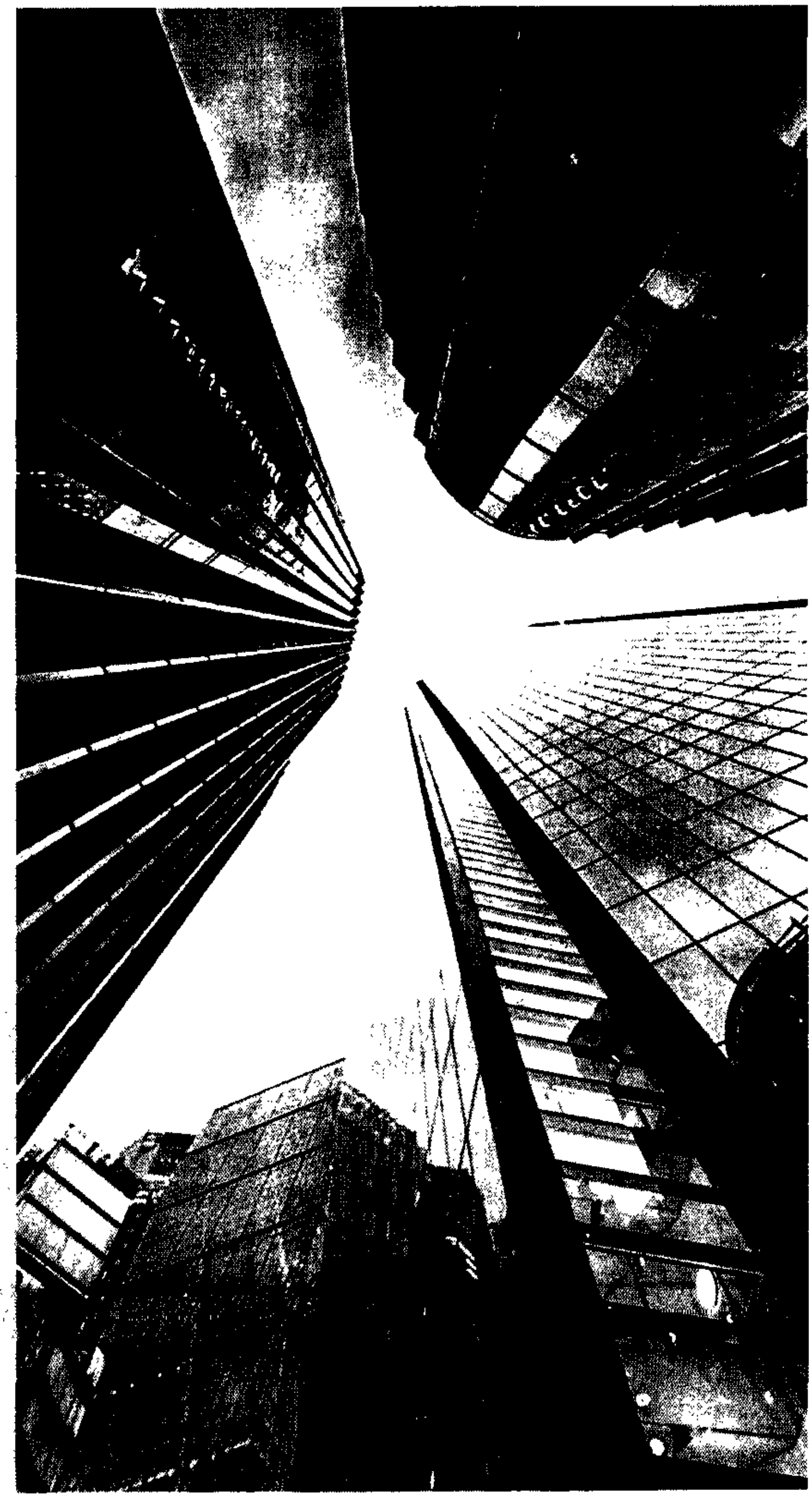
Note: the [illegible] percentages for the long-term incentives are averaged between the LTIP and the DBS [illegible] for 2013 and 2015. For 2014, this is the actual vesting for the LTIP as there is no DBS maturity in 2014. Note: figures for 2013 are based on remuneration for Paul Pindar. Figures for [illegible] are based on remuneration for Andy Parker. Figures for 2017 are based on remuneration paid to Andy Parker as CEO until 15 September 2017, to Nick Greatorex as interim CEO from 16 September 2017 to 30 November 2017, and to Jon Lewis as CEO from 1 December 2017. In accordance with the regulations, the 2021 and 2020 CEO single figure have been updated to reflect the value of the LTIPs for each year based on the share price at the vesting date (rather than an estimate of the share price at vesting).

Approval of the directors' remuneration report

[illegible] report was approved by the board on 2 March 2023.

Georgina Harvey
Chair
Remuneration Committee





KPMG LLP's Independent Auditor's Report

To the members of Capita plc

1. OUR OPINION IS UNMODIFIED

In our opinion:

- the financial statements of Capita plc give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022, and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK accounting standards, *including FRS 101 Reduced Disclosure Framework; and*
- the Group and Parent Company financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

WHAT OUR OPINION COVERS

We have audited the Group and Parent Company financial statements of Capita plc ("the Company") for the year ended 31 December 2022 included in the Annual Report, which comprise:

Group (Capita plc and its subsidiaries)	Parent Company (Capita plc)
The consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and related notes, including the accounting *policies in section 1 to 6 to the Group financial statements.*	The company balance sheet, company statement of changes in equity and the related notes, including the accounting policies in section 7 to the Parent Company financial statements.

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 believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion and matters included in this report are consistent with those discussed and included in our reporting to the Group Audit and Risk Committee ("ARC").

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

KPMG LLP's Independent Auditor's Report

To the members of Capita plc

2. OVERVIEW OF OUR AUDIT

FACTORS DRIVING OUR VIEW OF RISKS

Going concern remains a key audit matter. In FY21, the risk was focussed on the adequacy of disclosures around the material uncertainty. In FY22, the risk has changed to now reflect the judgement taken in reaching the conclusion of no material uncertainty, and adequacy of the accompanying disclosures.

The risk level remains stable for revenue recognition reflecting the volume and magnitude of contractual changes in the period. This KAM is focussed upon variations or modifications for the Group's long-term contracts, for which accounting can involve significant judgement.

The risk associated with impairment of goodwill is deemed as increased, with impairments recognised at both 30 June and 31 December within the Portfolio CGUs. There is inherent uncertainty in forecasting of future cash flows, which are the basis of recoverability. In particular for CGUs, measured as value in use on a disposal basis, the estimated disposal proceeds.

The risk associated with capitalisation and recoverability of contract assets is heightened due to economic uncertainties, including inflation, which could significantly impact contract assumptions which drives the assessment of asset recoverability and onerous contract provision.

For the Parent Company, recoverability of investments in, and amounts due from, its subsidiaries remains a KAM owing to the materiality of these balances and the estimation of the underlying cash flow forecasts. We note that no direct investments are held within subsidiaries in the Portfolio division.

Key Audit Matters ("KAMs")	Vs FY21	Item
Going Concern	↔	4.1
Revenue Recognition	↔	4.2
Impairment of Goodwill	↑	4.3
Capitalisation and Recoverability of contract assets	↑	4.4
Recoverability of the Parent Company's investments in, and amounts due from, its subsidiaries.	↔	4.5

We continue to perform procedures over litigation and claims provisions, defined benefit pension obligations and the presentation of items excluded from adjusted profits. However, the level of estimation uncertainty associated with litigation and claims is lower than last year. Whilst we consider defined benefit obligations to be a significant risk, the completion of the triennial valuation and additional contributions made in FY21 means we no longer consider it a KAM. There is a reduced level of judgement associated with the volume and value of items excluded from adjusted results, which are set out in note 2.4 and 2.10 in the accounts. We have therefore not assessed any of these as one of the most significant risks in our current year audit and, therefore, they are not separately identified in our report this year.

AUDIT COMMITTEE INTERACTION

During the year, the ARC met six times. KPMG are invited to attend all ARC meetings and are provided with an opportunity to meet with the ARC in private sessions without the Executive Directors being present. For each Key Audit Matter, we have set out communications with the ARC in section 6, including matters that required particular judgement for each. The matters included in the Audit and Risk Committee Chair's report on pages 93 to 95 are materially consistent with our observations of those meetings.

OUR INDEPENDENCE

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

We have not performed any non-audit services during FY22 or subsequently which are prohibited by the FRC Ethical Standard.

We were first appointed as auditor by the shareholders for the year ended 31 December 2010. The period of total uninterrupted engagement is for the 13 financial years ended 31 December 2022.

The Group engagement partner is required to rotate every 5 years. As these are the first set of the Group's financial statements signed by Ian Griffiths, he will be required to rotate off after the FY26 audit.

The average tenure of partners responsible for component audits as set out in section 7 is 3 years, with the shortest being 1 and the longest being 6.

Total audit fee (including interim review)	£6.1m
Audit related assurance services	£1.55m
Non-audit fee as a % of total audit and audit related fee %	20.3%
Date first appointed	18 August 2010
Uninterrupted audit tenure	13 years
Next financial period which requires a rotation	2030
Tenure of Group engagement partner	1 year
Average tenure of component signing partners	3 years

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MATERIALITY

(ITEM 6 BELOW)

The scope of our work is influenced by our view of materiality and our assessed risk of material misstatement.

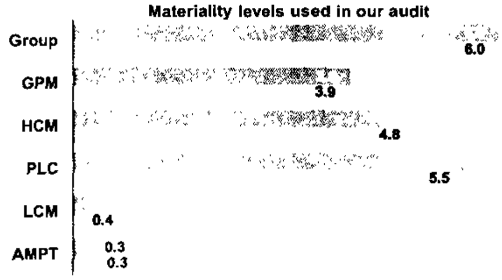
We have determined overall materiality for the Group financial statements as a whole at £6.0m (FY2Y1: £6.0m) and for the Parent Company financial statements as a whole at £5.5m (FY21: £5.5m).

A key judgement in determining materiality was the most relevant metric to select as the benchmark, by considering which metrics have the greatest bearing on shareholder decisions.

Consistent with FY21, we determined that Group revenue of £3,014.6m, normalised by excluding revenue in relation to business exits of £168.8m, as disclosed in note 2.8, remains the benchmark for the Group, of which it represents 0.21% (FY21: 0.20%). This reflects the continuing volatility in profit before tax from continuing operations, with total revenues providing a more stable measure year on year. Total revenue is also a significant focus for management and external stakeholders.

Materiality for the Parent Company financial statements was determined by reference to total Company assets and represents 0.15% of the Company's total assets (FY21: 0.15%).

Materiality levels used in our audit



Group	Group materiality
GPM	Group performance materiality
HCM	Highest component materiality
PLC	Parent Company Statutory materiality
LCM	Lowest component materiality
AMPT	Audit misstatement posting threshold

GROUP SCOPE

(ITEM 7 BELOW)

We have performed risk assessment and planning procedures to determine which of the Group's components are likely to include risks of material *misstatement to the Group financial statements,* the type of procedures to be performed at these components and the extent of involvement required from our component auditors around the world.

Of the Group's components we subjected 15 (FY21: 22) to full scope audits and performed specific risk-focused audit procedures over litigation and claims provisions on 1 component (FY21: 1).

The components within the scope of our work accounted for the percentages illustrated opposite.

In addition, we have performed Group level analysis on the remaining components to determine whether further risks of material misstatement exist in those components.

We consider the scope of our audit, as communicated to the Audit and Risk Committee, to be an appropriate basis for our audit opinion.

Coverage of Group financial statements

	2022	2021
Total Revenue	81%	86%
Total profits and losses	79%	86%
Total assets	89%	90%

THE IMPACT OF CLIMATE CHANGE ON OUR AUDIT

We have considered the potential impacts of climate change on the financial statements as part of planning our audit. This included the business sectors the Group operates in, the assets and liabilities the Group holds on its balance sheet, and the ways in which the Group maintains and develops its client relations and supplier engagement and manages its people.

As part of our audit, we have made enquiries of management to understand the extent of the potential impact of climate change risk on the Group's financial statements. We have performed a risk assessment of how the impact of climate change may affect the financial statements and our audit. Taking into account the nature of the Group's operations, our assessment is that the climate related risks to the Group's business, strategy and financial planning did not have a *significant impact on our key audit matters.*

We have also read the Board's Task Force on Climate-related Financial Disclosure (TCFD) statement in the front half of the annual report and considered consistency with the financial statements and our audit knowledge.

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3. GOING CONCERN, VIABILITY AND PRINCIPAL RISKS AND UNCERTAINTIES

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Parent Company or to cease their operations, and as they have concluded that the Group's and the Parent Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could cast significant doubt over their ability to continue as a going concern from the date of approval of the financial statements to 31 August 2024 ("the going concern period").

GOING CONCERN

An explanation of how we evaluated management's assessment of going concern is set out in the related key audit matter in section 4.1 of this report.

Our conclusions

Our conclusions based on those procedures described in section 4.1 of this report are:

- 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 Group's or Parent Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the directors' statement in section 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Parent Company's use of that basis for the going concern period; and
- The related statement under the Listing Rules set out on page 64 is materially consistent with the financial statements and our audit knowledge.

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 Group or the Parent Company will continue in operation.

Summary of our conclusions

We found the directors' use of the going concern basis of accounting without any material uncertainty for the Group and Parent Company to be acceptable.

DISCLOSURES OF EMERGING AND PRINCIPAL RISKS AND LONGER-TERM VIABILITY

Our responsibility

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Corporate Governance statement on page 97 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the risk management and internal control disclosures describing these risks and how emerging risks are identified and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the viability statement set out on page 64 under the Listing Rules.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Parent Company's longer-term viability.

Our reporting

We have nothing material to add or draw attention to in relation to these disclosures.

We have concluded that these disclosures are materially consistent with the financial statements and our audit knowledge.

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4. KEY AUDIT MATTERS

WHAT WE MEAN

Key Audit Matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on:

- the overall audit strategy;
- the allocation of resources in the audit; and
- directing the efforts of the engagement team.

We include below the Key Audit Matters in decreasing order of audit significance together with our key audit procedures to address those matters and our findings from those procedures in order that the Company's members, as a body, may better understand the process by which we arrived at our audit opinion. These matters were addressed, and our findings are based on procedures undertaken, for the purpose of our audit of the financial statements as a whole. We do not provide a separate opinion on these matters.

4.1 GOING CONCERN (GROUP AND PARENT COMPANY)

Financial Statement Elements	Our assessment of risk vs FY21		Our findings
Going concern disclosures with no material uncertainties – section 1 to the Group financial statements.	↔	In FY21, the risk was focussed on the adequacy of disclosures around the material uncertainty. In FY22, the risk has changed to now reflect the judgement taken in reaching the conclusion of no material uncertainty, and adequacy of the accompanying disclosures.	FY22: We found the Group's judgement that there was no material uncertainty to be disclosed, to be **balanced**. We found the going concern disclosure in section 1 without any material uncertainty to be **proportionate**. FY21: We found the going concern disclosure in section 1 with a material uncertainty to be **proportionate**.

Description of the Key Audit Matter	Our response to the risk
Disclosure quality The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and Parent Company. That judgement is based on an evaluation of the inherent risks to the Group's and Parent Company's business model and how those risks might affect the Group's and Parent Company's financial resources or ability to continue operations over a period to 31 August 2024 from the date of approval of these financial statements (the 'going concern period'). The risks most likely to adversely affect the Group's and Parent Company's available financial resources over this period include, but are not limited to, the following: • An inability to achieve the growth targets in the Group's business plan; • Increases in staff attrition, impacting upon ability to deliver services or secure new opportunities; • Adverse impact from inflationary pressures, such as interest rates; and • A significant unexpected downturn in performance in one of the Group's businesses. There are also less predictable but realistic second order impacts, such as business disruption in the event of a cyber incident, or adverse changes in UK Government policy. The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.	We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the directors' sensitivities over the level of available financial resources and covenant thresholds indicated by the Group's financial forecasts taking account of severe, but plausible, adverse effects that could arise from these risks individually and collectively. Our procedures to address the risk included: **Assessing transparency:** We assessed whether the matters included in the going concern disclosure give a full and accurate description of the directors' assessment, including the judgements made, identified risks and mitigating actions. **Our sector experience:** We assessed the projections and assumptions by reference to our knowledge of the business and general market conditions including the potential risk of management bias. We critically assessed whether economic headwinds in particular inflation risks, have been sufficiently factored in the forecast cash flows, along with the risks and uncertainties associated with the Group's customers, suppliers and workforce. We considered the risk factors as set out by the Board in the Principal Risks section of the annual report and accounts, and where relevant assessed whether these were sufficiently taken into consideration in the projections prepared to support the base case and the downside risks applied. **Test of detail:** We critically assessed the cash flow forecasts by considering the appropriateness of key assumptions used in preparing those projections, with a specific focus on the revenue growth and cost inflationary assumptions. We evaluated these via enquiries with each of the divisional Finance Directors, the Chief Executive Officer, and Chief Financial Officer, and inspected the Board's plans and associated papers. **Historical comparisons:** We assessed the ability of the Group to accurately forecast by comparing historical results to forecasts for key metrics. We

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	assessed the most recent years' performance against budget, including sales growth and cost reductions and challenged the assumptions over the going concern period based on historical performances. **Funding assessment:** We read the revolving credit facility (RCF) agreement to understand the terms including covenant requirements and any restrictions in the use of funds. We also read the Bridge facility agreement entered into in February 2023 which will provide additional liquidity from 1 January 2024. We re-performed the key financial covenants calculations for 30 June 2023 and 2024 and 31 December 2023, assessing compliance at these dates. We considered the adjustments made in the adjusted EBITDA for the covenant calculations, considering the appropriateness compared to the loan agreements and historical accepted practice with the current lenders. In addition, we inspected the correspondence between the Company and the private placement lenders that set out the proposed items to be excluded in the adjusted EBITDA definition and compared these against the items included in the covenant calculations. We evaluated the refinancing risk, including renewal of the RCF and additional sources of debt finance. This included consideration of the previous RCF extensions secured, the additional bridging facility signed in February 2023 and potential factors which remain outside of the Group's controls, including debt market conditions at the time of the fund raising. **Sensitivity analysis:** We critically challenged the downside sensitivities to ensure that these represented severe but plausible scenarios based on our knowledge of the business, the associated risk exposure and we considered the most recent trading results to form a holistic view of the Group. We assessed those risks and challenged whether the risks applied reflected progress to date in delivering organic growth and the ongoing effects from inflation based on the impacts experienced by the Group during the year. We assessed identified risk assumptions to ensure that they reflected a more likely than not chance of occurring under the downside scenarios. We also challenged the mitigating actions, to identify whether these were reasonable and within the direct control of the Group. **Evaluating directors' intent:** we evaluated the achievability of the actions the directors consider they would take to improve the position should the risks materialise, which included reductions in discretionary spend and capex investment, taking into account the extent to which the directors can control the timing and outcome of these. This included consideration of the nature and quantum of historical cost savings delivered and the feasibility of implementing these over the going concern period.

Communications with Capita plc's Audit and Risk Committee

Our discussions with and reporting to the Audit and Risk Committee included:

- Going concern period of assessment
- Assessment of the level of refinancing risk faced by the Group
- Assessment of the risk and potential mitigations in the downside case, including directors' intent should risks materialise
- Assessment of historical forecasting accuracy and current performance

Areas of particular auditor judgement

We identified the following as the areas of particular auditor judgement:

- The ability of the Group to secure a further extension or refinancing of the RCF ahead of its expiry in August 2024
- The level of severity in the downside assumptions and if proposed mitigations are executable and within control of the Company

Our findings

We found the Group's judgement that there was no material uncertainty to be disclosed, to be balanced.

We found the going concern disclosure in section 1 without any material uncertainty to be proportionate (FY21: we found the going concern disclosure in section 1 with a material uncertainty to be proportionate).

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4.2 REVENUE RECOGNITION

Financial Statement Elements			Our assessment of risk vs FY21	Our findings
	FY22	FY21	←→ Risk remains as stable vs FY21, reflecting the volume and magnitude of contractual changes in the period.	**FY22: Balanced** FY21: Balanced
Long-term contractual revenue	**£2,236.2m**	£2,325.2m		
Deferred Income	**£640.7m**	£794.7m		

Description of the Key Audit Matter

Subjective Judgement

The Group has many complex and bespoke contract arrangements which can span many years and involve the provision of more than one performance obligation. These long-term contracts are held within the Public Service and Experience Divisions of the Group.

Significant contract variations or modifications may give rise to judgement as to the impact for revenue recognition. These can arise throughout the year.

In the event of a full or partial termination, judgement arises in determining the effective date to trigger re-profiling of deferred income held, particularly where services are being handed back or across to another provider.

Professional standards require us to make a rebuttable presumption that the fraud risk associated with revenue recognition is a significant risk. The incentive/pressures on management to achieve bonus targets and/or market consensus increase the risk of fraudulent revenue recognition. The opportunity is considered to apply to these long-term contracts, given the factors noted above.

Disclosure quality

There is a risk that the disclosures presented are not sufficient to explain the revenue recognition accounting policies and the key judgements applied.

Our response to the risk

We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Our procedures to address the risk included:

Tests of detail: We obtained and inspected a sample of the contractual agreements to understand the contract terms and conditions that underpin the revenue and the profit recognition assumptions and to identify conditions under which variable revenue can arise. For the major contracts selected through our scoping exercise, where relevant, we also assessed the accounting papers prepared by the Group that set out the key judgements to apply.

Where contract negotiations are ongoing in relation to variable consideration, we made enquiries on the current status with those involved in the discussions and by reference to the associated signed contract or any variation amendments. Where significant variable consideration had been recognised, we obtained and inspected the contractual agreements to understand the contract terms and conditions that underpin the revenue recognition assumptions. Where relevant we inspected correspondence with customers or other supporting documentation in relation to the variations or scope change.

In situations where there has been a significant modification, termination, or partial termination, we assessed the contract terms including any correspondence from the customer, to challenge the effective date of the modification or termination. We also challenged the judgements applied as to whether, in the case of a partial termination, any deferred income should be recognised immediately or spread forward by assessing the inter dependencies of the performance obligations, and the initial contractual terms.

We challenged whether the key contract judgements made by the Board are appropriate based upon the underlying contractual terms and evidence obtained.

Assessing transparency: We considered the disclosures in the financial statements to check that these were sufficient and provided proportionate detail of the revenue and profit recognition policies and of the key judgements applied. This included an assessment of whether notes 2.1 and 2.2 set out the impacts arising from the accounting policies applied in relation to the long-term contracts provided by the Group.

Communications with Capita plc's Audit and Risk Committee

Our discussions with and reporting to the Audit and Risk Committee included:

- Assessment of judgements linked to contract modifications and estimates in the year
- Adequacy of accompanying disclosures in respect to revenue recognition in notes 2.1 and 2.2 to the financial statements

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Areas of particular auditor judgement

We identified the following as the areas of particular auditor judgement:

- Timing of accounting for contract modifications and basis for revenue recognition applied across the long-term contract portfolio

Our findings
In determining the treatment of revenue recognition, the Group has applied accounting policies based on the requirements of IFRS15. In applying these policies there is room for judgement and we found that within that the Group's judgement was balanced (FY21: balanced). We found the disclosures associated with the IFRS15 policies to be proportionate (FY21: ample).

4.3 IMPAIRMENT OF GOODWILL

Financial Statement Elements	FY22	FY21	Our assessment of risk vs FY21	Our findings
Goodwill (Total as per financial statements)	**£605.9m**	£951.7m	↑ Risk is increased against FY21 with impairments recognised at both 30 June 2022 and 31 December 2022 within the Portfolio CGUs.	**FY22: Balanced** FY21: Optimistic

Description of the Key Audit Matter

Forecast-based valuation
We consider the carrying value of goodwill and goodwill impairment to be a significant audit risk. This reflects the inherent uncertainty involved in forecasting and discounting future cash flows, which are the basis of the assessment of recoverability, and also the estimate of expected proceeds in relation to businesses anticipated for disposal.

The focus of our procedures was the Experience CGU (goodwill carrying value of £209.8m) and also those within the Portfolio Divisions (total goodwill carrying value £111.5m). These CGUs were most sensitive to changes in the underlying assumptions or were proposed for impairment.

Uncertainty in relation to the current macro-economic environment may further impact the Group's activities and performance and renders precise forecasting of the underlying cashflows challenging.

The Board has the incentive to maximise the disposal proceeds from businesses within the Portfolio Division. As a result, there could be bias from management towards achieving a particular valuation, either due to the potential to influence negotiations, or to maximise future gain on sale. This increases the risk in relation to forecast assumptions for these specific CGUs.

Disclosure quality
The financial statements (note 3.4) disclose the key assumptions underlying the goodwill impairment calculation and the sensitivity of the calculation to changes in these assumptions.

There is a risk that the disclosures presented are not sufficient to explain the key assumptions that drive the valuations, and the key sensitivities that the Board has considered. This is particularly important given the current uncertainty surrounding the macro-economic environment.

Our response to the risk

We performed the tests below rather than seeking to rely on any of *the Group's controls because the nature of the balance is such that* we would expect to obtain audit evidence primarily through the detailed procedures described.

Our procedures to address the risk included:

Determination of recoverable amount: We have assessed the judgements taken in respect to the Portfolio CGUs, including whether value in use should be measured on a perpetual basis or based on the future cash flows of the CGUs from continuing use up to estimated date of disposal, plus an estimate of the sale proceeds less cost of disposal.

Tests of detail: We tested the principles and integrity of the Group's discounted cash flow model. We compared the cash flows used in the impairment model to the output of the Group's budgeting process and against the understanding we obtained about the business areas through our audit and assessed if these cash flows were reasonable. For the Portfolio CGUs which were measured using estimated sale proceeds less costs of disposal, we reviewed the status of the ongoing disposal programmes and evaluated the reasonableness of expected disposal proceeds to correspondence with interested parties, through multiples analysis and through consideration of prior sales achieved.

Historical comparison: We assessed the historical accuracy of the forecasts used in the Group's impairment model by considering actual performance against prior year budgets, recognising the impacts of the current macro-economic environment. We also assessed the forecast revenue growth with reference to the most recent results for 2021 and 2022.

Benchmarking assumptions: We used external data and our own internal valuation models to evaluate the key inputs and assumptions for growth and discount rates.

Sensitivity analysis: We performed sensitivity and break-even analyses for the key inputs and assumptions and identified those cash-generating units we considered most sensitive to impairment.

Comparing valuations: as an overall stand-back test we compared the sum of the discounted cash flows to the Group's market capitalisation and assessed the rationale for the differences. We also compared the implied share price derived from the recoverable amount at the year end to the Company's share price throughout 2022 and assessed the reasonableness of the factors identified by the Board to explain the differences.

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Assessing transparency: We evaluated the adequacy of the disclosures related to the estimation uncertainty, judgements made and assumptions over the recoverability of goodwill, assessing the level of detail included in the disclosures and performing an assessment as to whether disclosure omissions identified were material.

Communications with Capita plc's Audit and Risk Committee

Our discussions with and reporting to the Audit and Risk Committee included:

- The Board's judgement on the change in methodology for determination of recoverable amount for certain CGUs within the Portfolio Division
- Refinement of the significant risk to focus on specific CGUs within the Portfolio Division and the Experience CGU
- Adequacy of the disclosures of goodwill impairment in section 3.4 to the financial statements

Areas of particular auditor judgement

We identified the following as the areas of particular auditor judgement:

- For two of the CGUs where recoverable amount was determined through value in use on a perpetual basis, the cash flow forecasts were deemed to be a significant assumption for the estimate
- The assumptions taken in respect to forecast net disposal proceeds for two of the Portfolio CGUs
- Adequacy of sensitivity disclosures and the assessment as to what would constitute a reasonably possible downside scenario for each CGU

Our findings

We consider the carrying value of Goodwill, following the impairment charges recognised, to be balanced (FY21 finding: optimistic).

We found the Group's disclosures in the description of the assumptions and estimates to be proportionate (FY21 finding: proportionate) and disclosures of the sensitivity of the valuation of goodwill to changes in those assumptions and estimates to be light (FY21 finding: proportionate).

4.4 CAPITALISATION AND RECOVERABILITY OF CONTRACT ASSETS

Financial Statement Elements	FY22	FY21	Our assessment of risk vs FY21		Our findings
Non-Current Contract Fulfilment Assets "CFA"	**£263.0m**	£286.7m	↑	Risk is heightened due to economic uncertainties including inflation, which could significantly impact assumptions concerning future performance metrics which drives the assessment of asset recoverability and onerous contract provision.	**FY22: Balanced** FY21: Balanced
Onerous Contract Provisions	**£52.8m**	£45.8m			

Description of the Key Audit Matter

Accounting application

A contract fulfilment asset (CFA) is recorded for costs incurred on a contract or an anticipated contract that generate or enhance the resources of an entity that will be used in satisfying future obligations under the contract.

Subjective estimate

Note 2.1 sets out the outsourcing model operated by the Group and explains how typically the early stages of a contract ('pre-inflection') will reflect a period when the contract fulfilment assets are created as the contract delivery is established. Judgement may be required in determining whether the costs incurred are appropriate to be capitalised, and this leads to a risk that costs may be incorrectly capitalised as a result of error or fraud.

Where a contract is not performing as expected, the costs capitalised may not be recoverable and an impairment of the asset should be recorded.

Where no CFA has been recorded or the CFA has already been fully impaired, there is also a risk that the contract may be onerous, and an onerous contract provision (OCP) should be recorded.

A risk of fraud arises as there may be an incentive to capitalise or expense items to achieve bonus targets or market consensus.

Our response to the risk

We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Our procedures to address the risk included:

Tests of detail: We tested on a sample basis the costs capitalised as CFAs by reference to the criteria set out in the Group's accounting policy. For the costs sampled we obtained third party support, or for internally generated time we obtained the relevant costing rates and records, to support the basis of capitalisation.

We assessed on a sample basis the useful economic lives applied to the CFAs and evaluated the expected contract life by reference to the contract terms or where appropriate any agreed extensions to the original contract.

Sensitivity analysis: We considered the assumptions within the business plans and lifetime assessments, checking that onerous conditions had been recognised appropriately, particularly on contracts that have had a poor performance in the current year and those contracts that are in a pre-inflection phase of transformation. We assessed any ongoing

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The effect of these matters is that, as part of our risk assessment, we determined that the recoverable amount of contract assets and completeness and accuracy of the onerous contract provision have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.

Disclosure quality

There is a risk that the disclosures presented are not adequate to explain the capitalisation criteria that are used to assess whether items of expense should be recorded as a contract asset, or the key judgements applied in assessment of contract lifetimes and any onerous contract provisions required.

impact of inflation on the key assumptions, together with any contract modifications agreed with the customer in response to the economic environment, or more widely as part of commercial discussions.

In determining whether OCPs should be recorded, we assessed contract profitability forecasts by analysing historic performance relative to contractual commitments over its full term. This included assessing critically the assumptions over future costs including projected savings and the actions required to achieve these by comparison to historical cost savings achieved on similar projects. Our assessment considered the levels of uncertainty contained in the forecasts, the extent to which Company actions alone could mitigate risks and any dependencies on the customer or other third parties. This assessment covered a sample of contracts including those identified by the Board as being high risk and comprising the major contracts in a pre-inflection phase.

Assessing transparency: We considered the disclosures in the financial statements to assess whether these provided sufficient detail of the criteria used to evaluate whether expense items should be recorded as a CFA, and on judgements taken in respect to recognition and measurement of OCPs.

Communications with Capita plc's Audit and Risk Committee

Our discussions with and reporting to the Audit and Risk Committee included:

- Assessment of judgements linked to contracts, potentially at risk of becoming onerous, or where an onerous contract provision is already held. This included consideration of recoverability of any CFA held
- Adequacy of accompanying disclosures in respect to contract assets in notes 2.1 and 3.1.3 to the financial statements

Areas of particular auditor judgement

We identified the following as the areas of particular auditor judgement:

- Assessment of the level of execution risk on cost saving initiatives for one of the Major Contracts
- Assessment of the need for onerous contract provision and/or CFA impairment for Major Contracts sensitive to forecast assumptions made in respect to remaining contract term

Our findings

We found the assumptions and estimates used to assess the CFAs to be recognised, and to determine the need for any onerous contract provisions, to be balanced (FY21: balanced).

We found that the Group's disclosures in note 2.1 and 3.1.3 to be proportionate (FY21: proportionate).

4.5 RECOVERABILITY OF THE PARENT COMPANY'S INVESTMENT IN, AND AMOUNTS DUE FROM, ITS SUBSIDIARIES

Financial Statement Elements	FY22	FY21	Our assessment of risk vs FY21	Our findings
Investment carrying value	£994.3m	£947.3m	↔ Risk is considered stable against FY21. We note that no direct investments are held within subsidiaries in the Portfolio division.	**FY22: Balanced** FY21: Balanced
Amounts due from subsidiaries	£2,559.2m	£2,619.8m		

Description of the Key Audit Matter

The carrying amount of the Parent Company's investment in, and amounts due from, its subsidiaries represent 27.3% and 70.4% (FY21: 25.4% and 70.3%) of its total assets respectively.

As with goodwill, there is a significant level of inherent uncertainty involved in forecasting and discounting future cash flows, which are the basis of the assessment of recoverability for investments in subsidiaries and amounts due from subsidiaries.

Our response to the risk

We performed the tests below rather than seeking to rely on the Parent's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Our procedures to address the risk included:

Tests of detail: We compared the carrying amount of the investment, and the amounts due from subsidiaries, with the relevant subsidiary's draft statutory balance sheet to identify whether its net assets, being an

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To the members of Capita plc

Due to its materiality in the context of the Parent Company financial statements, this is considered to be the area that had the greatest effect overall on our Parent Company audit.	approximation of its minimum recoverable amount, was in excess of its carrying amount and assessed whether the subsidiary has historically been profit-making. Where impairment indicators were identified, we compared the cash flows used in the impairment model to the output of the Group's budgeting process and against the understanding we obtained about the business areas through our audit and assessed if these cash flows were reasonable. **Evaluating directors' intent:** We assessed the directors' intention in respect of the recovery of intercompany debt and based the recoverable amount on their intention of expected cashflows. **Sensitivity analysis:** We performed sensitivity analyses for the key inputs and assumptions and identified those individual investments and amounts due from subsidiaries we considered most sensitive to impairment. **Assessing transparency:** We evaluated the adequacy of the disclosures related to the estimation uncertainty, judgements made and assumptions over the recoverability of the Parent Company's investment in, and amounts due from, its subsidiaries, checking that the sensitivity disclosures provided enough detail and proportionate information to inform a reader of the accounts.

Communications with Capita plc's Audit and Risk Committee

Our discussions with and reporting to the Audit and Risk Committee included:

- Appropriateness of methodology applied in measurement of recoverable amount for investment in subsidiaries
- Assumptions taken in respect to cash flow forecasts
- Assessment of the judgement taken in respect to Expected Credit Loss on intercompany receivables

Areas of particular auditor judgement

We identified the following as the areas of particular auditor judgement:

- For investments where recoverable amount was determined through value in use on a perpetual basis, the cash flow forecasts were deemed to be a significant assumption for the estimate

Our findings

We found the Parent Company's assessment of the recoverability of the investment in, and amounts due from, subsidiaries to be balanced (FY21: balanced). We found the Company's disclosures of the recoverability of investment held by the Parent Company in, and amounts due from, subsidiaries to be proportionate (FY21: proportionate).

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5. OUR ABILITY TO DETECT IRREGULARITIES, AND OUR RESPONSE

FRAUD - IDENTIFYING AND RESPONDING TO RISKS OF MATERIAL MISSTATEMENT DUE TO FRAUD	
FRAUD RISK ASSESSMENT	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, the ARC, internal audit and inspection of the Group's documented high-level policies and procedures to prevent and detect fraud, including the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud; • Reading Board and ARC meeting minutes; • Considering remuneration incentive schemes and performance targets for management and Directors including the short and long-term incentive plans for management remuneration; • Using analytical procedures to identify any unusual or unexpected relationships; and • Using our own forensic specialists to assist us in identifying fraud risks. This included attending the Risk Assessment and Planning Discussion, with the engagement partner and engagement key team members, and assisting with designing relevant audit procedures to respond to the identified fraud risks.
RISK COMMUNICATIONS	We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group audit team to full scope and specified procedure component audit teams of relevant fraud risks identified at the Group level and requested to full scope component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at Group level.
FRAUD RISKS	As required by auditing standards, taking into account possible pressures to meet profit targets and market consensus and continued ongoing economic uncertainty, and using our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular: • The risk that Group and component 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.
LINK TO KAMS	We also identified fraud risks related to inappropriate impairment of goodwill, inappropriate capitalisation, and recoverability of contract fulfilment assets. Further details in respect of inappropriate impairment of goodwill, inappropriate capitalisation and recoverability of contract fulfilment assets are set out in section 4 of this report.
PROCEDURES TO ADDRESS FRAUD RISKS	We performed procedures including: • Identifying journal entries and other adjustments to test for all full scope components, based on risk criteria specific to the component, and comparing the identified entries to supporting documentation. These included where relevant, those posted by senior finance personnel and those posted to unusual accounts, including unexpected account combinations of entries to revenue, expenses, cash and borrowings. • Assessing whether the judgement made in accounting estimates are indicative of a potential bias, including those over revenue recognition, capitalisation and recoverability of contract assets and impairment of goodwill.

LAWS AND REGULATIONS - IDENTIFYING AND RESPONDING TO RISKS OF MATERIAL MISSTATEMENT RELATING TO COMPLIANCE WITH LAWS AND REGULATIONS	
LAWS AND REGULATIONS RISK ASSESSMENT	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, through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence; and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations. As some of the Group's subsidiaries are regulated, our assessment of risks involved gaining an understanding of the control environment including these entities' procedures for complying with regulatory requirements.
RISK COMMUNICATIONS	We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group audit team to full-scope component audit teams of relevant laws and regulations identified at the Group level, and a request for full-scope component auditors to report to the Group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at Group level.
DIRECT LAWS CONTEXT AND LINK TO AUDIT	The potential effect of these laws and regulations on the financial statements varies considerably. The Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related company 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.

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To the members of Capita plc

MOST SIGNIFICANT INDIRECT LAW/ REGULATION AREAS	The Group is subject to many 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 or the loss of some of the Group's subsidiaries' license to operate. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, data protection, employment law, regulatory capital and liquidity (in relation to the financial and regulated nature of certain of the Group's activities in the Life & Pensions and Employee Benefits sectors). Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.
CONTEXT	
CONTEXT OF THE ABILITY OF THE AUDIT TO DETECT FRAUD OR BREACHES OF LAW OR REGULATION	Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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6. OUR DETERMINATION OF MATERIALITY

The scope of our audit was influenced by our application of materiality. We set quantitative thresholds and overlay qualitative considerations to help us determine the scope of our audit and the nature, timing and extent of our procedures, and in evaluating the effect *of misstatements, both individually and in the aggregate, on the financial statements as a whole.*

£6M

FY21: £6M

MATERIALITY FOR THE GROUP FINANCIAL STATEMENTS AS A WHOLE

What we mean

[illegible]

Basis for determining materiality and judgements applied

Materiality for the Group financial statements as a whole was set at £6m (FY21: £6m). Consistent with FY21, this was determined with reference to a benchmark of Group revenue of £3,014.6m, normalised by excluding revenue in relation to business exits of £168.8m, as disclosed in note 2.8. Use of total revenue as the benchmark reflects the continuing volatility in profit before tax from continuing operations, with total revenues providing a more stable measure year on year. Total revenue is also a significant focus for management and external stakeholders.

Our Group materiality of £6m was determined by applying a percentage to the normalised Group revenue. When using this benchmark, KPMG's approach for listed entities considers a guideline range 0.5% - 1% of the measure. In setting overall Group materiality, we applied a percentage of 0.21% (FY21: 0.20%) to the benchmark which is below the lower end of the expected range. This acknowledges the low historic margin of the Group.

Materiality for the Parent Company financial statements was set at £5.5m (FY21: £5.5m), determined by reference to total Company assets and represents 0.15% of the Company's total assets (FY21: 0.15%).

£3.9M

(FY21: £3.9M)

PERFORMANCE MATERIALITY

What we mean

[illegible]

Basis for determining performance materiality and judgements applied

Performance materiality for the Group and the Parent Company was set at 65% (FY21: 65%) of materiality for the financial statements as a whole, which equates to £3.9m (FY21: £3.9m) for the Group and £3.6m (FY21: £3.6m) for the Parent Company. We applied this percentage in our determination of performance materiality based on the number and level of identified misstatements and control deficiencies during the prior period.

£0.3M

(FY21: £0.3M)

AUDIT MISSTATEMENT POSTING THRESHOLD

What we mean

[illegible]

Basis for determining the audit misstatement posting threshold and judgements applied

We set our audit misstatement posting threshold at 5% (FY21: 5%) of our materiality for the Group financial statements. We also report to the ARC other identified misstatements that warrant reporting on qualitative grounds.

The overall materiality for the Group financial statements of £6m (FY21: £6m) compares as follows to the main financial statement caption amounts:

	Group Revenue		Group profit before tax		Total Group Assets	
	FY22	FY21	**FY22**	FY21	**FY22**	FY21
Financial statement Caption	**£3,014.6m**	£3,182.5m	**£61.4m**	£285.6m	**£2,552.6m**	£3,142.4m
Group Materiality as % of caption	**0.20%**	0.19%	**9.77%**	2.10%	**0.24%**	0.19%

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7. THE SCOPE OF OUR AUDIT

GROUP SCOPE

What we mean

How the Group audit team [illegible] across the Group

The Group has 209 (FY21: 232) reporting components. To determine the work performed at the reporting component level, we identified those components which we considered to be of individual financial significance and those remaining components on which we required procedures to be performed to provide us with the evidence we required in order to conclude on the Group financial statements as a whole.

We determined individually financially significant components as those contributing at least 7.5% (FY21: not considered) of total assets or 7.5% (FY21: 10%) of total revenue or 7.5% (FY21: 10%) of the Group profit before tax. We selected total assets, total revenue, and profit before tax because these are the most representative of the relative size of the components. We identified 4 (FY21: 3) components as individually financially significant components and performed full scope audits on these components.

In addition to the individually financially significant components, we identified 3 (FY21: 8) components as significant, owing to significant risks of material misstatement affecting the Group financial statements and performed full scope audits on these components.

In addition, to enable us to obtain sufficient appropriate audit evidence for the group financial statements as a whole, we selected 9 (FY21:12) components on which to perform procedures. Of these components, we performed full scope audits for 8 components (FY21: 11) and performed specific risk-focused audit procedures over litigation and claims provisions on 1 component (FY21: 1).

The components within the scope of our work accounted for the following percentages of the Group's results, with the prior year comparatives indicated in brackets:

Scope	Number of components	Range of materiality applied	Group Revenue	Total profits and losses that made up Group PBT	Total Assets
Full scope audit	15 (22)	£4.8m - £0.4m (£4.8m - £0.6m)	81% (86%)	79% (86%)	89% (90%)
Specified audit procedures	1 (1)	£2m (£2m)	N/A	N/A	N/A
TOTAL	**16** (23)		**81%** (86%)	**79%** (86%)	**89%** (90%)

The remaining 19% (FY21: 14%) of total Group revenue, 21% (FY21: 14%) of total profits and losses that made up Group profit before tax and 11% (FY21: 10%) of total Group assets is represented by 193 (FY21: 209) reporting components. For these components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

Full scope audits were performed by component auditors at 13 reporting components in the United Kingdom, Switzerland, and Germany, and by the Group audit team over 2 key components in the United Kingdom, including the Parent Company (FY21: 20 in the United Kingdom, Switzerland, and Germany, and by the Group audit team over 2 key components in the United Kingdom, including the Parent Company). Specified audit procedures were performed by component auditors at a reporting component in Guernsey (FY21: 1 in Guernsey).

The Group audit team has performed testing of IT Systems and certain controls in the shared service centre on behalf of the components and communicated the results of these procedures to the component teams. This is because of the centralised systems and processes in place across the Group.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, as detailed in the table above, having regard to the mix of size and risk profile of the Group across the components.

The scope of the audit work performed was predominantly substantive as we placed limited reliance upon the Group's internal control over financial reporting.

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GROUP AUDIT TEAM OVERSIGHT	**What we mean** The [illegible] of the Group audit team's involvement in component audits
	In working with component auditors, we: • Held planning calls with component audit teams to discuss the significant areas of the audit relevant to the components, including the key audit matters of revenue recognition and capitalisation and recoverability of contract assets • Issued Group audit instructions to component auditors on the scope of their work, including specifying the minimum procedures to perform in their audit of Journals and long term contracts • Visited the UK component audit teams in-person as the audit progressed to understand and challenge the audit approach and organised frequent video conferences with the partners and directors of the Group and component audit teams, including those based overseas. At these meetings the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component audit teams • Inspected the component audit teams' key work papers (in person and/or using remote technology) to evaluate the quality of execution of the audits of the components with a particular focus on work performed by the components on Group-level significant risks and key audit matters

8. OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

ALL OTHER INFORMATION	
Our responsibility Our responsibility is to read the other information 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.	**Our reporting** Based solely on that work we have not identified material misstatements or inconsistencies in the other information.
STRATEGIC REPORT AND DIRECTORS' REPORT	
Our responsibility and reporting Based solely on our work on the other information described above we report to you as follows: ▪ 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.	
DIRECTORS' REMUNERATION REPORT	
Our responsibility We are required to form an opinion as to whether the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.	**Our reporting** In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

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To the members of Capita plc

CORPORATE GOVERNANCE DISCLOSURES	
Our responsibility We are required to perform procedures to identify whether there is a material inconsistency between the financial statements and our audit knowledge, and: ▪ the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; ▪ the section of the annual report describing the work of the Audit and Risk Committee, including the significant issues that the Audit and Risk Committee considered in relation to the financial statements, and how these issues were addressed; and ▪ the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.	**Our reporting** Based on those procedures, we have concluded that each of these disclosures is materially consistent with the financial statements and our audit knowledge.
We are also required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.	We have nothing to report in this respect.

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION	
Our responsibility Under the Companies Act 2006, we are required to report to you if, in our opinion: ▪ adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or ▪ the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited 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.	**Our reporting** We have nothing to report in these respects.

9. RESPECTIVE RESPONSIBILITIES

Directors' responsibilities

As explained more fully in their statement set out on pages 83 and 84, the directors are responsible for: the preparation of the financial statements including 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 Group and Parent 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 Group or the Parent 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 Company is required to include these financial statements in an annual financial report prepared using the single electronic reporting format specified in the TD ESEF Regulation. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with that format.

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10. 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 and the terms of our engagement by the company. 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 the further matters we are required to state to them in accordance with the terms agreed with the company, 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.

Ian Griffiths
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
2 March 2023

Consolidated income statement

For the year ended 31 December 2022	Notes	2022 £m	2021 £m
Continuing operations:			
Revenue	2.2	**3,014.6**	3,182.5
Cost of sales		**(2,298.6)**	(2,506.7)
Gross profit		**716.0**	675.8
Administrative expenses	2.3, 2.4, 2.8	**(795.6)**	(762.1)
Operating loss	2.3, 2.4, 2.8	**(79.6)**	(86.6)
Share of results in associates and investment gains		**5.8**	[illegible]
Net finance expense	4.3	**(31.7)**	(40.9)
Gain on business disposal	2.8	**166.9**	419.7
Profit before tax	2.4	**61.4**	285.6
Income tax credit/(charge)	2.6	**14.6**	(61.5)
Profit for the year from continuing operations		**76.0**	224.1
Discontinued operations:			
Profit for the year	2.9	**—**	3.1
Total profit for the year		**76.0**	227.2
Attributable to:			
Owners of the Company		**74.8**	224.[illegible]
Non-controlling interests	1.7	**1.2**	2.[illegible]
		76.0	227.2
Earnings per share	2.7		
Continuing – basic		**4.47 p**	[illegible]
– diluted		**4.40 p**	[illegible]
Total operations – basic		**4.47 p**	[illegible]
– diluted		**4.40 p**	[illegible]
Adjusted operating profit/(loss)	2.4	**102.9**	[illegible]
Adjusted profit/(loss) before tax	2.4	**73.8**	[illegible]
Adjusted earnings/(loss) per share	2.7	**6.20 p**	[illegible]
Adjusted and diluted earnings/(loss) per share	2.7	**6.09 p**	[illegible]

[illegible]

Consolidated statement of comprehensive income

For the year ended 31 December 2022	Notes	2022 £m	2021 £m
Total profit for the year		**76.0**	227.2
Other comprehensive expense			
Items that will not be reclassified subsequently to the income statement			
Actuarial (loss)/gain on defined benefit pension schemes	5.3	**(8.9)**	[illegible]
Tax effect on defined benefit pension schemes	2.6	**2.0**	[illegible]
Gain on fair value of investments		**0.2**	[illegible]
Items that will or may be reclassified subsequently to the income statement			
Exchange differences on translation of foreign operations		**(0.6)**	[illegible]
Exchange differences realised on business disposals		**0.3**	[illegible]
Gain on cash flow hedges	4.2.1	**11.5**	[illegible]
Cash flow hedges recycled to the income statement	4.2.1	**(5.1)**	[illegible]
Tax effect on cash flow hedges	2.6	**(1.6)**	[illegible]
Other comprehensive (expense)/ income for the year net of tax		**(2.2)**	[illegible]
Total comprehensive income for the year net of tax		**73.8**	[illegible]
Attributable to:			
Owners of the Company		**72.6**	[illegible]
Non-controlling interests	1.7	**1.2**	[illegible]
		73.8	[illegible]

[illegible]

Consolidated balance sheet

At 31 December 2022

	Notes	2022 £m	2021 £m
Non-current assets			
Property, plant and equipment	3.2	**101.1**	129.0
Intangible assets	3.3	**106.0**	117.3
Goodwill	3.4	**605.9**	[illegible]
Right-of-use assets	3.5	**249.5**	287.3
Investments in associates and joint ventures		**0.2**	0.7
Contract fulfilment assets	3.1.3	**263.0**	288.7
Financial assets	4.5	**118.2**	107.2
Deferred tax assets	2.6	**189.5**	176.0
Employee benefits	5.3	**42.7**	13.3
Trade and other receivables	3.1.1	**15.8**	15.7
		1,691.9	2,115.5
Current assets			
Financial assets	4.5	**23.6**	17.5
Disposal group assets held for sale	2.8	**—**	[illegible]
Trade and other receivables	3.1.1	**430.4**	[illegible]
Cash	4.5.1	**396.8**	[illegible]
Income tax receivable		**9.9**	[illegible]
		860.7	[illegible]
Total assets		**2,552.6**	[illegible]
Current liabilities			
Trade and other payables	[illegible]	**492.5**	[illegible]
Deferred income	[illegible]	**585.1**	[illegible]
Overdrafts	[illegible]	**219.6**	[illegible]
Lease liabilities	[illegible]	**55.6**	[illegible]
Disposal group liabilities held for sale	[illegible]	**—**	[illegible]
Financial liabilities	[illegible]	**84.6**	[illegible]
Provisions	[illegible]	**75.7**	[illegible]
		1,513.1	[illegible]
Non-current liabilities			
Trade and other payables	[illegible]	**15.1**	[illegible]
Deferred income	[illegible]	**55.6**	[illegible]
Lease liabilities	[illegible]	**341.9**	[illegible]
Financial liabilities	[illegible]	**212.6**	[illegible]
Deferred tax liabilities	[illegible]	**6.9**	[illegible]
Provisions	[illegible]	**51.6**	[illegible]
Employee benefits	[illegible]	**3.1**	[illegible]
		686.8	[illegible]
Total liabilities		**2,199.9**	[illegible]
Net assets		**352.7**	[illegible]
Capital and reserves			
Share capital	[illegible]	**34.8**	[illegible]
Share premium	[illegible]	**1,145.5**	[illegible]
Employee benefit trust and treasury shares	[illegible]	**(4.2)**	[illegible]
Capital redemption reserve		**1.8**	[illegible]
Other reserves		**(4.5)**	[illegible]
Retained deficit		**(843.2)**	[illegible]
Equity attributable to owners of the Company		**330.2**	[illegible]
Non-controlling interests	[illegible]	**22.5**	[illegible]
Total equity		**352.7**	[illegible]

[illegible]

[illegible]

Jon Lewis **Tim Weller**

Consolidated statement of changes in equity

For the year ended 31 December 2022

	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
At 31 December 2020	34.5	1,143.3	(11.2)	1.8	[illegible]	[illegible]	[illegible]	53.4	(81.1)
Profit for the year	—	—	—	—	224.7	—	224.7	2.5	227.2
Other comprehensive income (expense)	—	—	—	—	91.4	4.4	95.8	(0.1)	95.7
Total comprehensive income for the year	—	—	—	—	316.1	4.4	320.5	2.4	322.9
Share-based payment net of tax effects (note 2.6, note 5.1)	—	—	—	—	1.6	—	1.6	—	1.6
Reclassification	—	—	—	—	(6.4)	—	(6.4)	6.4	—
Elimination of non-controlling interest on disposal (note 2.3.1)	—	—	—	—	—		—	[illegible]	[illegible]
Exercise of share options under employee long-term incentive plans (note 4.7, note 5.1)	—	—	3.5	—	(3.5)	—	—	—	—
Shares issued (note 4.[illegible])	0.3	—	(0.3)		—	—	—	—	—
[illegible] (note 4.[illegible])	—	2.2	—				2.2		2.2
Dividends paid					—		—	[illegible]	[illegible]
Movement in put options held by non-controlling interests	—		—		(1.1)		(1.1)	—	(1.1)
At 31 December 2021	34.8	1,145.5	(8.0)	1.8	(890.6)	(9.0)	274.5	22.0	296.5
Impact of change in accounting standards – amendment to IAS 37	—	—	—	—	(21.7)	—	(21.7)	—	(21.7)
At 1 January 2022 (as adjusted for IAS 37)	34.8	1,145.5	(8.0)	1.8	(912.3)	(9.0)	252.8	22.0	274.8
Profit for the year	—	—	—	—	74.8	—	74.8	1.2	76.0
Other comprehensive income (expense)	—	—	—	—	(6.7)	4.5	(2.2)	—	(2.2)
Total comprehensive income for the year	—	—	—	—	68.1	4.5	72.6	1.2	73.8
Share-based payment net of tax effects (note 2.6, note 5.1)	—	—	—	—	5.4	—	5.4	—	5.4
Elimination of non-controlling interest on disposal (note 2.3.1)	—	—	—	—	—	—	—	(0.3)	(0.3)
Exercise of share options under employee long-term incentive plans (note 4.7, note 5.1)	—	—	3.8	—	(3.8)	—	—	—	—
Dividends paid	—	—	—	—	—	—	—	(0.4)	(0.4)
Movement in put options held by non-controlling interests	—	—	—	—	(0.6)	—	(0.6)	—	(0.6)
At 31 December 2022	34.8	1,145.5	(4.2)	1.8	(843.2)	(4.5)	330.2	22.5	352.7

[illegible]

Share capital – [illegible]

Share premium – The amount paid to the Parent Company by shareholders, in cash or other consideration, over and above the nominal value of shares issued to them less issuance costs.

Employee benefit trust and treasury shares – [illegible]

Capital redemption reserve – [illegible]

Retained deficit – [illegible]

Other reserves – [illegible]

Non-controlling interests (NCI) – [illegible]

[illegible]

Consolidated cash flow statement

For the year ended 31 December 2022

	Notes	2022 £m	[illegible]
Cash generated from/(used by) operations	2.10	**117.8**	(143.5)
Income tax paid		**(7.9)**	[illegible]
Net interest paid		**(38.0)**	(40.1)
Net cash inflow/(outflow) from operating activities		**71.9**	(206.3)
Cash flows from investing activities			
Purchase of property, plant and equipment	3.2	**(20.6)**	(25.6)
Purchase of intangible assets	3.3	**(27.3)**	[illegible]
Proceeds from sale of property, plant and equipment and intangible assets	2.3, 3.2, 3.3	**0.5**	[illegible]
Additions to investments held at fair value through profit and loss		**(2.4)**	[illegible]
Capital repayment from investments at fair value through other comprehensive income		**0.2**	[illegible]
[illegible]		**—**	[illegible]
[illegible]		**5.8**	[illegible]
[illegible]	2.8	**463.4**	[illegible]
[illegible]	2.8	**(75.5)**	[illegible]
Net cash inflow from investing activities		**344.1**	[illegible]
Cash flows from financing activities			
[illegible]		**(0.4)**	[illegible]
[illegible]	[illegible]	**(61.8)**	[illegible]
[illegible]		**—**	[illegible]
[illegible]	[illegible]	**(237.4)**	[illegible]
[illegible]	[illegible]	**(46.0)**	[illegible]
[illegible]	[illegible]	**10.1**	[illegible]
[illegible]	[illegible]	**(5.2)**	[illegible]
Net cash outflow from financing activities		**(340.7)**	[illegible]
Increase/(decrease) in cash and cash equivalents		**75.3**	[illegible]
[illegible]		**101.5**	[illegible]
[illegible]		**0.4**	[illegible]
Cash and cash equivalents at 31 December		**177.2**	[illegible]
Cash and cash equivalents comprise:			
[illegible]	[illegible]	**396.8**	[illegible]
[illegible]	[illegible]	**(219.6)**	[illegible]
[illegible]	[illegible]	**—**	[illegible]
Total		**177.2**	[illegible]

[illegible]	2.10	**116.5**	[illegible]
[illegible]	2.10	**29.0**	[illegible]

[illegible]

[illegible]

1 Significant accounting policies

This section sets out the Group's accounting policies relating to these consolidated financial statements as a whole. Where an accounting policy is specific to one note, the policy is described in the note to which it relates.

This section also includes details of new accounting standards, amendments and interpretations including their effective dates and explanation on the expected impact to the financial position and performance of the Group.

For ease of reference, this symbol has been used to denote any accounting policies included within the notes

AP **Denotes accounting policies**

These financial statements consolidate those of Capita plc (the Company or the Parent Company) and all of its subsidiaries (the Group). Capita plc is a public limited company incorporated in England and Wales whose shares are publicly traded. The principal activities of the Group are given in the strategic report on pages 16 to 25.

These consolidated financial statements of Capita plc for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the directors on 2 March 2023.

These consolidated financial statements are presented in British pounds sterling and all values are rounded to the nearest tenth of a million [illegible] except where otherwise indicated.

Statement of compliance

These consolidated financial statements have been prepared in accordance with UK-adopted International Financial Reporting Standards (IFRSs) and the Disclosure and Transparency Rules of the UK's Financial Conduct Authority.

Basis of consolidation

[illegible]

[illegible]

Going concern

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

Board assessment

[illegible]

[illegible]

[illegible] prepa[illegible] continued

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.

The base case financial forecasts demonstrate liquidity headroom and compliance with all debt covenant measures throughout the going concern period to 31 August 2024.

[illegible]

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 [illegible]. 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 [illegible] the Board [illegible] mitigations [illegible] of the Group that could be implemented [illegible] capital investment [illegible] payments and [illegible]. Taking these mitigations into account, the Group [illegible] severe but plausible downside [illegible] sufficient liquidity headroom and [illegible] throughout the going [illegible] period to 31 August 2024.

[illegible]

Reflecting the Board's [illegible] the [illegible] RCF [illegible] the Group [illegible] financial statements. The Board [illegible] concluded that the Group and Company [illegible] fall due over the period to 31 August 2024.

Foreign currency translation

[illegible]

[illegible]

[illegible]

[illegible]

Current versus non-current classification

[illegible]

[illegible]

- [illegible]
- [illegible]
- [illegible]
- [illegible]

[illegible]

[illegible]

- [illegible]
- [illegible]
- [illegible]
- [illegible]

[illegible]

[illegible]

Recoverable amount of non-current assets

At each reporting date, the Group assesses whether there is any indication that a non-current asset may be impaired. Where an indicator of impairment exists, the Group 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, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

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.

As described in note 2.1, given the level of judgement and estimation involved in assessing the future profitability of contracts, it is reasonably 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.

The impact of climate change has been considered in the preparation of these financial statements across a number of areas, including our evaluation of the critical accounting estimates and judgements which are detailed below, consistent with the risks and opportunities set out in the strategic report on pages 49 to 53. None of these risks had a material effect on the critical accounting estimates or on the consolidated financial statements of the Group. [illegible]

[illegible]

- [illegible] (note 2.1)
  - [illegible]
  - [illegible]
- [illegible]
- [illegible]
- [illegible]

[illegible]

- [illegible]
- [illegible]

[illegible]

Denotes significant accounting judgements, estimates and assumptions

New standards and interpretations adopted

[illegible]

International Accounting Standards (IAS/IFRS)	
[illegible]	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

[illegible]

[illegible]

The adoption of the amended standard has resulted in a reduction in retained earnings at 1 January 2022 of £21.7m, comprising an increase of £18.8m in onerous contract provisions and an impairment of contract related assets of £2.9m. The additional onerous contract provision recognised is tax deductible, however no deferred tax asset has been recognised reflecting the probable level of future taxable profits that will be available against which the assets can be utilised at 1 January 2022.

Impact of amendments to IAS 37	1 January 2022 £m
Property, plant and equipment	(0.5)
Contract fulfilment assets	(2.4)
Total assets	(2.9)
Provisions (current)	(10.6)
Provisions (non-current)	(8.2)
Total liabilities	(18.8)
Retained earnings	(21.7)
Total equity	(21.7)

New standards and interpretations not yet adopted

The International Accounting Standards Board (IASB) has issued the following standards, amendments and interpretations with an effective date after the date of these consolidated financial statements. These are effective for annual reporting periods beginning on or after the date indicated.

International Accounting Standards (IAS/IFRS)	[illegible]
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	1 January 2023
Disclosure of Accounting Policies: Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
Definition of Accounting Estimates: Amendments to IAS 8	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction: Amendments to IAS 12	1 January 2023
Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28	1 January 2023

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

This section contains notes related to the financial performance of the Group. These include:

2.1 Contract accounting
2.2 Revenue including segmental revenue
2.3 Operating profit
2.4 Adjusted operating profit and adjusted profit before tax
2.5 Segmental information
2.6 Taxation
2.7 Earnings/(loss) per share
2.8 Business exits and assets held-for-sale
2.9 Discontinued operations
2.10 Cash flow information

AP **Denotes accounting policies**

Denotes significant accounting judgements, estimates and assumptions

Reported revenue

Reported free cash flow

Reported profit before tax

Reported earnings per share (EPS) – continuing operations

Adjusted revenue[1]

Free cash flow before business exits

Adjusted profit before tax[1]

Adjusted earnings per share (EPS)[1]

[illegible]

In 2022 the Group's adjusted revenue[1] increased year on year. Adjusted profit before tax[1] significantly improved year on year following completion of the significant restructuring programme in 2021 and provisions and impairments during 2021 in our closed book Life & Pensions business. The higher level of profit supplemented by a lower cash outflow from movements in working capital and a reduction in capital expenditure and materially lower deferred VAT repayments and pension deficit contributions resulting in free cash inflow before business exits[1] of £29.0m (2021: £218.6m outflow).

The Group had additional cash inflow of £4.1m (2021: £36.2m inflow) arising from those businesses sold in the year, primarily Pay360 and businesses in the Capita Portfolio division, offset by additional pension deficit payments triggered by these disposals totalling £8.6m (2021: £31.9m).

Revenue

Adjusted revenue[1] increased by 2.4% year-on-year.

The adjusted revenue increased as a result of the following:

- ***Capita Public Service:*** growth from contract wins, including a contract to supply laptops to teachers in Northern Ireland as well as the annualised benefit of the Royal Navy training contract, increased growth in existing contracts in Central Government, and completion of a full test cycle on the Standards Testing Agency contract, offsetting contract hand backs in Local Public Services.
- ***Capita Experience:*** stabilisation in revenue with the impact of significant prior year contract losses offset by positive revenue contributions, in particular from new client wins in International and with ScottishPower [illegible].
- ***Capita Portfolio:*** growth in [illegible] revenue, mainly from Travel and Events [illegible] following the [illegible] COVID-19 [illegible].

[illegible]

[illegible]

Profit before tax

[illegible]

[illegible]

- ***Capita Public Service:*** [illegible]
- ***Capita Experience:*** [illegible]
- ***Capita Portfolio:*** [illegible]
- ***Capita plc:*** [illegible]

[illegible]

[illegible]

[illegible]

Taxation

[illegible]

Earnings per share

[illegible]

Dividend

[illegible]

[illegible]

Free cash flow before business exits[1]

Adjusted operating profit to free cash flow before business exits[1]	2022 £m	[illegible]
Adjusted operating profit[1]	**102.9**	[illegible]
Add: depreciation, amortisation and impairment of property, plant and equipment and intangible assets	**135.9**	220.7
Adjusted EBITDA	**238.8**	[illegible]
Working capital	**(32.7)**	[illegible]
Non-cash and other adjustments	**(44.7)**	[illegible]
Operating cash flow before business exits[1]	**161.4**	[illegible]
Deferred VAT repayment	**(14.9)**	[illegible]
Pension deficit contributions	**(30.0)**	[illegible]
Cash generated/(used) by operations before business exits[1]	**116.5**	[illegible]
Net capital expenditure	**(43.6)**	[illegible]
Interest/tax paid	**(43.9)**	[illegible]
Free cash flow before business exits[1]	**29.0**	[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

At 31 December 2022 the Group had the following results and balance sheet items related to long-term contracts:

	Note	2022 £m	[illegible]
Long-term contractual revenue	2.2	**2,236.2**	2,325.[illegible]
Non-current and current deferred income		**640.7**	794.[illegible]
Non-current contract fulfilment assets	3.1.3	**263.0**	286.7
Non-current and current onerous contract provision		**52.8**	[illegible]

[illegible]

Background

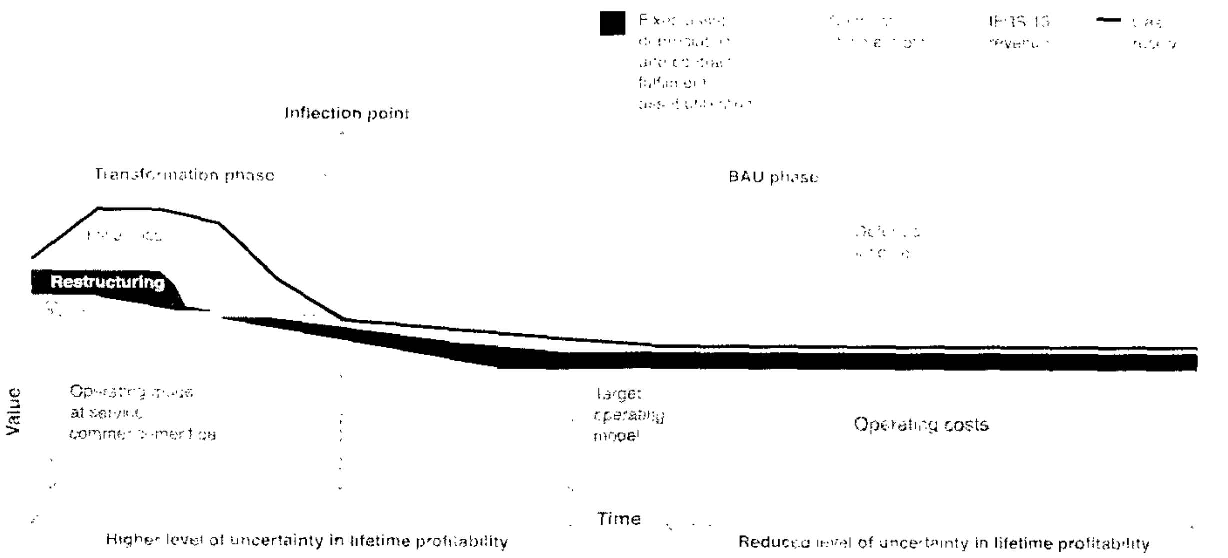
The Group operates diverse businesses. The majority of the Group's revenue is from contracts greater than two years in duration (long-term contractual), representing 74% of Group revenue in 2022 (2021: [illegible]).

These long-term contracts can be complex in nature given the breadth of solutions [illegible] and the transformational activities involved. Typically, Capita takes on customers' processes and transforms them [illegible] more efficient and effective [illegible] operated for the customer. [illegible] high quality solution [illegible] over the life of the contract.

The Group [illegible] long-term contracts [illegible] the value delivered [illegible] evenly over the contract term [illegible] transformation [illegible] target operating model [illegible] efficiencies [illegible] business as usual (BAU) [illegible]. The inflection point [illegible].

Contract fulfilment assets [illegible] recognised [illegible] contract term. [illegible] restructure [illegible] solutions to the customer.

[illegible]



Significant accounting judgements, estimates and assumptions

[illegible]

[illegible]

Assessing contract profitability

In assessing a contract's future lifetime profitability, management must estimate forecast revenue and costs to both transform and run the service over the remaining contract term. The ability to accurately forecast the outcomes involves estimates in respect of: costs to be incurred; cost savings to be achieved; impact of inflation; future performance against any contract-specific key performance indicators (KPIs) that could trigger variable consideration or service credits; and the outcome of any commercial negotiations.

The level of uncertainty in the estimated future profitability of a contract is directly related to the stage of the life cycle of the contract and the complexity of the performance obligations. Contracts in the transformation stage and pre-intbection stages are considered to have a higher level of uncertainty because of:

- the ability to accurately estimate the costs to deliver the transformed process;
- the dependency on the customer to agree to the specifics of the transformation, for example where they are involved in certifying that the new process or the new technical solution designed by Capita meets their specific requirements; and
- the assumptions made to forecast expected savings in the target operating model.

Those contracts which are post-transformation and in BAU stage tend to have a much lower level of uncertainty in estimating future profitability.

[illegible]

Management first assesses whether the contract assets are impaired and then further considers whether an onerous contract exists. For half and full year reporting, the Audit and Risk Committee specifically reviews the material judgements and estimates and the overall approach in respect of the Group's major contracts, including comparison against previous forecasts. [illegible] Group's results. [illegible] Committee has deemed [illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

Accounting policies

Revenue
The Group generates revenue largely in the UK and Europe. The Group operates a diverse range of businesses and accordingly applies a variety of methods for revenue recognition, based on the principles set out in IFRS 15.

The revenue and profit 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 ('point-in-time' recognition) or 'over time' as control of the performance obligation is transferred to the customer.

For all contracts, the Group determines if the arrangement with a customer creates enforceable rights and obligations. This assessment results in certain Master Services Agreements (MSA) 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 Group 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. [illegible] contract cost assets and capitalised costs to obtain a contract are expensed.

For contracts with multiple components to be delivered such as [illegible] the Group applies judgement to consider whether those promised goods and services are:
[illegible]

[illegible]

[illegible]

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 because management needs 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 through 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 uses judgement to estimate the change in total transaction price. Importantly, any variable consideration is only recognised to the extent that it is highly probable that no revenue reversal will occur. For example, if pricing is subject to indexation based on an external metric such as CPI or RPI then the revenue related to the indexation will only be recognised once the relevant indexation is confirmed. Future indexation will not be recognised because it is not highly probable that a significant reversal of an indexation adjustment will not occur.

[illegible]

The Group has arrangements with some of its customers whereby it needs to determine if it acts as a principal or an agent because more than one party is involved in providing the goods and services to the customer. The Group is a principal if it controls a promised good or service before transferring that good or service to the customer. The Group is an agent if its role is to arrange for another entity to provide the goods or services. Factors considered in making this assessment are most notably the discretion the Group has in establishing the price for the specified good or service, whether the Group has inventory risk, and whether or not the Group is primarily responsible for fulfilling the promise to deliver the service or good.

This assessment of control requires judgement in particular in relation to certain service contracts. An example is the provision of certain recruitment and learning services where the Group may be assessed to be agent or principal dependent upon the facts and circumstances of the arrangement and the nature of the services being delivered.

Where the Group is acting as a principal, revenue is recorded on a gross basis. Where the Group is acting as an agent, revenue is recorded on a net basis [illegible] commission [illegible].

[illegible]

[illegible] The assessment of whether [illegible] judgement.

[illegible] the Group is required to undertake [illegible] [illegible] expectation that [illegible] All other [illegible] are treated [illegible].

Where software [illegible] as part of the [illegible] agreement [illegible] judgement to assess whether the software [illegible] distinct from the [illegible] fundamental to the [illegible] the software by the [illegible] accounted for as a separate performance obligation.

[illegible] separate [illegible] performance obligation [illegible].

[illegible]

[illegible] payments in progress [illegible] Payments for [illegible] in advance [illegible].

Where payments received are greater than the revenue recognised up to the reporting date, the Group recognises a deferred income [illegible] liability for this difference. Where payments received are less than the revenue recognised [illegible] the Group recognises [illegible] contract asset for this difference.

At each reporting date, the Group assesses whether [illegible] any revenue reversal [illegible] Where the carrying amount of an asset exceeds [illegible] the asset is considered impaired and [illegible] recoverable amount.

Contract types

The Group disaggregates revenue from contracts with customers by contract type [illegible] greater than two years', 'short-term contractual [illegible] two years' [illegible] The years are measured from the service commencement date.

[illegible]

The Group provides a range of services [illegible] nature of contracts or performance obligations within this revenue type includes:
- long-term outsourced service arrangements in the public and private sectors; and
- active software licence arrangements.

The majority of long-term contractual agreements [illegible]

[illegible]

[illegible]

[illegible]

The Group has assessed that maintenance and support (ie on-call support, remote support) for software licences is a performance obligation that can be considered capable of being distinct and separately identifiable in a contract if the customer has a passive licence. These recurring services are substantially the same because the nature of the promise is for the Group to 'stand ready' to perform maintenance and support when required by the customer. Each day of 'standing ready' is distinct from each subsequent day and is transferred in the same pattern to the customer.

Transactional-based contracts

The Group 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 or services and acceptance by the 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 within this revenue type includes:
(i) provision of IT hardware goods;
(ii) passive software licence agreements;
(iii) commission received as agent from the sale of third-party software; and
(iv) fees received in relation to the delivery of professional services.

[illegible]

2.2.1 Segmental revenue

The Group's operations are managed separately according to the nature of the services provided, with each segment representing a strategic business division offering a different package of client outcomes across the markets the Group serves. Capita plc is a reconciling item and not an operating segment. A description of the service provision for each segment can be found in the strategic report on pages 16 to 25.

The tables below present revenue for the Group's business segments as reported to the Chief Operating Decision Maker. The Group comprises two core trading divisions – Capita Public Service and Capita Experience – and a third division – Capita Portfolio – which comprises [illegible] businesses that the Group intends to exit in due course. Comparative information has been re-presented to reflect businesses exited during 2022.

Adjusted revenue (excluding results from businesses exited in both years, adjusting items) was £2,845.8m (2021: £2,77[illegible]m), an increase of 2.4% (2021: increase [illegible]).

[illegible]	[illegible]	Capita Public Service £m	Capita Experience £m	Capita Portfolio £m	Capita plc £m	Total adjusted £m	Adjusting items £m	Total reported £m
Continuing operations								
Long-term contractual		1,157.3	986.2	33.1	—	2,176.6	59.6	2,236.2
Short-term contractual		236.7	150.0	37.7	—	424.4	70.4	494.8
Transactional (point in time)		51.3	14.5	179.0	—	244.8	38.8	283.6
Total segment revenue		1,445.3	1,150.7	249.8	—	2,845.8	168.8	3,014.6
Total revenue		1,487.5	1,190.9	334.2	—	3,012.6	—	3,012.6
Inter-segment revenue		(42.2)	(40.2)	(84.4)	—	(166.8)	—	(166.8)
Total adjusted segment revenue		1,445.3	1,150.7	249.8	—	2,845.8	—	2,845.8
Business exits – trading	[illegible]	—	33.3	135.5	—	—	168.8	168.8
Total segment revenue		1,445.3	1,184.0	385.3	—	2,845.8	168.8	3,014.6

[illegible]								
Continuing operations								
Long-term contractual		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Short-term contractual		[illegible]	[illegible]	[illegible]	—	[illegible]	[illegible]	[illegible]
Transactional (point in time)		[illegible]	[illegible]	[illegible]	—	[illegible]	[illegible]	[illegible]
Total segment revenue		[illegible]	[illegible]	[illegible]	—	[illegible]	[illegible]	[illegible]
Total revenue		[illegible]	[illegible]	[illegible]	[illegible]	2,935.8	—	2,935.8
Inter-segment revenue		[illegible]	[illegible]	[illegible]	—	[illegible]	[illegible]	[illegible]
Total adjusted segment revenue		[illegible]	[illegible]	[illegible]	—	[illegible]	[illegible]	[illegible]
Business exits – trading	2.8	—	[illegible]	380.5	—	—	[illegible]	[illegible]
Total segment revenue		[illegible]	[illegible]	[illegible]	—	[illegible]	[illegible]	[illegible]

[illegible]

Geographical location

The table below presents revenue by geographical location.

	2022			[illegible]		
	United Kingdom £m	Other £m	Total £m	[illegible]	[illegible]	[illegible]
Revenue	2,718.6	296.0	3,014.6	[illegible]	[illegible]	[illegible]

[illegible]

2.2.2 Order book
The tables below show the order book for each division categorised into long-term contractual (contracts with length greater than two years) and short-term contractual (contracts with length less than two years). The length of the contract is calculated from the start of the service commencement date. The figures represent the aggregate amount of currently contracted transaction price allocated to the performance obligations that are unsatisfied or partially unsatisfied. Revenue expected to be recognised upon satisfaction of these performance obligations is as follows:

Order book 31 December 2022	Capita Public Service £m	Capita Experience £m	Capita Portfolio £m	Capita plc £m	Total £m
Long-term contractual	**2,916.7**	**2,465.3**	**201.9**	**—**	**5,583.9**
Short-term contractual	**68.3**	**61.4**	**91.6**	**—**	**221.3**
Total	**2,985.0**	**2,526.7**	**293.5**	**—**	**5,805.2**

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Long-term contractual	3,172.8	2,170.0	[illegible]	—	[illegible]
Short-term contractual	[illegible]	101.6	[illegible]	[illegible]	[illegible]
Total	[illegible]	[illegible]	[illegible]	—	[illegible]

The table below shows the expected timing of revenue to be recognised on long-term contractual orders at 31 December 2022:

Time bands of expected revenue recognition from long-term contractual orders	Capita Public Service £m	Capita Experience £m	Capita Portfolio £m	Capita plc £m	Total £m
< 1 year	**843.3**	**708.3**	**25.2**	**—**	**1,576.8**
1 - 5 years	**1,417.0**	**1,489.8**	**62.6**	**—**	**2,969.4**
> 5 years	**656.4**	**267.2**	**114.1**	**—**	**1,037.7**
Total	**2,916.7**	**2,465.3**	**201.9**	**—**	**5,583.9**

[illegible]

2.2.3 Deferred income
[illegible]

[illegible]

2.3.1 Items charged/(credited) to reported operating profit

	Notes	2022 £m	2021 £m
Depreciation of property, plant and equipment	3.2	**40.9**	[illegible]
Depreciation of right-of-use assets	3.5	**56.0**	[illegible]
Impairment of property, plant and equipment	3.2	**4.7**	[illegible]
(Reversal of impairment)/impairment of right-of-use assets	3.5	**(2.7)**	[illegible]
Amortisation of intangible assets	3.3	**41.5**	[illegible]
Impairment of intangible assets	3.3	**5.9**	[illegible]
Impairment of goodwill	3.4	**169.0**	[illegible]
Impairment of disposal group assets held-for-sale	2.8	**—**	[illegible]
Loss on sale of property, plant and equipment and intangibles	[illegible]	**3.5**	[illegible]
Foreign exchange differences		**6.9**	[illegible]
Contract fulfilment asset utilisation, impairment and derecognition	3.1.3	**85.7**	[illegible]
Contract termination gains		**—**	[illegible]
The net of accelerated deferred income unwind and contract fulfilment asset utilisation		**—**	[illegible]
Onerous contract provisions net of additions and releases		**1.7**	[illegible]

Contract fulfilment asset utilisation, impairment and derecognition. [illegible]

Contract termination gains: [illegible]

The net of: accelerated deferred income unwind and contract fulfilment asset utilisation: [illegible]

Onerous contract provisions [illegible]

2.3.2 Fees payable to auditors

[illegible] KPMG LLP [illegible]

	2022 £m	2021 £m
Audit and audit-related services		
The audit of the Parent Company and the Group's consolidated financial statements	5.1	[illegible]
The audit of the financial statements of the Group's subsidiaries	1.0	[illegible]
Total audit and audit-related services	6.1	[illegible]
Non-audit services		
Other assurance services	1.6	[illegible]
Total non-audit services	1.6	[illegible]
Total audit and non-audit services	7.7	[illegible]

[illegible] AXELOS Limited.

[illegible]

AP Accounting policies

IAS 1 permits an entity to present additional information for specific items to enable users to better assess the entity's financial performance.

The Board has adopted a policy to disclose separately those items that it considers are outside the underlying operating results for the particular year under review and against which the Group's performance is assessed internally. In the Board's judgement, these need to be disclosed separately by virtue of their nature, size and/or incidence, for users of the consolidated financial statements to obtain an understanding of the financial information and the underlying in-year performance of the Group. Accordingly, these items are also excluded from the discussion of divisional performance in the strategic report. This policy is kept under review by the Board and the Audit and Risk Committee and is discussed in the committee's report on pages 90 to 98. The Board considers alternative performance measures (APMs) to be helpful to the reader but notes that APMs have certain limitations, including the exclusion of significant recurring items, and may not be directly comparable with similarly titled measures presented by other companies.

From 1 January 2022 the Board has limited the items excluded from the adjusted results to: business exits; amortisation and impairment of acquired intangibles; impairment of goodwill; and certain mark-to-market valuation changes that impact net finance expense/income [illegible] the adjusted metrics provide a more representative measure of the underlying performance of the business post completion of the Group-wide transformation.

In prior years the Board excluded other items from the adjusted results [illegible] the financial statements [illegible] proper understanding of the financial information and the underlying performance of the business. These items included [illegible]

[illegible] 31 December 2021.

The items [illegible] adjusted results:

		Operating profit/(loss)		Profit/(loss) before tax	
		2022 £m	[illegible]	2022 £m	[illegible]
Reported		**(79.6)**	[illegible]	**61.4**	[illegible]
[illegible]	[illegible]	**5.1**	[illegible]	**5.1**	[illegible]
Impairment of goodwill	[illegible]	**169.0**	[illegible]	**169.0**	[illegible]
Net finance [illegible]	[illegible]	**—**	[illegible]	**(3.4)**	[illegible]
Business exits	2.8	**8.4**	[illegible]	**(158.3)**	[illegible]
Adjusted		**102.9**	[illegible]	**73.8**	[illegible]

[illegible]

Amortisation and impairment of acquired intangible assets: [illegible]

Impairment of goodwill: [illegible]

Net finance costs: [illegible]

Business exits: [illegible]

[illegible]

The Group's operations are managed separately according to the nature of the services provided, with each segment representing a strategic business division offering a different package of client outcomes across the markets the Group serves. Capita plc is a reconciling item and not an operating segment. A description of the services provided by each segment can be found in the strategic report on pages 16 to 25.

The tables below present profit for the Group's business segments. For segmental reporting, the costs of the central functions have been allocated to the segments using appropriate drivers such as adjusted revenue, adjusted profit or headcount. Comparative information has been re-presented to reflect businesses exited during 2022 and the change in definition of what the Board excludes from adjusted results (refer to note 2.4).

Information on segmental revenue can be found in note 2.2.

Year ended 31 December 2022	Notes	Capita Public Service £m	Capita Experience £m	Capita Portfolio £m	Capita plc £m	Total adjusted £m	Adjusting items £m	Total reported £m
Adjusted operating profit	2.4	91.5	38.5	16.2	(43.3)	102.9	—	102.9
Business exits – trading	2.8	—	4.3	10.4	—	—	14.7	14.7
Total trading result		91.5	42.8	26.6	(43.3)	102.9	14.7	117.6
Non-trading items:								
Business exits – non-trading	2.8					—	(23.1)	(23.1)
Other adjusting items	2.4					—	(174.1)	(174.1)
Operating profit/(loss)						102.9	(182.5)	(79.6)
Investment income								8.9
Finance expense								(40.6)
Share of results of associates and investment gains								5.8
Gain on business disposal								166.9
Profit before tax								61.4

Supplementary Information

	Notes	Capita Public Service £m	Capita Experience £m	Capita Portfolio £m	Capita plc £m	Total adjusted £m	Adjusting items £m	Total reported £m
Depreciation and amortisation	3.2	38.5	67.2	19.4	3.3	128.4	10.0	138.4
Impairment of property, plant and equipment, intangible assets and right-of-use assets	3.3, 3.5	—	7.7	—	(0.2)	7.5	0.4	7.9
Capital expenditure on property, plant and equipment and intangible assets	3.1, 3.4	67.2	16.3	0.8	—	84.3	1.4	85.7
Onerous contract provisions	2.3	—	1.7	—	—	1.7	—	1.7

Section 2: Results for the year continued

2.1 Segmental information continued

Year ended 31 December 2021	Notes	Capita Public Service £m	Capita Experience £m	Capita Portfolio £m	Group costs £m	Total adjusted £m	Adjusting items £m	Total reported £m
		Restated[1]						
Adjusted operating profit	2.4	93.2	8.9	(0.1)	(179.7)	(77.7)	—	(77.7)
Business exits – trading	2.8	—	6.9	72.4	—	—	79.3	79.3
Total trading result		93.2	15.8	72.3	(179.7)	(77.7)	79.3	1.6
Non-trading items:								
Business exits – non-trading	2.8					—	(69.0)	(69.0)
Other adjusting items	2.4					—	(19.2)	(19.2)
Operating loss						(77.7)	(8.9)	(86.6)
Interest income								4.7
Interest expense								(51.6)
Share of results in associates and investment gains								(0.6)
Gain on business disposal								419.7
Profit before tax								285.6

Supplementary Information

Depreciation and amortisation	3.2	42.2	79.8	21.8	5.6	149.4	25.1	174.5
Impairment of property, plant and equipment, intangible assets and right-of-use assets	3.3 3.5	3.3	5.5	2.6	59.9	71.3	2.6	73.9
Contract fulfilment assets utilisation, impairment and derecognition	3.1.3	64.5	21.8	2.0	—	88.3	19.5	107.8
Onerous contract provisions	2.3	—	32.0	—	—	32.0	—	32.0

1. [illegible]

Geographical location

The table below presents the carrying amount of non-current assets excluding deferred tax, financial assets and employee benefits by the geographical location of those assets.

	2022			2021		
	United Kingdom £m	Other £m	Total £m	United Kingdom £m	Other £m	Total £m
Non-current assets	**1,320.9**	**20.6**	**1,341.5**	1,791.3	27.7	1,819.0

[illegible]

Accounting policies

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

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

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

Deferred tax liabilities are recognised for all taxable temporary differences except:
- where the deferred tax liability arises from the initial recognition of goodwill;
- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences [illegible]

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.

Significant accounting judgements, estimates and assumptions

[illegible]

2.6.1 Income tax credit

[illegible]

Consolidated income statement	2022 Total reported £m	2022 Included in adjusted profit £m	2022 Not included in adjusted profit £m	[illegible]	[illegible]	[illegible]
Current income tax						
Current income tax charge	**14.0**	**12.6**	**1.4**	[illegible]	[illegible]	[illegible]
Adjustment in respect of prior years	**(1.2)**	**(1.2)**	**—**	[illegible]	[illegible]	[illegible]
Deferred tax						
Origination and reversal of temporary differences	**(36.7)**	**(52.5)**	**15.8**	[illegible]	[illegible]	[illegible]
Impact of change in tax rate on deferred tax [illegible]	**3.0**	**3.0**	**—**	[illegible]	[illegible]	[illegible]
Adjustment in respect of prior years	**6.3**	**6.3**	**—**	[illegible]	[illegible]	[illegible]
Total	**(14.6)**	**(31.8)**	**17.2**	[illegible]	[illegible]	[illegible]

[illegible]

Consolidated statement of comprehensive income and consolidated statement of changes in equity	2022 £m	2021 £m
Current income tax movement on cash flow hedges	—	(2.0)
Deferred tax movement on cash flow hedges	1.6	(0.2)
Deferred tax movement in relation to actuarial changes on defined benefit pension schemes	5.2	32.2
Current income tax movement on defined benefit pension scheme contributions	(7.2)	(11.5)
Effect of rate change on deferred tax on defined benefit pension schemes	—	(2.6)
Current income tax deduction on the exercise of share options	—	(0.4)
	(0.4)	15.5

The reconciliation between the total tax charge/(credit) and the accounting profit multiplied by the UK corporation tax rate is as follows:

	Total tax 2022 £m	Total tax 2021 £m	Current tax 2022 £m	Current tax 2021 £m
Profit before tax from continuing operations	61.4	285.6	61.4	285.6
Notional charge at UK corporation tax rate of 19%	11.7	54.3	11.7	54.3
Adjustments in respect of current income tax of prior years	(1.2)	[illegible]	(1.2)	3.3
Adjustments in respect of deferred tax of prior years	6.3	[illegible]	—	—
[illegible]	(2.3)	[illegible]	(2.3)	[illegible]
Non-deductible expenses [illegible]	2.3	[illegible]	2.3	[illegible]
Non-taxable income [illegible]	—	[illegible]	—	[illegible]
[illegible] on disposal of businesses	(31.6)	[illegible]	(31.6)	[illegible]
[illegible] impairment	32.0	[illegible]	32.0	[illegible]
[illegible]	3.1	[illegible]	—	—
[illegible]	1.3	[illegible]	—	[illegible]
[illegible]	0.5	[illegible]	0.5	[illegible]
[illegible]	(36.7)	[illegible]	—	—
[illegible]	—	[illegible]	6.8	[illegible]
Current tax impact [illegible]	—	[illegible]	(6.4)	[illegible]
[illegible]	—	[illegible]	1.0	[illegible]
[illegible]	(14.6)	[illegible]	12.8	[illegible]
Tax (credit)/charge reported in the income statement	(14.6)	[illegible]	12.8	[illegible]

[illegible]

Section 2: Results for the year continued

[illegible]

2.6.2 Deferred tax

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 net UK deferred tax assets for the period to 31 December 2022 and the prior period have been calculated based on this rate.

Deferred tax relates to the following:

	At 1 January £m	Credited/(charged) to: Income statement £m	OCI and changes in equity £m	Other movements[2] £m	At 31 December £m
Deferred tax assets					
Fixed assets which qualify for tax relief	77.3	**12.2**	**—**	**1.3**	**90.8**
Deferred income	(0.1)	**1.2**	**—**	**(1.1)**	**—**
Provisions and other timing differences	14.7	**(3.7)**	**(1.6)**	**1.1**	**10.5**
Pension schemes	19.8	**(8.7)**	**(5.2)**	**—**	**5.9**
Share-based payments	3.8	**(0.4)**	**—**	**(2.1)**	**1.3**
Tax losses	63.3	**27.2**	**—**	**(9.1)**	**81.4**
	178.8	**27.8**	**(6.8)**	**(9.9)**	**189.9**
Jurisdictional netting	(2.8)				**(0.4)**
Net deferred tax assets	176.0	**27.8**	**(6.8)**	**(9.9)**	**189.5**
Deferred tax liabilities					
Acquired intangibles	(0.7)	**0.5**	**—**	**—**	**(0.2)**
Contract fulfilment assets	(4.4)	**0.4**	**—**	**1.8**	**(2.2)**
Unremitted earnings	(3.6)	**(1.3)**	**—**	**—**	**(4.9)**
	(8.7)	**(0.4)**	**—**	**1.8**	**(7.3)**
Jurisdictional netting	2.8				**0.4**
Net deferred tax liabilities	(5.9)	**(0.4)**	**—**	**1.8**	**(6.9)**
Net deferred tax	170.1	**27.4**	**(6.8)**	**(8.1)**	**182.6**

[illegible]

The main movements in the net deferred tax asset [illegible] the income statement tax credit arising [illegible] accounting [illegible] of deferred tax, the deferred tax charge to other comprehensive income (OCI) and [illegible] defined benefit pension scheme [illegible] tax losses [illegible] deferred tax [illegible].

For the purpose of [illegible] deferred tax on the [illegible] pension scheme surplus [illegible] tax at [illegible] any surplus [illegible] to the Group at the [illegible] of the scheme. [illegible] tax at 25% would apply [illegible] scheme. Management [illegible] tax rate should apply to the [illegible] deferred tax on the pension [illegible] surplus reflecting the Group's [illegible] regarding the manner of recovery of the asset.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. The recoverability of deferred tax assets [illegible] supported by the deferred tax liabilities [illegible] and the expected level of future profits [illegible] countries [illegible].

The management [illegible] for 2023 [illegible] based on the forecast [illegible] approved by the Board. [illegible] forecast cash flows for the goodwill impairment [illegible] note 3.4 [illegible] growth rate of 2.2% [illegible] impairment [illegible] years beyond 2025. [illegible] applied to future profits [illegible] extrapolated [illegible] the balance sheet date have not been considered probable for the purpose of assessing deferred tax asset [illegible].

Historic tax losses make up the majority of the deferred tax asset. These losses mainly arose [illegible] IFRS 15 [illegible] downward pressures on the [illegible] restructuring costs in previous years. Based on the [illegible] forecasts, management have concluded that an additional deferred tax asset should be recognised this year. [illegible] adjustment to recognise additional deferred tax assets of £36.7m. This is net of £10.7m change in the deferred tax asset [illegible] future taxable [illegible] reflected in the tax [illegible] note 2.3.

Deferred tax asset recognition [illegible] on the accuracy of management's forecasts and the [illegible]. Management have considered [illegible] applied to the [illegible] possible alternative [illegible] deferred tax [illegible]. Further disposals [illegible] would also reduce [illegible] approximately £11m.

The Group [illegible] losses and other temporary differences that are available [illegible] UK [illegible].

	2022 £m Gross Amount	[illegible]
At 31 December		
UK:		
Tax losses	**332.7**	498.0
Other temporary timing differences	**113.9**	[illegible]
	446.6	[illegible]
Non-UK:		
Tax losses	**60.8**	[illegible]
Other temporary timing differences	**11.6**	14.8
	72.4	[illegible]
Total	**519.0**	657.4

2.6.3 Uncertain tax positions

2.6.4 Global minimum tax

2.6.5 Capita's responsible approach to taxation

[illegible]

[illegible]

AP Accounting policies

Basic earnings (loss) per share are calculated by dividing net profit for the period attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings (loss) per share are calculated by dividing the net profit for the period attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

		2022 Continuing operations p	2022 Total operations p	[illegible]	[illegible]
Basic earnings (loss) per share	– reported	**4.47**	**4.47**	13.33	13.62
	– adjusted	**6.20**	**6.20**	(7.74)	(7.74)
Diluted earnings (loss) per share	– reported	**4.40**	**4.40**	13.15	13.33
	– adjusted	**6.09**	**6.09**	(7.74)	(7.74)

[illegible]

The following table reflects the earnings and share data used in the basic and diluted earnings (loss) per share calculations:

	Notes	2022 Continuing operations £m	2022 Total operations £m	[illegible]	[illegible]
Reported profit before tax for the period		**61.4**	**61.4**	285.6	288.7
Income tax credit/(charge)	2.6	**14.6**	**14.6**	(61.5)	(61.5)
Reported profit for the period		**76.0**	**76.0**	224.1	227.2
Less: Non-controlling interest		**(1.2)**	**(1.2)**	(2.5)	(2.5)
Total profit attributable to shareholders		**74.8**	**74.8**	221.6	224.7
Adjusted profit/(loss) before tax for the period	2.4	**73.8**	**73.8**	(122.8)	(122.8)
Income tax credit/(charge)	2.6.1	**31.8**	**31.8**	(4.0)	(4.0)
Adjusted profit/(loss) for the period		**105.6**	**105.6**	(126.8)	(126.8)
Less: Non-controlling interest		**(2.0)**	**(2.0)**	(1.9)	(1.9)
Adjusted profit/(loss) attributable to shareholders		**103.6**	**103.6**	(128.7)	(128.7)

[illegible]

	2022 m	[illegible]
Weighted average number of ordinary shares (excluding trust and treasury shares) for basic earnings per share	**1,671.7**	1,661.9
Effect of dilution of shares:		
– employee share options	**30.0**	23.9
Weighted average number of ordinary shares (excluding trust and treasury shares) adjusted for the effect of dilution	**1,701.7**	1,685.8

The earnings per share figures are calculated based on earnings attributable to ordinary equity holders of the Parent Company, and therefore exclude non-controlling interest. The earnings per share is calculated on a total reported and an adjusted basis. The earnings per share for [illegible] are reconciling items between total reported and adjusted earnings [illegible].

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date on which these consolidated financial statements were authorised for issue.

[illegible]

Accounting policies

[illegible]
Business exits are businesses that have been sold or exited during the period, or are in the process of being sold or exited in accordance with the Group's strategy. None of these business exits meet the definition of discontinued operations as stipulated by IFRS 5, which requires comparative financial information to be restated where the relative size of a disposal or business closure is significant, which is normally understood to mean a reported segment.

However, the trading result of these businesses, non-trading expenses and any gain/loss on disposal, have been excluded from adjusted results. To enable a like-for-like comparison of adjusted results, the 2021 comparatives have been re-presented to exclude the businesses classified as business exits during 2022.

[illegible]
The Group classifies a non-current asset (or disposal group) as held-for-sale if its carrying amount will be recovered principally through a sale transaction rather than continued use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group) and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value, and the sale should be expected to be completed within one year from the date of classification.

[illegible]

2022 business exits

[illegible]

Business	Disposal completed on
AMT Sybex	[illegible]
Secure Solutions and Services	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]

[illegible]

Income statement impact	2022 Trading £m	2022 Non-trading £m	2022 Total £m	[illegible]	[illegible]	[illegible]
Revenue	168.8	—	168.8	[illegible]	—	[illegible]
[illegible]	(135.3)	—	(135.3)	[illegible]	—	[illegible]
[illegible]	33.5	—	33.5	[illegible]		[illegible]
[illegible]	(18.8)	(23.1)	(41.9)	[illegible]	[illegible]	[illegible]
Operating profit/(loss)	14.7	(23.1)	(8.4)	[illegible]	[illegible]	[illegible]
[illegible]	(0.2)	—	(0.2)	[illegible]	[illegible]	[illegible]
[illegible]	—	166.9	166.9	[illegible]	[illegible]	[illegible]
Profit before tax	14.5	143.8	158.3	[illegible]	[illegible]	[illegible]
[illegible]	(2.8)	(14.7)	(17.5)	[illegible]	[illegible]	[illegible]
Profit after tax	11.7	129.1	140.8	[illegible]	[illegible]	[illegible]

[illegible]

[illegible]

Section 2: Results for the year continued

2.8.1 Disposals
During 2022 the Group disposed of eight businesses: AMT Sybex, Secure Solutions and Services, Trustmarque, Speciality Insurance, Real estate and infrastructure consultancy, Optima Legal Services, Pay360 and Capita Translation and Interpreting. During 2021 the Group disposed of three businesses: ESS, Life Insurance and Pensions Servicing business in Ireland and AXELOS.

The assets and liabilities disposed of and the related gain on disposal are as follows	2022 £m	2021 £m
Property, plant and equipment	**0.2**	0.2
Intangible assets	**20.4**	[illegible]
Goodwill	**178.3**	65.7
Right-of-use assets	**0.2**	—
Income tax recoverable and deferred tax assets	**7.6**	—
Contract fulfilment assets	**2.8**	0.1
Trade and other receivables	**136.6**	2.6
Cash and cash equivalents	**55.9**	8.2
Disposal group assets held-for-sale	**143.0**	120.2
Trade and other payables	**(127.0)**	[illegible]
Deferred income	**(38.6)**	[illegible]
Lease liabilities	**(0.3)**	—
Deferred consideration payable	**—**	[illegible]
Loans payable	**—**	[illegible]
Capita group loan balances	**(102.3)**	[illegible]
Income tax payable and deferred tax liabilities	**(0.7)**	[illegible]
Provisions	**(0.4)**	—
Disposal group liabilities held-for-sale	**(135.4)**	[illegible]
Net identifiable assets sold	**140.3**	[illegible]
Non-controlling interests	**(0.3)**	[illegible]
	140.0	[illegible]
Sales price:		
received in cash	**330.0**	[illegible]
deferred receivable	**10.5**	—
Less: disposal costs	**(33.3)**	[illegible]
Net sales price	**307.2**	[illegible]
Recycling of cumulative currency translation differences	**(0.3)**	[illegible]
Gain on business disposals	**166.9**	[illegible]
Net cash inflow		
Proceeds received	**330.0**	[illegible]
Less: disposal costs		
income statement charge	**(33.3)**	[illegible]
change in accrued disposal costs during the year	**9.9**	—
Settlement of receivables due from disposed entities		
disposal of subsidiaries in the period	**102.3**	[illegible]
disposal of subsidiaries classified as held-for-sale	**54.5**	—
Total proceeds received net of disposal costs paid	**463.4**	[illegible]
Total cash held by subsidiaries when sold		
Cash held by subsidiaries when sold	**(55.9)**	[illegible]
Cash held by subsidiaries classified as held-for-sale	**(19.6)**	[illegible]
Total cash held by subsidiaries when sold	**(75.5)**	[illegible]
Net cash inflow	**387.9**	[illegible]

As part of the disposal of Trustmarque to One Equity Partners in March 2022, Capita entered into a five year agreement committing to procure a sufficient amount of the Group's IT and technology requirements through Trustmarque as a reseller of such services to enable Trustmarque to realise a specified level of gross profits over the period of that agreement. The price paid for these purchases will be equivalent to that paid by other customers of Trustmarque and the Group expects to have sufficient demand to meet the commitment. It is currently estimated that the total expenditure with Trustmarque under this agreement over the five year period will be approximately £300m of which less than 25% is expected to be capital in nature.

During 2022, management identified that the net assets of a business held-for-sale at 31 December 2021 and used to assess for impairment were incorrectly determined when comparing to the expected net disposal proceeds. This resulted in an overstatement of a goodwill impairment charge recognised within business exits of 19.6m and consequently an understatement of assets held-for-sale at 31 December 2021. This error did not impact the adjusted results of the Group.

Management has considered IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and concluded that the impact of this error is not deemed material since it would not influence the economic decisions of primary users of the consolidated financial statements, not least because the business has been disposed of in the current period and therefore the correction of the impairment has been recognised in the current period within the gain on business disposal.

2.8.2 Disposal group assets and liabilities held-for-sale

Disposal group assets and liabilities held-for-sale at 31 December 2021 comprised the AMT Sybex, Secure Solutions and Services and Speciality Insurance businesses, whose disposals were completed during the first half of 2022. At 31 December 2022 no disposals were deemed to have met the criteria to be treated as held-for-sale.

	2022 £m	2021 £m
Property, plant and equipment	—	[illegible]
Intangible assets	—	14.1
Goodwill	—	[illegible]
Contract fulfilment assets	—	[illegible]
Trade and other receivables	—	[illegible]
Accrued income	—	[illegible]
Prepayments	—	[illegible]
Cash and cash equivalents	—	[illegible]
Income tax receivable and deferred tax assets	—	[illegible]
Disposal group assets held-for-sale	—	[illegible]
Trade and other payables	—	[illegible]
Other taxes and social security	—	[illegible]
Accruals	—	[illegible]
Deferred income	—	[illegible]
Income tax payable and deferred tax liabilities	—	[illegible]
Provisions	—	2.4
Disposal group liabilities held-for-sale	—	[illegible]

Business exit cash flows

[illegible]

[illegible]

AP Accounting policies

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 three months or less. In the consolidated cash flow statement, cash and cash equivalents consist of cash and short-term deposits, net of outstanding bank overdrafts and include cash and overdrafts within disposal group assets and liabilities held-for-sale. Cash at bank earns interest at fixed and floating rates based on prevailing bank deposit rates.

2.10.1 Additional cash flow information

	Notes	2022 Reported £m	2022 Before business exits £m	[illegible]	[illegible]
Cash flows from operating activities:					
Reported operating loss	[illegible]	(79.6)	(79.6)	[illegible]	[illegible]
Less: business exit operating loss/(profit)	[illegible]	—	8.4	—	[illegible]
Total operating loss		(79.6)	(71.2)	[illegible]	[illegible]
Adjustments for non-cash items:					
[illegible]	[illegible]	96.9	96.7	[illegible]	[illegible]
Amortisation of intangible assets	[illegible]	41.5	36.8	[illegible]	[illegible]
Share-based payment expense	[illegible]	5.4	5.4	[illegible]	[illegible]
[illegible]	[illegible]	9.0	9.0	[illegible]	[illegible]
[illegible]	[illegible]	3.5	3.5	[illegible]	[illegible]
[illegible]		(4.7)	(4.7)	[illegible]	—
[illegible]		—	—	[illegible]	[illegible]
Impairment of [illegible]		176.9	176.5	[illegible]	[illegible]
Other adjustments:					
[illegible]		(42.1)	(47.9)	[illegible]	[illegible]
Pension deficit contributions		(38.6)	(30.0)	[illegible]	[illegible]
[illegible]		(10.0)	(10.0)	[illegible]	[illegible]
Movements in working capital:					
Trade and other receivables		(41.0)	18.6	[illegible]	[illegible]
[illegible]		28.0	28.0	[illegible]	[illegible]
Trade and other payables		84.8	25.9	[illegible]	[illegible]
VAT deferral		(14.9)	(14.9)	[illegible]	[illegible]
Deferred income		(116.0)	(124.2)	[illegible]	[illegible]
Contract fulfilment assets [illegible]		18.7	19.0	[illegible]	[illegible]
Cash generated from/(used by) operations		117.8	116.5	[illegible]	[illegible]
Adjustments for free cash flows:					
Income tax paid		(7.9)	(6.5)	[illegible]	[illegible]
Net interest paid		(38.0)	(37.4)	[illegible]	[illegible]
Net cash inflows/(outflow) from operating activities		71.9	72.6	[illegible]	[illegible]
Purchase of property, plant and equipment	[illegible]	(20.6)	(16.8)	[illegible]	[illegible]
Purchase of intangible assets	[illegible]	(27.3)	(27.3)	[illegible]	[illegible]
Proceeds from sale of [illegible]		0.5	0.5	[illegible]	
Free cash flow[1]		24.5	29.0	[illegible]	[illegible]

[illegible]

[illegible]

2.10.2 Free cash flow and cash generated from operations (alternative performance measures - refer to section 8.2)

From 1 January 2022, the Board considers free cash flow and cash generated from operations before business exits to the alternative performance measures because these metrics provide a more representative measure of the sustainable cash flow of the Group.

These measures are analysed below.

	Free cash flow 2022 £m	Free cash flow [illegible]	Cash generated/(used) by operations 2022 £m	Cash generated/(used) by operations [illegible]
Reported	**24.5**	(264.3)	**117.8**	(148.5)
Business exits	**(4.1)**	(36.2)	**(9.9)**	(43.1)
Pension deficit contributions triggered by disposals	**8.6**	81.9	**8.6**	81.9
Before business exits	**29.0**	(218.6)	**116.5**	(109.7)

[illegible]

Business exits: [illegible]

Pension deficit contributions triggered by disposals: [illegible]

2.10.3 Reconciliation of net cash flow to movement in net debt

[illegible]

[illegible]

Year ended 31 December 2022	Notes	Net debt at 1 January £m	Cash flow movements £m	Non-cash movement £m	Net debt at 31 December £m
[illegible]	[illegible]	101.5	75.3	0.4	177.2
[illegible]	[illegible]	(1.3)	0.6	—	(0.7)
[illegible]		(46.0)	46.0	—	—
[illegible]	[illegible]	(512.9)	242.0	(14.6)	(285.5)
[illegible]	[illegible]	28.0	(10.1)	6.9	24.8
[illegible]	[illegible]	(448.4)	84.4	(33.5)	(397.5)
Total net liabilities from financing activities		(980.6)	362.9	(41.2)	(658.9)
[illegible]	[illegible]	(0.7)	—	—	(0.7)
Net debt	[illegible]	(379.8)	438.2	(40.8)	(482.4)

[illegible]

[illegible]

Section 3: Operating assets and liabilities

This section shows the operating assets and liabilities used to generate the Group's trading performance. Liabilities relating to the Group's financing activities are contained in Section 4. Current tax and deferred tax assets and liabilities are shown in note 2.6. Deferred income is shown in note 2.1.

In this section you will find disclosures about:

- 3.1 Working capital
  - 3.1.1 Trade and other receivables
  - 3.1.2 Trade and other payables
  - 3.1.3 Contract fulfilment assets
- 3.2 Property, plant and equipment
- 3.3 Intangible assets
- 3.4 Goodwill
- 3.5 Right-of-use assets
- 3.6 Provisions

AP Denotes accounting policies

Denotes significant accounting judgements, estimates and assumptions

	Note	2022 £m	[illegible]	[illegible]
Working capital (current and non-current):	3.1	(439.1)	[illegible]	[illegible]
Trade and other receivables	3.1.1	446.2	[illegible]	[illegible]
Trade and other payables	3.1	(507.6)	[illegible]	[illegible]
Deferred income	2.1	(640.7)	[illegible]	[illegible]
Contract fulfilment assets	3.1.3	263.0	[illegible]	[illegible]
Property, plant and equipment	3.2	101.1	[illegible]	[illegible]
Intangible assets	3.3	106.0	[illegible]	[illegible]
Goodwill	3.4	605.9	[illegible]	[illegible]
Right-of-use assets	3	249.5	[illegible]	[illegible]
Provisions	3.6	(127.3)	[illegible]	[illegible]

[illegible]

[illegible]

3.1.1 Trade and other receivables

AP Accounting policies

Trade receivables: Trade receivables are initially recognised at cost (being the same as fair value) and subsequently at amortised cost less any provision for impairment to ensure the amounts recognised represent their recoverable amount.

Impairment: For trade receivables the Group 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. 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 Group monitors the level of trade receivables on a monthly basis, continually assessing the risk of default by any counterparty. Each customer has an external credit score which determines the level of credit provided.

Derecognition: A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised (ie removed from the Group's consolidated balance sheet) when the rights to receive the cash flows from the asset have expired; or the Group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but it has transferred control of the asset.

[illegible]

Accrued income: [illegible]

	Current		Non-current	
	2022 £m	[illegible]	2022 £m	[illegible]
[illegible]	149.9	[illegible]	—	
[illegible]	32.6	[illegible]	5.8	[illegible]
[illegible]	10.7	[illegible]	—	
[illegible]	179.1	[illegible]	—	[illegible]
[illegible]	58.1	[illegible]	10.0	[illegible]
[illegible]	430.4	[illegible]	15.8	[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

	2022 £m	[illegible]
[illegible]	19.4	[illegible]
[illegible]	(4.0)	[illegible]
[illegible]	15.3	[illegible]
[illegible]	(1.0)	[illegible]
[illegible]	—	[illegible]
[illegible]	29.7	[illegible]

[illegible]

There are no customers who represent more than 10% of the total balance of trade receivables.

Ageing of trade receivables	2022 £m	2021 £m
Not due	**118.5**	203.3
Overdue by less than three months	**26.9**	29.8
Overdue between three and six months	**6.3**	6.6
Overdue between six and twelve months	**9.9**	11.4
Overdue more than twelve months	**18.0**	0.3
Allowance for doubtful debts	**(29.7)**	(19.4)
	149.9	232.0

Non-recourse trade receivables facilities

The value of the outstanding invoices sold under the non-recourse trade receivable facilities was £[illegible]m at 31 December 2022 (2021: £16.4m). The cost of selling such invoices totalling £0.[illegible]m (2021: £0.6m) was included in administrative expenses in the consolidated income statement.

3.1.2 Trade and other payables

	Current		Non-current	
	2022 £m	2021 £m	2022 £m	2021 £m
Trade payables	**134.9**	[illegible]	**0.1**	
Other payables	**32.8**	[illegible]	**6.5**	[illegible]
Other taxes and social security	**85.6**	[illegible]	**6.0**	[illegible]
Accruals	**239.2**	[illegible]	**2.5**	[illegible]
	492.5	[illegible]	**15.1**	15.4

[illegible]

[illegible]

3.1.3 Contract fulfilment assets

AP Accounting policies

The Group regularly incurs costs to deliver its outsourcing services in a more efficient way (often referred to as 'transformation' costs). These costs may include process mapping and design, system development, project management, hardware (generally within the scope of the Group's accounting policy for property, plant and equipment), software licence costs (generally within the scope of the Group's accounting policy for intangible assets), recruitment costs and training.

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 Group 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 Group applies the following criteria which, if met, result in capitalisation: (i) costs that are directly related to a contract or to a specifically identifiable anticipated contract; (ii) generate or enhance resources that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) are expected to be recovered.

[illegible]

[illegible]

[illegible]

[illegible]

Utilisation: [illegible]

Derecognition: [illegible]

Impairment: [illegible]

Significant accounting judgements, estimates and assumptions

[illegible]

[illegible]

	2022 £m	
At 1 January	286.7	[illegible]
[illegible]	(2.4)	[illegible]
[illegible]	284.3	[illegible]
Additions	67.1	[illegible]
[illegible]	—	[illegible]
[illegible]	(2.8)	[illegible]
Impairment	(3.8)	[illegible]
[illegible]	(0.4)	[illegible]
[illegible]	(81.5)	[illegible]
Exchange movement	0.1	[illegible]
At 31 December	263.0	[illegible]

[illegible]

Impairment [illegible]

Derecognition [illegible]

[illegible]

AP Accounting policies

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

Depreciation: Depreciation is disclosed as an administrative expense in the consolidated income statement, and is calculated on a straight-line basis over the estimated useful life of the asset as follows:
- Freehold buildings and long leasehold property – up to 50 years
- Leasehold improvements – period of the lease
- Plant and machinery – 3 to 10 years

Impairment: The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of net selling price and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are disclosed as administrative expenses in the consolidated income statement.

Derecognition: An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the consolidated income statement when the asset is derecognised.

	2022			[illegible]		
	Leasehold improvements, land and buildings £m	Plant and machinery £m	Total £m	[illegible]	[illegible]	[illegible]
Cost						
At 1 January	99.6	169.1	268.7	[illegible]	[illegible]	[illegible]
Additions	7.7	12.9	20.6	[illegible]	[illegible]	[illegible]
Disposal of subsidiary	—	(0.4)	(0.4)	—	[illegible]	[illegible]
Disposals – included in adjusted profit	(9.1)	(7.4)	(16.5)	[illegible]	[illegible]	[illegible]
Disposals – included in business exits	—	—	—	[illegible]	[illegible]	[illegible]
Transfer to assets held for sale	—	—	—	[illegible]	[illegible]	[illegible]
Reclassifications	1.3	(1.8)	(0.5)	[illegible]	[illegible]	[illegible]
Asset retirements	(3.7)	(27.9)	(31.6)	[illegible]	[illegible]	[illegible]
Exchange movement	0.2	2.0	2.2	[illegible]	[illegible]	[illegible]
At 31 December	96.0	146.5	242.5	[illegible]	[illegible]	[illegible]
Depreciation and impairment						
At 1 January	40.5	99.2	139.7	[illegible]	[illegible]	[illegible]
Impact of change in accounting standards – amendments to IAS 37	—	0.5	0.5	[illegible]	—	
At 1 January 2022 on adoption of IAS 37	40.5	99.7	140.2	[illegible]	[illegible]	[illegible]
Depreciation charge for the year – included in adjusted profit	10.1	30.6	40.7	[illegible]	[illegible]	[illegible]
Depreciation charge for the year – included in business exits	—	0.2	0.2	[illegible]	[illegible]	[illegible]
Disposal of subsidiary	—	(0.2)	(0.2)	[illegible]	[illegible]	[illegible]
Disposals – included in adjusted profit	(7.3)	(6.9)	(14.2)	[illegible]	[illegible]	[illegible]
Disposals – included in business exits	—	—	—	[illegible]	[illegible]	[illegible]
Impairment – included in adjusted profit	2.0	2.7	4.7	[illegible]	[illegible]	[illegible]
Transfer to assets held for sale	—	—	—	[illegible]	[illegible]	[illegible]
Reclassifications	0.8	(0.8)	—	—	[illegible]	[illegible]
Asset retirements	(3.7)	(27.9)	(31.6)	[illegible]	[illegible]	[illegible]
Exchange movement	0.1	1.5	1.6	—	[illegible]	[illegible]
At 31 December	42.5	98.9	141.4	[illegible]	[illegible]	[illegible]
Net book value						
At 1 January	59.1	69.9	129.0	[illegible]	[illegible]	[illegible]
At 31 December	53.5	47.6	101.1	[illegible]	[illegible]	[illegible]

At 31 December 2022, amounts contracted for but not provided in the financial statements for the acquisition of property, plant and equipment amounted to £2.7m (2021: £3.6m) relating to building improvements on leased property.

During the prior year the Group exited a number of properties and their related leasehold improvement assets were disposed of for no consideration. Since these exits were part of the Group-wide transformation, the related charge was excluded from adjusted profit. Following the change in presentation of adjusted results (refer to note 2.4) the related charge has been re-presented and included within adjusted profit.

Accounting policies

Intangible assets acquired separately are capitalised at cost and those identified in a business acquisition are capitalised at fair value at the date of acquisition. In the case of capitalised software development costs, research expenditure is written off to the consolidated income statement in the period in which it is incurred. Development expenditure is similarly written off until the Group is satisfied as to the technical, commercial and financial viability of individual projects. Where this condition is satisfied, the development expenditure is capitalised and amortised over the period during which the Group is expected to benefit.

Following initial recognition, the carrying amount of an intangible asset is its cost less any accumulated amortisation and impairment losses. The [illegible]

Amortisation: Amortisation is charged on assets with finite lives and is [illegible] as administrative expenses in the consolidated income statement. The amortisation method used reflects the expected pattern [illegible] future economic benefits [illegible] a straight-line basis; the amortisation periods used are as follows:
- Intangible assets acquired in business combinations – 1.5 to 20 years
- Intangible assets purchased or internally capitalised – 3 to 20 years

Impairment: Intangible assets with finite lives are only tested for impairment [illegible]

Derecognition: Intangible assets [illegible]

The measurement of intangible assets other than goodwill in a business combination: [illegible]

The assessment of costs capitalised as intangible assets to generate future economic benefits: [illegible]

[illegible]

[illegible]

	2022			2021		
	Intangible assets *acquired in* business combinations £m	*Capitalised/* purchased software £m	Total £m	[illegible]	[illegible]	[illegible]
Cost						
At 1 January	**55.4**	**222.7**	**278.1**	[illegible]	314.2	488.5
Disposal of business	**—**	**(33.0)**	**(33.0)**	[illegible]	(7.8)	[illegible]
Additions	**—**	**27.3**	**27.3**	—	32.5	32.5
Disposals – included in adjusted profit	**—**	**(12.2)**	**(12.2)**	—	(3.0)	(3.0)
Disposals – included in business exits	**—**	**—**	**—**	—	(3.4)	(3.4)
Transfer to assets held-for-sale	**—**	**—**	**—**	(6.8)	(16.4)	(23.2)
Reclassifications	**—**	**0.5**	**0.5**	—	1.9	1.9
Asset retirement	**(53.1)**	**(11.2)**	**(64.3)**	[illegible]	[illegible]	[illegible]
Exchange movement	**0.7**	**0.5**	**1.2**	[illegible]	[illegible]	(1.2)
At 31 December	**3.0**	**194.6**	**197.6**	[illegible]	222.7	[illegible]
Amortisation and impairment						
At 1 January	**49.6**	**81.2**	**130.8**	137.4	86.1	[illegible]
Amortisation charged in the year – included in adjusted profit	**—**	**31.7**	**31.7**		35.7	[illegible]
Amortisation charged in the year – excluded from adjusted profit	**5.1**	**—**	**5.1**	[illegible]	—	[illegible]
Amortisation charged in the year – included in business exits	**—**	**4.7**	**4.7**	[illegible]	7.1	[illegible]
Impairment – included in adjusted profit	**—**	**5.5**	**5.5**	—	56.1	[illegible]
Impairment – included in business exits	**—**	**0.4**	**0.4**	—	2.8	[illegible]
Disposal of business	**—**	**(12.6)**	**(12.6)**	[illegible]	[illegible]	[illegible]
Disposals – included in adjusted profit	**—**	**(10.5)**	**(10.5)**	—	[illegible]	[illegible]
Disposals – included in business exits	**—**	**—**	**—**	—	[illegible]	[illegible]
Transfer to assets held-for-sale	**—**	**—**	**—**	[illegible]	[illegible]	[illegible]
Reclassifications	**—**	**—**	**—**	—	[illegible]	[illegible]
Asset retirement	**(53.1)**	**(11.2)**	**(64.3)**	[illegible]	[illegible]	[illegible]
Exchange movement	**0.7**	**0.1**	**0.8**	[illegible]	[illegible]	[illegible]
At 31 December	**2.3**	**89.3**	**91.6**	[illegible]	[illegible]	130.8
Net book value						
At 1 January	**5.8**	**141.5**	**147.3**	[illegible]	[illegible]	[illegible]
At 31 December	**0.7**	**105.3**	**106.0**	5.8	141.5	[illegible]

[illegible]

[illegible]

[illegible]

AP Accounting policies

Following initial recognition, goodwill is stated at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Goodwill arising on acquisitions prior to 31 December 1997 remains set off directly against reserves and does not get recycled through the consolidated income statement.

At the acquisition date, any goodwill acquired is allocated to the cash-generating units (CGU) which are expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the CGU to which the goodwill relates. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured on the basis of the relative values of the operation disposed of and the portion of the CGU retained.

Acquisitions and disposals of non-controlling interests that do not result in a change of control are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Any difference between the consideration paid or received and the amount by which non-controlling interests are adjusted is recognised directly in equity and attributed to the owners of the Parent company.

Prior to the adoption of IAS 27 (Amended), goodwill [illegible] on the acquisition of a non-controlling interest in a subsidiary, and represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

Significant accounting judgements, estimates and assumptions

Measurement and impairment of goodwill: [illegible]

	2022 £m	[illegible]
Cost		
[illegible]	1,676.8	[illegible]
[illegible]	(255.0)	[illegible]
[illegible]	—	[illegible]
[illegible]	1.5	[illegible]
[illegible]	1,423.3	[illegible]
Accumulated impairment		
[illegible]	725.1	[illegible]
[illegible]	(76.7)	
[illegible]	—	[illegible]
[illegible]	169.0	[illegible]
[illegible]	—	[illegible]
[illegible]	817.4	[illegible]
Net book value		
[illegible]	951.7	[illegible]
[illegible]	605.9	[illegible]

[illegible]

Cash-generating units

Reflecting the way management exercises oversight and monitors the Group's performance, the lowest level at which goodwill is monitored is at the divisional level for Capita Public Service and Capita Experience, and at a subdivisional level for Capita Portfolio. At 31 December 2022 the Group has seven CGUs or groups of CGUs for the purpose of impairment testing of goodwill.

In light of the ongoing disposal processes within the Capita Portfolio division, the CGUs and groups of CGUs relating to the Capita Portfolio division have been presented in aggregate in the table below, and where relevant in this note. An aggregated disclosure of the carrying value of goodwill for the Capita Portfolio division with recoverable amount sensitivity disclosed, including the impact on the aggregate impairment charge recognised, is considered by management to provide meaningful information to the primary users of these consolidated financial statements.

Carrying amount of goodwill allocated to groups of CGUs

CGU	Capita Public Service £m	Capita Experience £m	Capita Portfolio £m	Total £m
At 1 January	284.6	220.2	446.9	951.7
Business disposals	—	**(11.9)**	**(166.4)**	**(178.3)**
Impairment – excluded from adjusted profit	—	—	**(169.0)**	**(169.0)**
Exchange movement	—	**1.5**	—	**1.5**
At 31 December	**284.6**	**209.8**	**111.5**	**605.9**

Business exits

As set out in note 2.8, eight businesses were fully disposed of during the year. Goodwill relating to [illegible] of these businesses had been reclassified to a disposal group held for sale at 31 December 2021. Goodwill relating to the other disposals is included within the Group's brought forward goodwill balances as at 1 January 2022 and [illegible] as part of business disposals.

[illegible] 2023 [illegible] 31 December 2022.

The impairment test

[illegible]

[illegible]

At 31 December 2022 [illegible] Travel and Fera CGUs or groups of CGUs in the Capita Portfolio division were sufficiently advanced that the Board's judgement was that for impairment testing purposes the [illegible]

[illegible] 31 December [illegible]

At 31 December 2022 [illegible]

[illegible]

[illegible]

Other than for movements in [illegible]

[illegible]

[illegible]

[illegible]

[illegible]

Discount rates
Management estimates discount rates using pre-tax rates of comparator companies for each CGU or group of CGUs, which reflect the latest market assumptions for the risk-free rate, the equity risk premium and the net cost of debt, which are all based on publicly available external sources.

The table below presents the pre-tax discount rates applied to the cash flows for 2022 and 2021.

	Capita Public Service	Capita Experience	Capita Portfolio				
			People	Software	Business Solutions	Travel	Fera
2022	11.8 [illegible]	10.4	14.3	12.1 [illegible]	12.1 [illegible]	13.0 [illegible]	[illegible]
2021	[illegible]	11.6	[illegible]	12.8 [illegible]	[illegible]	13.7 [illegible]	11.9 [illegible]

Sensitivity analysis

The impairment testing as described is reliant on the accuracy of management's forecasts and the assumptions that underlie them, and on the selection of the discount and growth rates to be applied. To gauge the sensitivity of the result to a change in any one, or combination, of the assumptions that underlie the model, a number of scenarios were developed to identify the range of reasonably possible alternatives and measure which CGUs are the most susceptible to an impairment should the assumptions used be varied.

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

Accounting policies

At the inception of the lease, the Group recognises a right-of-use asset at cost, which comprises the present value of minimum future 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 corresponding lease liability. Right-of-use assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be fully recoverable.

Right-of-use assets exclude leases with low values and terms of twelve months or less. These leases are expensed to the consolidated income statement as incurred.

Net Book Value	[illegible]	[illegible]	[illegible]	[illegible]
At 1 January 2021	310.0	16.9	15.2	342.1
Addition of new leases	18.2	4.2	—	22.4
Depreciation charged during the year – included in adjusted profit	[illegible]	[illegible]	[illegible]	[illegible]
Impairment – [illegible] in adjusted profit	(13.0)	—	[illegible]	[illegible]
Disposal	[illegible]	—	[illegible]	[illegible]
Exchange movement	[illegible]	[illegible]	—	[illegible]
Other movements	[illegible]	[illegible]	[illegible]	[illegible]
At 31 December 2021	[illegible]	[illegible]	[illegible]	[illegible]
Addition of new leases	**12.9**	**2.4**	**—**	**15.3**
Depreciation charged during the year – included in adjusted profit	**(45.8)**	**(6.0)**	**(4.2)**	**(56.0)**
Reversal of impairment – included in adjusted profit	**2.4**	**—**	**0.3**	**2.7**
Disposal of businesses	**(0.2)**	**—**	**—**	**(0.2)**
Disposal	**(6.3)**	**(1.6)**	**(0.5)**	**(8.4)**
Exchange movement	**1.4**	**—**	**—**	**1.4**
Other movements	**7.0**	**0.4**	**(0.6)**	**6.8**
At 31 December 2022	**237.0**	**10.6**	**1.9**	**249.5**

Other movements include amendments to existing leases.

[illegible]

AP Accounting policies

Provisions are recognised when the Group has a present legal or constructive obligation arising from past events, it is probable that cash will be paid to settle it, and the amount can be estimated reliably.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows by a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a financing cost in the consolidated income statement.

The value of the provision is determined based on assumptions and estimates in relation to the amount, timing and likelihood of actual cash flows which are dependent on future events. Where no reliable basis of estimation can be made, no provision is recorded. However, contingent liabilities disclosures are given when there is a greater than remote probability of outflows of economic benefits. See note [illegible].

On an ongoing basis, management monitor provisions and their accurate estimation when compared to final outcomes.

Significant accounting judgements, estimates and assumptions

[illegible]

Provisions

[illegible]

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	—	—	—	—	18.8	—	18.8
[illegible]	25.6	1.5	13.2	9.7	103.5	5.9	159.4
[illegible]	(25.6)	—	—	21.8	(0.5)	4.3	—
[illegible]	—	25.0	7.6	7.0	20.6	6.0	66.2
[illegible]	—	(1.2)	(1.4)	(7.8)	(17.1)	(3.7)	(31.2)
[illegible]	—	(14.6)	(2.4)	(11.7)	(33.0)	(5.0)	(66.7)
[illegible]	—	—	—	(0.3)	—	(0.1)	(0.4)
At 31 December	—	10.7	17.0	18.7	73.5	7.4	127.3

	31 December 2022 £m	[illegible]
Current	75.7	[illegible]
Non-current	51.6	[illegible]
	127.3	[illegible]

[illegible]

[illegible]

Business exit provision: The provision relates to the cost of exiting businesses through disposal or closure including professional fees related to business exits and the costs of separating the businesses being disposed. These are likely to unwind over a period of one to four years.

Claims and litigation provision: The Group is exposed to claims and litigation proceedings arising in the ordinary course of business. These matters are reassessed regularly and where obligations are probable and estimable, provisions are made representing the Group's best estimate of the expenditure to be incurred. Due to the nature of these claims, the Group cannot give an estimate of the period over which this provision will unwind.

Property provision: The provision relates to unavoidable running costs (such as insurance and security) of leasehold property where the space is vacant or currently not planned to be used for ongoing operations, and for dilapidation costs. The expectation is that this expenditure will be incurred over the remaining periods of the leases which vary up to 25 years.

Customer contract provision: The provision includes onerous contract provisions in respect of customer contracts where the costs of fulfilling a contract (both incremental and costs directly related to contract activities) exceeds the economic benefits expected to be received under the contract, claims obligations associated with missed milestones in contractual obligations, and other potential exposures related to contracts with customers. These provisions are forecast to unwind over periods of up to six years.

The customer contract provision includes £39.7m (2021: £54.5m) in respect of contracts in Capita Experience. The Group has highlighted in prior reporting the structural challenges associated with the closed book Life & Pensions contracts. These provided for upfront cash inflows to support initial transformation activities with a much lower level of cash inflow after the transformation phase was completed. Under the Group's long-term contract accounting policy, the cash flow profile of these contracts has resulted in deferral of profit into future years which is not backed by net cash flows because the relevant cash inflows arose in the early years of contract execution. Additionally, some of the contracts contain evergreen clauses potentially allowing the customers to extend the contract indefinitely until the run-off of the underlying life and pension books is complete.

The closed book Life & Pensions business [illegible] legacy IT systems [illegible] single digital platform for all the books. The Group has [illegible] to mitigate this fall off in volume [illegible] customers who have selected new [illegible] providers [illegible]

The [illegible] to service certain of these contracts. Management has [illegible] the likely length of the remaining contracts given the pattern and experience [illegible] evergreen clauses. [illegible] the Group has [illegible] remaining contract terms.

The [illegible] to support a major customer [illegible] services [illegible] significantly longer than initially expected. In 2021 management reassessed the lifetime [illegible] to include [illegible] likely costs to support [illegible] was extended [illegible] evergreen clause [illegible] ongoing discussions regarding [illegible] termination [illegible]

[illegible] 2022 [illegible] £19.5m at 31 December 2022 [illegible] 31 December [illegible] December 2021 [illegible] two-year rolling period.

Other provisions: Relates to provisions in respect of other potential exposures arising as a result of the nature of the operations that the Group provides. These are likely to unwind over periods of up to five years.

This section outlines the Group's capital structure and financing costs. The Group defines its capital structure as its cash and cash equivalents, non-current interest bearing loans and borrowings and equity. The Group aims to manage its capital structure to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders. The Group manages its capital structure to maintain a sustainable mix of debt and equity that ensures that the Group can pursue its strategy. The Group makes adjustments to its capital structure in light of changes in economic conditions and strategic operational risk. To maintain or adjust the capital structure, the Group may return capital to shareholders through dividends and share buy backs, sell assets, raise additional equity, or arrange additional debt facilities. In this section you will find disclosures about:

- 4.1 Net debt, capital and capital management
- 4.2 Financial risk
- 4.3 Net finance costs
- 4.4 Leases
- 4.5 Financial instruments and the fair value hierarchy
- 4.6 Issued share capital
- 4.7 Group composition and non-controlling interests

AP **Denotes accounting policies**

Denotes significant accounting judgements, estimates and assumptions

Net financial debt to adjusted EBITDA[1] (both pre-IFRS 16)

Available liquidity

Capital strategy

Liquidity

Net finance costs

[illegible]

[illegible]

4.1.1 Net debt and capital

The components of the Group's net debt and undrawn available liquidity are summarised below:

	Notes	2022 £m	2021 £m	[illegible]
Cash and cash equivalents	4.5.4	**(396.8)**	(333.4)	(63.4)
Overdraft	4.5.4	**219.6**	231.9	(12.3)
Lease liabilities	4.4.1	**397.5**	448.4	(50.9)
Private placement loan notes	4.5.2	**285.5**	512.9	(227.4)
Credit facilities		**—**	46.0	(46.0)
Other loan notes	4.5.2	**0.7**	1.3	(0.6)
Currency and interest rate swaps	4.5.2	**(24.8)**	(28.0)	3.2
Deferred consideration	4.5.2	**0.7**	0.7	
Net debt		**482.4**	879.8	(397.4)
Undrawn available financing facilities	4.5.2b	**288.4**	345.7	(57.3)
Capital		**770.8**	1,225.5	(454.7)

[illegible]

[illegible]

[illegible]

[illegible]

4.1.2 Capital management

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

Financial risk management objectives and policies

The Group's Board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework, which is outlined on pages 54 to 63 of the strategic report. The Group's principal financial instruments comprise cash, bank loans, private placement loan notes, lease assets and liabilities, and derivatives. The purpose of these is to fund and provide liquidity for the Group's operations and to manage its financial risks. The Group has various other financial instruments including trade receivables and trade payables arising from its operations.

Derivatives comprise cross-currency interest rate swaps and forward foreign currency contracts executed with its relationship banks, all of which have investment grade credit ratings. The derivatives' purpose is to manage interest rate and currency risks arising from the Group's operations and its sources of finance. It is the Group's policy that no speculative trading in financial instruments is undertaken.

The main risks arising from the Group's financial instruments are liquidity risk, foreign currency risk, interest rate risk, and credit risk. The Board periodically reviews and agrees policies for managing these risks, which are summarised below.

4.2.1 Liquidity risk

The Group monitors the risk of a liquidity shortage through its business plan and liquidity cash flow forecasts and analysis, taking into consideration the maturity of the Group's financial instruments, projected cash flows from operations and an allowance for contingencies.

The Group's policy is to hold cash and undrawn committed facilities at a level sufficient to fund the Group's operations and its medium-term plans. Multiple sources of funding are used to maintain a balance between continuity of funding and flexibility, without placing reliance on [illegible] committed.

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

At 31 December 2022	Within 1 year £m	Between 1–2 years £m	Between 2–3 years £m	Between 3–4 years £m	Between 4–5 years £m	More than 5 years £m	Total £m
[illegible]	219.6	—	—	—	—	—	219.6
[illegible]	75.0	—	91.4	34.7	94.0	—	295.1
[illegible]	9.6	7.9	6.2	4.5	2.6	—	30.8
[illegible]	76.1	64.9	49.0	39.7	33.6	296.7	560.0
[illegible]	—	—	—	—	0.7	—	0.7
[illegible]	9.2	—	—	—	—	—	9.2
[illegible]	0.8	0.8	0.8	0.8	—	—	3.2
[illegible]	0.7	—	—	—	—	—	0.7
	391.0	73.6	147.4	79.7	130.9	296.7	1,119.3

[illegible]

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Overdraft	231.9	—	—	—	—	—	231.9
Credit facilities	[illegible]	—	—	—	—	—	[illegible]
Private placement loan notes	226.9	69.8	—	84.6	32.9	[illegible]	508.8
Interest on loan notes	15.3	9.2	7.6	6.0	4.5	2.6	45.2
Lease liabilities	82.8	[illegible]	61.8	46.6	38.1	322.2	624.5
Deferred consideration	—	—	—	—	—	[illegible]	0.7
Put options of non-controlling interests	8.6	—	—	—	—	—	8.6
Cross-currency interest rate swaps	0.6	0.7	0.4	0.4	0.4	—	2.5
Cash flow hedges	0.6	[illegible]	0.1	—	—	—	1.3
Other financial instruments	1.3	4.3	—	—	—	—	5.6
	[illegible]	157.6	69.9	137.6	75.9	420.1	1,475.1

4.2.2 Foreign currency risk

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

	USD		INR		ZAR	
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2022	**—**	**0.8**	**—**	**0.3**	**1.8**	**—**
2021	—	[illegible]		[illegible]	[illegible]	[illegible]

4.2.3 Interest rate risk

[illegible]

[illegible]

The net level of floating rate interest exposure is managed to arrive at an acceptable overall interest rate risk profile. The interest rate profile of the Group's interest-bearing financial instruments was as follows:

Nominal amounts At 31 December 2022	Within 1 year £m	Between 1–2 years £m	Between 2–3 years £m	Between 3–4 years £m	Between 4–5 years £m	More than 5 years £m	Total £m
Fixed rate							
Private placement loan notes	**27.5**	—	**29.7**	**18.6**	**71.2**	—	**147.0**
Floating rate							
Cash in hand	**(396.8)**	—	—	—	—	—	**(396.8)**
Overdraft	**219.6**	—	—	—	—	—	**219.6**
Private placement loan notes	**38.8**	—	**46.2**	**15.5**	**17.1**	—	**117.6**

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fixed rate							
[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
Floating rate							
[illegible]	[illegible]						[illegible]
[illegible]	[illegible]						[illegible]
[illegible]	[illegible]	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	—	—	[illegible]	[illegible]	[illegible]

[illegible]

4.2.4 Hedges

[illegible]

[illegible]

[illegible]

	Notional amount £m	Carrying amount £m	Line item in the balance sheet	Change in FV used for measuring ineffectiveness £m
[illegible]	**102.1**	**25.8**	Financial assets	(4.4)
[illegible]	**15.5**	**(1.0)**	Financial liabilities	1.2
		24.8		(3.2)

	Carrying amount £m	Accumulated FV adjustment £m	Line item in the balance sheet	Change in FV used for measuring ineffectiveness £m
[illegible]	**285.5**	**24.8**	Financial Liabilities	3.2

[illegible]

Cash flow hedges
The Group holds a series of non-deliverable forward foreign exchange contracts (NDFs) that are designated as hedges of the highly probable transactions in INR of the Group's Indian operations. The terms of the NDFs match the terms of these commitments.

Secondly, the Group holds foreign exchange forward contracts against committed costs relating to the purchase of cloud software services in US dollars in years up to and including August [illegible].

The fair value of cash flow hedging instruments held at 31 December 2022 is shown in note [illegible].

The cash flow hedges have been assessed to be highly effective. The cash flow hedging reserve comprises the effective portion of the cumulative net change in the fair value of the hedging instruments. The following table provides an analysis of components of equity resulting from cash flow hedge accounting:

	2022 £m	[illegible]
At 1 January	(0.7)	[illegible]
Change in fair value recognised in the consolidated statement of other comprehensive income	11.5	[illegible]
Reclassified to the consolidated income statement		
[illegible] administrative expenses	(5.1)	—
recognised in net finance cost	—	[illegible]
Change in tax	(1.6)	[illegible]
At 31 December	4.1	[illegible]

4.2.5 Credit risk

[illegible]

[illegible]

[illegible]

[illegible]

	[illegible]	2022 £m	[illegible]
Interest income			
[illegible]		(1.1)	[illegible]
Interest on finance lease assets		(4.2)	[illegible]
Net interest on defined benefit pension schemes	[illegible]	(3.6)	—
Total interest income		(8.9)	[illegible]
Interest expense			
[illegible] loan notes		12.0	[illegible]
Cash flow hedges recycled to the income statement		—	[illegible]
Bank loans and overdrafts		9.2	[illegible]
Interest on finance lease liabilities		22.6	[illegible]
Net interest expense on defined benefit pension schemes	[illegible]	—	[illegible]
Total interest expense		43.8	[illegible]
Net finance expense included in adjusted profit		34.9	[illegible]
Included within business exits			
Bank loans and overdrafts		0.2	[illegible]
[illegible]	[illegible]	—	[illegible]
Other financing [illegible]		—	[illegible]
Other items excluded from adjusted profits			
[illegible]		(3.6)	[illegible]
[illegible]	[illegible]	0.2	[illegible]
Net finance (income)/expenses excluded from adjusted profit		(3.2)	[illegible]
Total net finance expense		31.7	[illegible]

[illegible]

Accounting policies

The Group leases various assets, comprising land and buildings, equipment and motor vehicles.

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 Group's lease accounting policy for all leases with the exception of leases with low value and term of twelve months or less which are expensed to the consolidated income statement.

[illegible]
The accounting policy for right-of-use assets is included in note 3.5

The Group 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 a lease, the Group recognises the lease liability measured at the present value of the lease payments to be made over the lease term.

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

4.4.1 The Group as a lessee

Amounts recognised on the balance sheet	2022 £m	2021 £m	Type of financial instrument
Lease liabilities	397.5	418.4	Financial liabilities

The lease liability includes £5[illegible]m (2021: £18.8m) of future lease payments (undiscounted) for leases with termination options that could be exercised but are recognised at full term. The potential future cash outflows of £13.2m (2021: £23.1m) (undiscounted) have not been included in the lease liability because the Group is reasonably certain that the leases will not be extended. The total cash outflow for leases was £84.4m (2021: £106.2m) consisting of interest paid of £22.6m (2021: £23.[illegible]m) and capital element of £61.8m (2021: £82.6m).

Right-of-use assets are discussed in note 3.5, the maturity analysis of lease liabilities is included in note 4.2 and interest expense in note 4.3.

4.4.2 The Group as a lessor

Amounts recognised on the balance sheet	2022 £m	2021 £m	Type of financial instrument
Lease receivables	76.3	[illegible]	Financial assets

The maturity analysis of lease receivables, including the undiscounted lease payments to be received, is as follows:

	2022 £m	2021 £m
Within 1 year	9.8	[illegible]
Between 1-2 years	9.7	[illegible]
Between 2-3 years	8.2	[illegible]
Between 3-4 years	7.7	[illegible]
Between 4-5 years	4.0	[illegible]
More than 5 years	70.2	[illegible]
Total undiscounted lease payments receivable	109.6	[illegible]
Unearned finance income	(33.3)	[illegible]
Net investment in lease receivables	**76.3**	[illegible]

The [illegible]

During 2020 [illegible] IFRS 16 [illegible]

AP Accounting policies

[illegible]
The Group classifies its financial instruments in the following measurement categories:
- those to be measured subsequently at fair value (either through other comprehensive income (FVOCI) or through profit or loss (FVPL)); and
- those to be measured at amortised cost.

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

[illegible]
At initial recognition, the Group measures a financial instrument at its fair value plus, in the case of a financial instrument not at FVPL, transaction costs that are directly attributable to the acquisition of the financial instrument. Transaction costs of financial instruments carried at FVPL are expensed in the consolidated income statement.

Financial instruments with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Purchases and sales of financial instruments are recognised on their trade date, the date the Group commits to purchase or sell the instrument. [illegible] more been transferred [illegible] that the Group has transferred substantially all [illegible]

[illegible]

Debt instruments are initially recognised at fair value less directly attributable [illegible] subsequently [illegible] the Group's business model [illegible] cash flow [illegible]. There are three [illegible] categories into which the Group classifies its debt instruments:
- Amortised cost: [illegible] collection of contractual cash flows [illegible] solely payments of principal and interest [illegible] the effective interest rate method. [illegible]
- FVOCI: [illegible] FVOCI [illegible] instrument's cash flows represent solely payments of principal and interest [illegible]
- FVPL: [illegible] FVOCI [illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

4.5.1 Fair value hierarchy
The Group's financial assets and liabilities are classified based on the following fair value hierarchy:

- Level-1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level-2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly. With the exception of current financial instruments (which have a short maturity), the fair value of the Group's level-2 financial instruments were calculated by discounting the expected future cash flows at prevailing interest rates. The valuation models incorporate various inputs including foreign exchange spot and forward rates and interest rate curves. In the case of floating rate borrowings the nominal value approximates to fair value because interest is set at floating rates where payments are reset to market values at intervals of less than one year.
- Level-3: techniques using inputs that have a significant effect on the recorded fair value which are not based on observable market data.

Other financial instruments (where observable market data is not available) are carried at either amortised cost or cost (discounted cash flows) as a reasonable approximation of fair value.

During the year ended 31 December 2022, there were no transfers between fair value levels.

4.5.2 Financial instruments and their fair value hierarchy classification
The following table analyses, by classification and category, the carrying value of the Group's financial instruments and identifies the level of the fair value hierarchy for the instruments carried at fair value.

At 31 December 2022	Notes	Fair value hierarchy	FVPL £m	FVOCI £m	Derivatives used for hedging £m	Amortised cost £m	Total £m	Current £m	Non-current £m
Financial assets									
Lease receivables	[illegible]	n/a	—	—	—	76.3	76.3	5.9	70.4
Cash flow hedges	[illegible]	Level-2	—	—	5.4	—	5.4	3.0	2.4
[illegible] and swaps		Level-2	5.3	—	—	—	5.3	4.4	0.9
[illegible]	[illegible]	Level-2	—	—	25.8	—	25.8	8.3	17.5
[illegible]		n/a	—	—	—	0.5	0.5	—	0.5
[illegible]		Level-3	17.2	—	—	—	17.2	—	17.2
[illegible] OCI		Level-3	—	0.8	—	—	0.8	—	0.8
[illegible]		n/a	—	—	—	10.5	10.5	2.0	8.5
			22.5	0.8	31.2	87.3	141.8	23.6	118.2
Other financial assets									
Cash	4.5.4	n/a	—	—	—	396.8	396.8	396.8	—
Total financial assets			22.5	0.8	31.2	484.1	538.6	420.4	118.2
Financial liabilities									
[illegible]	[illegible]	n/a	—	—	—	285.5	285.5	74.6	210.9
[illegible]		n/a	—	—	—	0.7	0.7	0.7	—
[illegible]		Level-2	0.1	—	—	—	0.1	0.1	—
[illegible]	[illegible]	Level-[illegible]	—	—	1.0	—	1.0	—	1.0
[illegible]		n/a	—	—	—	0.7	0.7	—	0.7
[illegible]	[illegible]	Level-3	—	9.2	—	—	9.2	9.2	—
			0.1	9.2	1.0	286.9	297.2	84.6	212.6
Other financial liabilities									
[illegible]	[illegible]	n/a	—	—	—	219.6	219.6	219.6	—
[illegible]	[illegible]	n/a	—	—	—	397.5	397.5	55.6	341.9
Total financial liabilities			0.1	9.2	1.0	904.0	914.3	359.8	554.5

[illegible]

Financial assets measured at amortised cost consist of cash, lease receivables, originated loans and deferred consideration receivable. The carrying value of cash is a reasonable approximation of its fair value due to the short-term nature of the instruments. Lease receivables, originated loans and deferred consideration receivable are measured at amortised cost using the effective interest rate method. Included in other investments are £9.8m (31 December 2021: £0.8m) of strategic investments in unlisted equity securities which are not held-for-trading and the Group elected to recognise at Fair Value through Other Comprehensive Income (FVOCI). During the period no dividends were received from [illegible] disposals were made of strategic investments.

The financial assets at Fair Value through P&L (FVPL) relate to the Group's minority shareholding in companies as part of Capita Scaling Partners. The assets are revalued when reliable information on fair value becomes available, which is normally at each funding round.

Financial liabilities measured at amortised cost consist of loan notes, overdrafts, lease liabilities, credit facilities and deferred consideration payable. With the exception of certain series within the fixed rate private placement loan notes, the carrying value of financial liabilities are a reasonable approximation of their fair value. This is because either the interest payable is close to market rates or the liability is short-term in nature. The private placement loan note series that remain subject to a fixed rate of interest have an underlying carrying value of £144.9m (2021: £320.7m) and a fair value of £130.2m (2021: £278.2m). The carrying value of overdrafts is a reasonable approximation of fair value reflecting the short-term nature of the instruments. Lease liabilities and deferred consideration payable are measured at amortised cost using the effective interest rate method.

The Group's key financial liabilities are set out below.

[illegible]

The private placement loan notes [illegible] issued in US dollars [illegible] sterling [illegible] at fixed [illegible] rates. The Group manages its exposure [illegible] interest rate [illegible] currency [illegible] exchange [illegible]

[illegible]

Details of the [illegible] are provided in the Liquidity [illegible]. At 31 December 2022 [illegible] facilities was £293.4m [illegible] (2021: [illegible]) [illegible]

[illegible]

The public [illegible] liability [illegible] AXELOS [illegible] liability [illegible] AXELOS [illegible] July 2021.

[illegible]

The liability [illegible] AXELOS [illegible] Capita [illegible] Limited [illegible] April 2021 [illegible] analysis [illegible] business results [illegible] value [illegible]

The [illegible] AXELOS [illegible] liability [illegible] consistently [illegible]

[illegible]

[illegible]

[illegible]	Notes	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Total	[illegible]	[illegible]
Financial assets									
Lease receivables	4.1.2	n/a	—	—	—	87.1	87.1	8.6	78.5
Cash flow hedges	4.2.4	Level-2	—	—	0.9	—	0.9	0.7	0.2
Non-designated foreign exchange forwards and swaps		Level-2	1.8	—	—	—	1.8	0.8	1.0
Cross-currency interest rate swaps	a	Level-2	—	—	30.2	—	30.2	9.4	20.8
Originated loans receivable		n/a	—	—	—	0.5	0.5	—	0.5
Financial assets at fair value through P&L		Level-3	8.4	—	—	—	8.4	—	8.4
Financial assets at fair value through OCI		Level-3	—	0.8	—	—	0.8	—	0.8
			10.2	0.8	31.1	87.6	129.7	[illegible]	[illegible]
Other financial assets									
Cash	4	n/a	—	—	—	317.5	317.5	317.5	—
Cash included within disposal groups held for sale	2.8	n/a			—	15.8	15.8	15.8	
Total financial assets			10.2	0.8	31.1	[illegible]	[illegible]	[illegible]	[illegible]
Financial liabilities									
Private placement loan notes	[illegible]	n/a			—	[illegible]	[illegible]	[illegible]	[illegible]
Other loan notes		n/a				1.3	1.3	0.3	1.0
Credit facilities	[illegible]	[illegible]			—	[illegible]	[illegible]	[illegible]	
Cash flow hedges	4.2.4	Level-2	—	—	1.4	—	1.4	[illegible]	1.0
Non-designated foreign exchange forwards and swaps		Level-2	1.7		—	—	[illegible]	1.3	0.4
Cross-currency interest rate swaps	a	Level-2	—	—	2.2	—	2.2	—	2.2
Deferred consideration payable		n/a	—	—	—	[illegible]	[illegible]	—	[illegible]
Put options over non-controlling interests		Level-3	—	[illegible]	—	—	[illegible]	[illegible]	—
			[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Other financial liabilities									
Overdrafts	[illegible]	n/a	—	—	—	[illegible]	[illegible]	[illegible]	—
Lease liabilities	[illegible]	n/a	—	—	—	443.4	443.4	[illegible]	[illegible]
Total financial liabilities			[illegible]	[illegible]	[illegible]	[illegible]	1,258.5	[illegible]	[illegible]

[illegible]

The following table shows the reconciliation from the opening balances to the closing balances for Level 3 fair values:

	[illegible]	[illegible]	[illegible]
At 1 January 2021	27.1	99.7	2.3
Payments made	(4.[illegible])	—	—
Change in put options recognised in other comprehensive income		(91.1)	—
Additions			0.3
Reclassification from other investment categories	—	—	4.3
Gain in fair value recognised in income statement	—	—	2.2
Gain in fair value recognised in other comprehensive income	—	—	0.1
Discount unwind recognised in the income statement	0.1	—	—
[illegible]	(22.8)	—	—
At 31 December 2021	—	8.6	9.2
Change in put options recognised in other comprehensive income	—	**0.6**	—
Additions	—	—	**2.3**
Reclassification from other investment categories	—	—	**0.4**
Gain in fair value recognised in income statement	—	—	**5.9**
Gain in fair value recognised in other comprehensive income	—	—	**0.2**
At 31 December 2022	—	**9.2**	**18.0**

[illegible]

4.5.3 Borrowings

[illegible]

[illegible]

Maturity	Denomination	Interest rate	Nominal value £m
[illegible]	GBP	[illegible]	[illegible]
[illegible]	GBP	[illegible]	[illegible]
[illegible]	GBP	[illegible]	[illegible]
[illegible]	GBP	[illegible]	[illegible]
[illegible]	GBP	[illegible]	[illegible]
Total GBP denominated	GBP		99.6
[illegible]	USD	[illegible]	[illegible]
[illegible]	USD	[illegible]	[illegible]
[illegible]	USD	[illegible]	[illegible]
[illegible]	USD	[illegible]	[illegible]
[illegible]	USD	[illegible]	[illegible]
Total USD denominated[1]	USD		173.3
[illegible]	EUR	[illegible]	[illegible]
Total euro denominated[2]	EUR		53.1

[illegible]

[illegible]

4.5.4 Cash, cash equivalents and overdrafts

The Group has a notional cash pool under which the bank may net cash balances with overdrafts held by other Group companies in the arrangements. The overdraft balances shown below are fully offset by credit balances in the same arrangement. The Group's gross cash position is shown in the table below.

	2022 £m	[illegible]
Cash and cash equivalents	396.8	317.6
Overdrafts	(219.6)	(231.9)
Cash net of overdrafts included in disposal group assets and liabilities held for sale	—	15.8
Cash, cash equivalents and overdrafts	**177.2**	101.5

Allotted, called up and fully paid	2022 No m	[illegible]	2022 £m	[illegible]
Ordinary shares of 2 1/15p each				
At 1 January	1,684.1	[illegible]	34.8	[illegible]
Issue of share capital	—	[illegible]	—	[illegible]
At 31 December	1,684.1	[illegible]	34.8	[illegible]

Share premium	2022 £m	[illegible]
Ordinary shares of 2 1/15p each		
At 1 January	1,145.5	[illegible]
VAT [illegible]	—	[illegible]
At 31 December	1,145.5	[illegible]

In 2018 the Group [illegible] existing shareholders [illegible] £700.0m less [illegible] share capital and share premium. [illegible] VAT that was [illegible] In 2021 [illegible] HMRC that £2.2[illegible] VAT was recoverable and was refunded to the Group.

Treasury shares	2022 No m	[illegible]	2022 £m	[illegible]
Ordinary shares of 2 1/15p				
At 1 January	—	[illegible]	—	[illegible]
Issued on exercise of share options	—	[illegible]	—	[illegible]
At 31 December	—	—	—	[illegible]

During the year the Group did not purchase any treasury shares (2021: none) and did not allot [illegible] treasury shares (2021: [illegible] whose aggregate nominal value was £47,53[illegible]. The total consideration received in respect of these shares during 2021 was [illegible]

Employee benefit trust shares	2022 No m	[illegible]	2022 £m	[illegible]
Ordinary shares of 2 1/15p				
At 1 January	18.1	[illegible]	(8.0)	[illegible]
Shares purchased	—	[illegible]	—	[illegible]
Issued on exercise of share options	(8.8)	[illegible]	3.8	[illegible]
At 31 December	9.3	[illegible]	(4.2)	[illegible]

The Group [illegible] Employee Benefit Trust (EBT) shares to satisfy future [illegible] under the Group's share [illegible] On 19 [illegible] 2021 13m ordinary 2 1/15p shares (2021: nil) were [illegible] EBT [illegible] aggregate nominal value [illegible] £268,867 [illegible] Group's share plans. The total consideration [illegible] in respect of these shares was £268,867. During the year [illegible] shares with a value of £3.8m (2021: [illegible]) were transferred out of the EBT to satisfy [illegible] incentive plans. The total consideration [illegible] these shares was £nil (2021: [illegible]).

The Group [illegible] capital.

The Group's subsidiaries are listed in notes 7.3.4 and 7.3.11 of the Parent Company financial statements on pages 219 and 224 to 227.

The Group holds a majority of the voting rights in all of its subsidiaries and the directors have determined that, other than the entity commented on below, in each case the Group exercises de facto control.

On 23 September 2013, the Secretary of State for the Department for Energy and Climate Change granted Smart DCC Limited (DCC), a wholly-owned subsidiary of the Group, a licence to establish and manage the smart metering communications infrastructure governed by the Smart Energy Code. Each year the Group reassesses whether it has control over DCC as required under IFRS 10. The Group's ability to control the relevant activities of DCC is restricted by DCC's operating licence. The power that the Group has over DCC's relevant activities by virtue of owning it is limited due to the restrictions in the licence. That power is held by the board of DCC where the Group has minority representation to ensure compliance with the licence. Consequently, the Group has not consolidated DCC within its Group financial statements. The disclosure of related party transactions with DCC is included in note 6.1.

[illegible]

This section details employee related items that are not explained elsewhere in the financial statements.

In this section you will find disclosures about:

5.1 Share-based payment plans

5.2 Pensions

5.3 Employee benefit expense

AP Denotes accounting policies

Denotes significant accounting judgements, estimates and assumptions

Additional funding into the defined benefit schemes

[illegible]

Net defined benefit pension surplus

[illegible]

Employee benefit expense

[illegible]

[illegible]

Net defined benefit pension asset	2022 £m	[illegible]	[illegible]
[illegible]	(1,136.1)	[illegible]	[illegible]
[illegible]	1,175.7	[illegible]	[illegible]
Net defined pension asset after effect of asset ceiling limit	39.6	[illegible]	[illegible]

[illegible]

[illegible]

[illegible]

The Group operates a number of executive and employee equity-settled share schemes.

AP Accounting policies

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.

[illegible]

[illegible]

[illegible]

Deferred annual bonus plan

[illegible]

[illegible]

[illegible]

[illegible]

Long-term incentive plans (LTIPs)

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

Capita Executive Plan 2021

The Capita Executive Plan was approved by shareholders at the 2021 AGM. Under this plan restricted share awards (RSAs) are granted to executives.

With the exception of the executive directors, RSAs granted in 2021 and 2022 are split into three equal tranches that may vest on the first, second and third anniversary of the grant date. The awards are not subject to a performance underpin.

Details of the Capita Executive Plan RSAs made to executive directors and the associated underpins are set out in the directors' remuneration report on page 11[illegible].

	2022 No m	[illegible]
Outstanding at 1 January	**46.4**	48.5
Awarded during the year	**28.5**	15.8
Exercised	**(8.8)**	(9.8)
Forfeited	**(24.4)**	(8.1)
Outstanding at 31 December	**41.7**	46.4
Exercisable at 31 December	**—**	—

The weighted average remaining contractual life of the above shares outstanding at 31 December 2022 was 1.3 years (2021: [illegible]).

All schemes

[illegible]

[illegible]

[illegible]

AP Accounting policies

[illegible]

Significant accounting judgements, estimates and assumptions

The measurement of defined benefit obligations – the accounting cost of these benefits and the present value of pension liabilities involve judgements about uncertain events including such factors as the life expectancy of members, the salary progression of current employees, price inflation and the discount rate used to calculate the net present value of the future pension payments. The Group uses estimates for all of these factors in determining the pension costs and liabilities incorporated in the consolidated financial statements. The assumptions reflect historical experience and judgement regarding future expectations.

The Group continued to set RPI inflation in accordance with the market breakeven expectations less an inflation risk premium. The inflation risk premium has remained at 0.25% [illegible]. For CPI, the Group retained the assumed difference between RPI and CPI at an average of [illegible].

Short-term inflation expectations continued to rise due to the global economic recovery from the initial phase of Covid-19, combined with supply constraints in certain sectors such as energy. Current inflation levels exceed 10% pa. This will have an impact on pension increases that are linked to inflation and the impact, where applicable, has been reflected in the disclosures. It should be noted that a material proportion of pension increases are capped at different levels, but the main cap is 5% [illegible] with some caps applying annually and others applying over a period of years.

The impact of Covid-19 on the future life expectancy continues to be uncertain. The pandemic is likely to have an impact on the setting of appropriate life expectancy assumptions and models for future improvements [illegible] [illegible]

Pension expense included in the consolidated income statement

	2022 £m
Defined contribution scheme	**55.2**
Defined benefit schemes	
[illegible]	**4.4**
Administration [illegible]	**3.9**
[illegible]	**0.6**
[illegible]	**0.1**
[illegible]	**(3.6)**
Total defined benefit schemes	**5.4**
Total charged to profit before tax in the consolidated income statement	**60.6**

At 31 December 2022 [illegible] the Capita Pension and Life Assurance Scheme.

The Capita Pension and Life Assurance Scheme (CPLAS)

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

As a result of the funding valuation, the Group and the Trustee Board agreed the following plan to eliminate the deficit, effective from 1 July 2021:

	[illegible]	[illegible]	[illegible]
Deficit contribution	£[59.0m?]	£30.0m	£30.0m

[illegible]

[illegible]

In addition to the above, the Group has agreed to make additional 'non-statutory' contributions of £15m each year in 2024, 2025 and 2026 to meet a secondary funding target. The aim of which is to target, by 2026, the position of having sufficient assets to invest in a portfolio of low-risk assets with a low dependency covenant that will generate income to pay members' benefits as they fall due.

The next full actuarial valuation is due to be carried out with an effective date of 31 March 2023 and as part of that valuation the contribution requirements will be reviewed, and if necessary, amended. For the purpose of these accounts, an independent qualified actuary projected the results of the 31 March 2020 actuarial valuation to 31 December 2022 taking account of the relevant accounting requirements.

Approximate funding updates are produced at each scheme anniversary, when a full actuarial valuation is not being undertaken. The most recent of these at 31 March 2022 showed a funding level of 10[?]% on a Technical Provisions basis.

The Group expects to contribute around £[59m?] to the CPGPAS during 2023. This includes the regular deficit contributions on a [illegible] basis as noted above.

Other defined benefit schemes

The total employer contributions to the 'Other' schemes during 2023 are estimated to be £[illegible].

[illegible]

For the Agenda [illegible] scheme [illegible] the contract [illegible] January 2021 [illegible] required to pay regular contributions as [illegible] by the Scheme Actuary and as detailed in the scheme's Schedule of Contributions. On 2 February 2022 the scheme confirmed that, in accordance with their funding strategy statement, [illegible] January 2021 and [illegible] an exit credit payment of £[illegible] was due from the scheme to the Group. The payment was received by the Group on 17 March 2022 and no further amounts are due to the Group and the scheme's assets and liabilities [illegible] settled.

[illegible]

- Three segregated sections in an industry-wide scheme under which defined benefits are [illegible]. The latest full actuarial valuation as at 31 December 2018 showed that two of these sections were in surplus and the [illegible] deficit [illegible]. The third section showed a small deficit but the Trustees agreed that no deficit contributions would be required. The actuarial valuations as at 31 December 2021 are currently in progress and as part of these valuations the contribution requirements will be reviewed and if necessary amended. There [illegible] subsidiary [illegible] employer [illegible] sections.
- Participation in a [illegible] associated multi-employer scheme under which defined benefits are [illegible] to accrue. The latest full actuarial valuation as at 30 September 2020 resulted in the Group agreeing to pay deficit contributions [illegible] a year [illegible] 2028 [illegible]. At 30 September 2021 [illegible] estimated [illegible].

[illegible]

The Group's [illegible] defined benefit scheme [illegible] classified as [illegible] scheme [illegible] have been [illegible] of the trustees and its assets are denominated in euro. This scheme is governed by UK regulations and subject to the requirements [illegible] There are two segregated sections in the scheme. The latest full actuarial valuation at 31 March 2022 showed a funding surplus for both the main section and the [illegible] section and consequently no deficit contributions are required [illegible]. There are no members left accruing benefits.

The Group [illegible] schemes that provide defined contribution benefits [illegible] and are therefore accounted as defined [illegible] IAS 19. They are administered and governed through [illegible] the legal entities. Benefits [illegible] in these schemes.

[illegible]

There are a further [illegible] (2021: [illegible]) defined benefit pension arrangements in which various Group [illegible] 2022. Of these arrangements 41 (2021: 41) relate to [illegible] funded and unfunded public sector schemes [illegible] Admitted Body Arrangements as described above [illegible] contractual protections are in place allowing actuarial and investment risk to be passed [illegible] and customer via recoveries [illegible]. The nature of these arrangements vary from contract to contract, [illegible], all or for the majority of contracts this payable [illegible] at an initial rate agreed at the inception [illegible] as well as exit payments [illegible] schemes at the cessation of the contract [illegible] actuarial and investment risk [illegible].

[illegible] contributions [illegible] paid to the [illegible] schemes [illegible].

[illegible]

Risks associated with the Group's pension schemes

The defined benefit pension schemes expose the Group to various risks, with the key risks set out below:

Investment risk: the schemes invest in a wide range of assets with a view to provide long-term investment returns at particular levels. There is a risk that investment returns are lower than expected which, in isolation, could result in a worsening of the funding position of the schemes.

Interest rate risk: the IAS 19 discount rate is derived based on the yields available on good quality corporate bonds of suitable duration. If these yields decrease then, in isolation, this would increase the value placed on the IAS 19 obligation and result in a worsening of the funding position of the schemes.

Inflation risk: the liabilities of the schemes are linked to future levels of inflation. If future inflation is higher than expected then this would result in the cost of providing the benefits increasing and thereby worsening the funding position of the schemes.

Longevity risk: if members live longer than expected, their pensions will be paid for a longer time which will increase the value placed on the liabilities and therefore worsen the funding position of the schemes.

Environmental Social and Governance (ESG) risk: ESG risk relates to these issues having a detrimental impact on financial returns. The fiduciary manager has policies in place to reduce this risk, although there is a higher risk in older externally held assets.

[illegible]

- [illegible]
- [illegible]

[illegible]

[illegible]

[illegible]

Change in assumptions compared with 31 December 2022 actuarial assumptions [illegible]	Group Total £m
[illegible]	1,136.1
[illegible]	1,223.6
[illegible]	1,137.4
[illegible]	1,184.9
[illegible]	1,169.7

[illegible]

Section [illegible] benefits continued

Assets and liabilities

Under IAS 19, plan assets must be valued at their fair value on the balance sheet date. The plan assets are made up of quoted and unquoted investments, and asset valuations have been sourced from the respective scheme's investment managers and custodians, based on their pricing sources and methodologies. Unquoted investments require more judgement because their values are not directly observable. The assumptions used in valuing unquoted investments are affected by current market conditions which could result in changes in fair value after the measurement date.

For the main asset categories:

- Equities listed on recognised stock exchanges are valued at closing bid prices.
- Bonds are measured using a combination of broker quotes and pricing models making assumptions for credit and market risks and market yield curves.
- Properties are valued on the basis of an open market value or are valued using models based on discounted cash flow techniques.
- Assets in investment funds are valued at fair value which is typically the net asset value provided by the investment manager.
- Certain unlisted investments are valued using a model based valuation such as discounted cash flow.
- The value of bulk annuity contracts has been assessed by discounting the projected cash flows payable under the contracts (projected by an actuary, consistent with the terms of the contracts) and is equal to the corresponding liability calculated by reference to the IAS 19 assumptions.

The assets and liabilities of all [illegible] defined benefit pension schemes [illegible] at 31 December are:

						Group total
			2022			2021
	Quoted £m	Unquoted £m	Total £m	[illegible]	[illegible]	[illegible]
Scheme assets at fair value:						
Equities						
– UK	0.2	2.5	2.7	[illegible]	[illegible]	[illegible]
– Overseas	2.0	24.8	26.8	[illegible]	[illegible]	[illegible]
– Private	0.2	—	0.2	[illegible]	—	[illegible]
	2.4	27.3	29.7	[illegible]	[illegible]	[illegible]
Debt securities:						
– UK Government	482.0	—	482.0	[illegible]	[illegible]	[illegible]
– UK Corporates	0.4	11.6	12.0	1.1	[illegible]	[illegible]
– Overseas Government	10.1	11.4	21.5	[illegible]	[illegible]	[illegible]
– Overseas Corporate	0.9	101.0	101.9	[illegible]	[illegible]	[illegible]
– Emerging Markets	0.5	27.3	27.8	[illegible]	—	[illegible]
Private Debt	—	134.5	134.5		[illegible]	[illegible]
Securitised [illegible]	—	39.8	39.8	[illegible]	—	[illegible]
	493.9	325.6	819.5	[illegible]	[illegible]	[illegible]
Property	2.6	88.2	90.8	[illegible]	[illegible]	[illegible]
Infrastructure	1.5	—	1.5	[illegible]	—	[illegible]
Credit Funds	2.7	—	2.7	[illegible]	[illegible]	[illegible]
Hedge Fund	—	2.1	2.1	—	54.1	[illegible]
Absolute Return Funds	0.1	—	0.1	[illegible]	—	[illegible]
Diversified Growth Funds	—	—	—	—	[illegible]	[illegible]
Insurance Contracts	—	71.4	71.4	—	[illegible]	[illegible]
Cash	34.3	133.2	167.5	[illegible]	11.2	[illegible]
Other	(8.5)	(1.1)	(9.6)	1.2	8.4	[illegible]
	32.7	293.8	326.5	[illegible]	[illegible]	[illegible]
Total	529.0	646.7	1,175.7	[illegible]	[illegible]	[illegible]
Present value of scheme liabilities before effect of asset ceiling limit			(1,136.0)			[illegible]
Net surplus before effect of asset ceiling limit			39.7			3.1
Effect of asset ceiling limit			(0.1)			[illegible]
Present value of scheme liabilities after effect of asset ceiling limit			(1,136.1)			[illegible]
Net surplus after effect of asset ceiling limit			39.6			[illegible]

[illegible]

The CPLAS Trustee Board invests in Liability Driven Investments (LDIs) as part of a risk hedging strategy. The aim of the strategy is to match the value of the assets to the movement in liabilities (on a funding basis) arising from changes in market expectations of future inflation rates and future gilt yields. In order to achieve this, LDIs invest in a variety of instruments including gilts, synthetic gilts (combination of repurchase agreements, reverse repurchase agreements and total return swaps) and cash. In the table above, the LDI as at 31 December 2022 (approximately £484.3m) has been mapped as 37.0% Quoted UK Government Bonds, 1.7% Quoted Overseas Government Bonds, 3.1% Quoted Cash and -1.3% Quoted Other.

The assets do not include any directly owned financial instruments issued by the Group.

Within the Private Debt allocation, approximately £97.3m relates to lagged valuations as at 30 September 2022. Allowance has been made for broad market movements and distributions over the period to 31 December 2022.

In accordance with the CPLAS Trustee Board's focus on financially material considerations, it is acknowledged that Environment, Social and Governance (ESG) factors can impact security prices. The CPLAS Trustee Board has discussed their views on ESG factors, and considered the Group's perspective, and developed responsible investment beliefs. These can be found in the CPLAS's Statement of Investment Principles (which can be found at https://www.cplas-pens.org.uk/library).

IFRIC 14

The Group has considered the impact of IFRIC 14 on the various schemes in relation to either recognising a surplus or allowing for the impact of any funding commitments made, and has concluded (based on the interpretation of the rules for each of the schemes) that IFRIC 14 would [illegible] the balance sheet date for only one scheme [illegible] the balance sheet position. For the CPLAS, the Group's main defined benefit scheme, IFRIC 14 would not limit the surplus [illegible] at the balance sheet date [illegible] the Group has an unconditional right to a refund at some point during the life of the scheme.

Reconciliation of retirement benefits

[illegible]

[illegible]

- [illegible]
- [illegible]
- [illegible]
- [illegible]

[illegible]

All schemes are partly or wholly funded, and the following table shows the components of the movements from the opening to the closing balances for the net defined benefit obligation

	Defined benefit obligation		Fair value of plan assets		Net defined obligation (Group total)	
	2022 £m	[illegible]	2022 £m	[illegible]	2022 £m	[illegible]
At 1 January	(1,791.5)	(1,882.3)	1,797.3	1,630.2	5.8	(252.1)
Included in the consolidated income statement:						
Current service cost	(4.4)	(6.3)	—	—	(4.4)	(6.3)
Administration costs	(3.9)	(3.5)	—	—	(3.9)	(3.5)
Past service cost	(0.6)	[illegible]	—	—	(0.6)	[illegible]
Effect of settlements	0.1	5.5	(0.2)	(4.8)	(0.1)	0.7
Interest income/(expense)	(44.0)	(27.5)	47.6	26.0	3.6	(1.5)
Sub-total in consolidated income statement	(52.8)	(31.6)	47.4	21.2	(5.4)	(10.4)
Included in other comprehensive income:						
Actuarial gains/losses arising from:						
– demographic assumptions	6.8	[illegible]	—	—	6.8	[illegible]
– financial assumptions	706.1	[illegible]	—	—	706.1	[illegible]
– experience adjustments	(50.4)	[illegible]	—	—	(50.4)	[illegible]
– changes in asset ceiling [illegible]	2.3	[illegible]	—	—	2.3	[illegible]
Return on plan assets excluding interest	—	—	(673.7)	[illegible]	(673.7)	[illegible]
Sub-total in other comprehensive income	664.8	[illegible]	(673.7)	[illegible]	(8.9)	[illegible]
Employer contributions	(0.2)	—	48.7	[illegible]	48.5	[illegible]
Contributions by employees	(1.7)	[illegible]	1.7	[illegible]	—	—
Benefits paid	47.8	[illegible]	(47.8)	[illegible]	—	—
Exchange movements [illegible]	(2.5)	[illegible]	2.1	[illegible]	(0.4)	—
At 31 December	(1,136.1)	[illegible]	1,175.7	[illegible]	39.6	[illegible]
Schemes in a net surplus:						
CPLAS	(1,087.0)	[illegible]	1,126.3	[illegible]	39.3	[illegible]
Other schemes	(15.2)	[illegible]	18.6	[illegible]	3.4	[illegible]
	(1,102.2)	[illegible]	1,144.9	[illegible]	42.7	[illegible]
Schemes in a net deficit:						
[illegible]	(33.9)	[illegible]	30.8	[illegible]	(3.1)	[illegible]
	(33.9)	[illegible]	30.8	34.9	(3.1)	(7.5)
At 31 December	(1,136.1)	[illegible]	1,175.7	[illegible]	39.6	[illegible]

[illegible]

[illegible]

Breakdown of liabilities for the CPLAS

[illegible] CPLAS

	Proportion of overall liability %	Duration (years)	[illegible]	[illegible]
	2022	2022	[illegible]	[illegible]
Active members	6	16.9	[illegible]	[illegible]
Deferred members	59	18.0	[illegible]	[illegible]
Pensioners	35	10.6	[illegible]	[illegible]
Total percentage / average duration	100	15.5	[illegible]	[illegible]

[illegible]

[illegible]

Financial and demographic assumptions

Main assumptions	All schemes 2022 %	[illegible]
Rate of price inflation – RPI	**3.15**	3.30
Rate of price inflation – CPI	**2.50**	2.65
Rate of salary increase	**3.15**	3.30
Rate of increase of pensions in payment:		
– RPI inflation capped at 5% per annum	**3.05**	[illegible]
– RPI inflation capped at 2.5% per annum	**2.15**	[illegible]
– CPI inflation capped at 5% per annum	**2.50**	[illegible]
Discount rate	**4.75**	1.90
Expected take-up of maximum available tax free cash	**85.00**	85.00

[illegible]

The average future life expectancy from age 65 on which the mortality tables used to determine scheme liabilities for the various different schemes at 31 December 2022 and 31 December 2021 are as follows:

	Member currently aged 65 (current life expectancy)				Member currently aged 45 (life expectancy at 65)			
	Male		Female		Male		Female	
	2022	[illegible]	2022	[illegible]	2022	[illegible]	2022	[illegible]
Capita Scheme	**22.4**	[illegible]	**24.3**	[illegible]	**22.3**	[illegible]	**25.2**	[illegible]
Other Schemes	**21.1 to 22.7**	[illegible]	**23.7 to 24.5**	[illegible]	**22.3 to 25.0**	[illegible]	**25.2 to 26.5**	[illegible]

[illegible]

AP Accounting policies

[illegible]

	2022 £m	[illegible]
[illegible]	**1,536.1**	[illegible]
[illegible]	**152.4**	[illegible]
[illegible]	**64.2**	[illegible]
[illegible]	**5.4**	[illegible]
	1,758.1	[illegible]

[illegible]

The aggregate amount of directors' remuneration (salary, bonus and benefits) is shown on page 111 of the directors' remuneration report.

- The aggregate amount of gains made by directors on exercise of share options was £110,102 (2021: £nil) (refer to note 6.1).
- The remuneration of the highest paid director was £1,767,472 (2021: £1,180,415).
- Payments have been made to a defined contribution pension scheme on behalf of five directors (2021: four directors). For the highest paid director, pension contributions of £37,400 (2021: £36,250) were made.

The average number of employees during the year was made up as follows	2022 Number	2021 Number
Sales	598	766
Administration	3,093	3,259
Operations	47,509	49,305
	51,200	53,330

[illegible]

This section includes disclosures of those items that are not explained elsewhere in the financial statements.

In this section you will find disclosures about:

6.1 Related-party transactions
6.2 Contingent liabilities
6.3 Post balance sheet events

AP **Denotes accounting policies**

Compensation of key management personnel

	2022 £m	[illegible]
Short-term employment benefits	7.6	12.7
Pensions	—	—
Share-based payments	2.2	0.3
	9.8	13.0

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

Committed bridge facility

[illegible]

Section 7: Company financial statements

This section presents the company only financial statements for Capita plc (the Company). In this section, you will find the following:

7.1 Company balance sheet

7.2 Company statement of changes in equity

7.3 Notes to the Company financial statements

AP ***Denotes accounting policies***

Denotes significant accounting judgements, estimates and assumptions

	[illegible]	2022 £m	[illegible]
Non-current assets			
Intangible assets	[illegible]	—	26.8
Tangible assets	[illegible]	0.8	13.2
Investments	[illegible]	994.3	[illegible]
Financial assets	[illegible]	20.8	[illegible]
Deferred tax assets	[illegible]	11.2	[illegible]
[illegible]	[illegible]	64.4	—
Trade and other receivables	[illegible]	—	[illegible]
		1.091.5	[illegible]
Current assets			
Financial assets	[illegible]	15.7	[illegible]
[illegible]	[illegible]	2,494.8	[illegible]
Trade and other receivables	[illegible]	1.6	[illegible]
Income tax receivable		33.6	[illegible]
Cash		—	[illegible]
		2,545.7	[illegible]
Total assets		3,637.2	[illegible]
Current liabilities			
[illegible]	[illegible]	2,302.7	[illegible]
Trade and other payables	[illegible]	9.6	[illegible]
[illegible]		16.6	[illegible]
Overdrafts		14.6	[illegible]
[illegible]	[illegible]	—	[illegible]
Financial liabilities	[illegible]	0.1	[illegible]
Provisions	[illegible]	4.8	[illegible]
		2,348.4	[illegible]
Non-current liabilities			
Trade and other payables	[illegible]	—	[illegible]
[illegible]	[illegible]	44.2	[illegible]
Financial liabilities	[illegible]	1.0	[illegible]
		45.2	[illegible]
Total liabilities		2,393.6	[illegible]
Net assets		1,243.6	[illegible]
Capital and reserves			
Issued share capital	[illegible]	34.8	[illegible]
Employee benefit trust and treasury shares	[illegible]	(4.2)	[illegible]
Share premium	[illegible]	1,145.5	[illegible]
Capital redemption reserve		1.8	1.8
Merger reserve		44.6	[illegible]
Cash flow hedging reserve		—	[illegible]
Retained earnings		21.1	[illegible]
Total equity		1,243.6	1.292.6

[illegible]

[illegible]

[illegible]

Jon Lewis **Tim Weller**

[illegible]

[illegible]

	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
At 1 January 2021	34.5	(11.2)	1,143.3	1.8	44.6	(4.6)	274.5	1,482.9
Loss for the year	—	—	—	—	—	—	(198.0)	(198.0)
Other comprehensive expense	—	—	—	—	—	3.9	—	3.9
Total comprehensive expense for the year	—	—	—	—	—	3.9	(198.0)	(194.1)
Shares issued	0.3	(0.3)	—	—	—	—	—	—
VAT refund on rights issue issuance costs	—	—	2.2	—	—	—	—	2.2
Exercise of share options under employee long-term incentive plans	—	3.5	—	—	—	—	(3.5)	—
Share-based payment net of tax effects	—	—	—	—	—	—	1.6	1.6
At 1 January 2022	34.8	(8.0)	1,145.5	1.8	44.6	(0.7)	74.6	1,292.6
Loss for the year	—	—	—	—	—	—	**(55.1)**	**(55.1)**
Other comprehensive expense	—	—	—	—	—	**0.7**	—	**0.7**
Total comprehensive expense for the year	—	—	—	—	—	**0.7**	**(55.1)**	**(54.4)**
Shares issued	—	—	—	—	—	—	—	—
Exercise of share options under employee long-term incentive plans	—	**3.8**	—	—	—	—	**(3.8)**	—
Share-based payment net of tax effects	—	—	—	—	—	—	**5.4**	**5.4**
At 31 December 2022	**34.8**	**(4.2)**	**1,145.5**	**1.8**	**44.6**	—	**21.1**	**1,243.6**

[illegible]

Share capital – [illegible]

Employee benefit trust and treasury shares – [illegible]

Share premium – [illegible]

Capital redemption reserve – [illegible]

Merger reserve – [illegible]

Cash flow hedging reserves – [illegible]

Retained earnings – [illegible]

[illegible]

[illegible] financial statements [illegible]

[illegible]

Accounting policies

Basis of preparation
In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards, but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The financial statements have been prepared in accordance with Financial Reporting Standard 101 – *Reduced Disclosure Framework* (FRS 101) as issued by the Financial Reporting Council. The Company has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions.

The financial statements have been prepared on the historical cost basis and on the going concern basis, except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. The principal accounting policies adopted are the same as those set out in Section [illegible] of the consolidated financial statements, except as noted below.

[illegible]

Significant accounting judgements, estimates and assumptions

The Company has investments in subsidiaries which are [illegible] at cost less provisions for impairment. Investments in subsidiaries are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

The Company determines whether investments in subsidiaries are impaired [illegible] impairment indicators. If an indicator is identified, an impairment test is performed. This [illegible] estimation of the recoverable value of the investment [illegible] determined [illegible] the greater of discounted future cash flows [illegible] discount rate [illegible] the recoverable value of the investment [illegible] company.

[illegible]

The Company participates in a defined contribution scheme whose contributions are charged to the [illegible] in the year in which they are due. The scheme [illegible] and the payment of contributions [illegible] separately administered [illegible] assets of the scheme are held separately from the Company. The Company remits monthly pension contributions to Capita Business Services Limited, a subsidiary undertaking, which [illegible] the Group liability centrally. Any [illegible] in the accounts of that company.

The Company also has employees who are members of a defined benefit scheme operated by the Group: the Capita Pension & Life Assurance Scheme (the Capita DB Scheme). The Company has [illegible] employee who continues to accrue benefits in the Capita DB Scheme.

The last [illegible] employee [illegible] transferred to a subsidiary company on [illegible] November 202[illegible]. Since the Company [illegible] has any active members in the Capita DB Scheme, this triggered a cessation event which gives rise to a Section 75 debt [illegible] participating employer to the trustees of a multi-employer defined benefit pension scheme [illegible]. However, the Trustee Board of the Capita DB Scheme has agreed that the pension liabilities [illegible] to the Company [illegible] transferred to Capita Business Services Limited (the Principal Employer of the Capita DB Scheme) which will remove the Section [illegible] from the Company. This Flexible Apportionment Arrangement (FAA) is expected to be finalised in 202[illegible]. Following the finalisation of the FAA, the Company will no longer be a formal participating employer in the Capita DB Scheme.

Since there is no contractual arrangement or stated Group policy for charging the net defined benefit cost of the Capita DB Scheme to participating entities, the net defined benefit cost is recognised fully by Capita Business Services Limited. The Company then recognises a cost equal to its contribution payable for the period. The contributions payable by the participating entities are determined on the following basis:

- The Capita DB Scheme provides benefits on a defined benefit basis funded from assets held in a separate trustee-administered fund.
- The Capita DB Scheme is a [illegible] scheme with around 200 different sections in the scheme, where [illegible] on a particular basis [illegible] final salary, some based on career average earnings [illegible] particular [illegible].
- At each full actuarial valuation of the Capita DB Scheme carried out triennially, the contribution rates for those sections containing active members are calculated. These [illegible] sections with similar employer contribution rates [illegible] expressed as a percentage of pensionable pay [illegible] together and an average employer contribution rate for each of these [illegible] groups calculated.
- The Company's contributions [illegible] calculated by applying the [illegible] average employer [illegible] to the pensionable pay of its employees [illegible] Capita DB Scheme.

A full actuarial valuation of the Capita DB Scheme is carried out every three years by an independent qualified actuary for the Trustee Board, with the last full actuarial valuation [illegible] as at 31 March 2023. The purpose of that valuation is to design a [illegible] the Capita DB Scheme [illegible] Capita Business Services Limited [illegible] March 20[illegible] [illegible]

[illegible]

[illegible]

The Trustee Board has agreed with Capita Business Services Limited to accelerate the payment of some of the deficit contributions on a pound for pound basis in the event of disposal proceeds being used to fund mandatory prepayments of debt.

The next scheme funding assessment is expected to be carried out with an effective date of 31 March 2023.

Note 5.2 of the Group's consolidated financial statements sets out more detail about the pension obligations.

[illegible]

Subsidiary companies of the Company reimburse the Company through the inter-company account for charges attributable to their employees participating in the Company's share schemes.

[illegible]

Significant accounting judgements, estimates and assumptions

[illegible]

	[illegible]	[illegible]	[illegible]
Cost			
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	(31.1)	(15.7)	(46.8)
[illegible]	(0.7)	—	(0.7)
At 31 December 2022	—	—	—
Amortisation			
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	5.1	0.9	6.0
[illegible]	(15.9)	(10.4)	(26.3)
[illegible]	(0.4)	—	(0.4)
At 31 December 2022	—	—	—
Net book value:			
[illegible]	[illegible]	[illegible]	[illegible]
At 31 December 2022	—	—	—

[illegible]

[illegible]

	[illegible]	[illegible]	[illegible]	[illegible]
Cost				
At 1 January 2022	22.2	1.3	0.4	23.9
Additions	**3.0**	**0.1**	**—**	**3.1**
Intragroup transfer	**(23.9)**	**0.1**	**—**	**(23.8)**
Asset retirements	**(1.3)**	**(0.1)**	**—**	**(1.4)**
At 31 December 2022	**—**	**1.4**	**0.4**	**1.8**
Depreciation				
At 1 January 2022	9.8	[illegible]	0.4	10.7
Charge for the year	**4.7**	**0.3**	**—**	**5.0**
Intragroup transfer	**(13.2)**	**(0.1)**	**—**	**(13.3)**
Asset retirements	**(1.3)**	**(0.1)**	**—**	**(1.4)**
At 31 December 2022	**—**	**0.6**	**0.4**	**1.0**
Net book value:				
At 1 January 2022	12.4	[illegible]	[illegible]	13.2
At 31 December 2022	**—**	**0.8**	**—**	**0.8**

[illegible]

	[illegible]
Net book value	
At 1 January 2022	[illegible]
Additions	**54.0**
Impairment	**(7.0)**
At 31 December 2022	**994.3**

[illegible]

Direct investments	[illegible]	[illegible]
[illegible]	65 Gresham Street, London, England, EC2V 7NQ	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible] Guernsey	[illegible]
[illegible]	65 Gresham Street, London, England, EC2V 7NQ	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	65 Gresham Street, London, England, EC2V 7NQ	[illegible]
[illegible]	65 Gresham Street, London, England, EC2V 7NQ	[illegible]
[illegible]	2nd Floor, Block [illegible] D01P767	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	65 Gresham Street, London, England, EC2V 7NQ	[illegible]

[illegible]

[illegible]

Certain subsidiaries of the Group have opted to take advantage of a statutory exemption from having an audit in respect of their individual statutory accounts. Strict criteria must be met for this exemption to be taken and has been agreed to by the directors of those subsidiary entities.

Listed in note 7.3.1[illegible] to the Company financial statements are subsidiaries controlled and consolidated by the Group, where the directors have taken advantage of the exemption from having an audit of the [illegible] individual financial statements for the year ended 31 December 2022 in accordance with Section 479A of The Companies Act 2006.

To facilitate the adoption of this exemption, Capita plc, the parent company of the subsidiaries concerned, undertakes to provide a guarantee under Section 479C of the Companies Act 2006 in respect of those subsidiaries. Details of all indirect subsidiaries as required under Section 409 of the Companies Act 2006 are reported in note 7.3.17 to the Company financial statements.

The Company considered whether there was an indicator of impairment in investments in subsidiaries at 31 December 2022 and due to the Company's market capitalisation being below the carrying value of the Company's net assets, concluded [illegible] existed and performed an impairment test.

The impairment test

The cash flow projections used for the impairment test are derived from the 2023-2025 business plan approved by the Board. The enterprise value is then calculated based on the present value of estimated future cash flows discounted at the current market rate of return.

The long-term growth rate is based on [illegible] and this has been applied to the forecast cash flows for the terminal period. The 2022 long-term growth rate is 2.[illegible] (2021: [illegible]).

Management estimates discount rates using pre-tax rates that reflect [illegible] market assessment [illegible] the equity risk premium and the [illegible] are [illegible] on [illegible] available external sources.

The table below presents the pre-tax discount rates applied to [illegible] for 2022 and 2021:

	Capita Public Service	Capita Experience	Capita Portfolio: People	Software	Business Solutions	Travel	Fera
2022	11.[illegible]	10.[illegible]	14.[illegible]	1[illegible]	[illegible]	[illegible]	11.[illegible]
2021	1[illegible]	11.[illegible]	1[illegible]	1[illegible]	[illegible]	15.[illegible]	11.[illegible]

[illegible]

[illegible]

[illegible]

	1% increase in discount rate £m	[illegible] reduction in long-term growth rate £m	Severe but plausible downside £m	Combination sensitivity £m
[illegible] Limited	—	—	—	—
Capita Financial [illegible] Limited	—	—	—	—
[illegible]			—	—
[illegible]				—
[illegible] Limited			—	—
Capita Life & Pensions Regulated Services Limited			—	—
Capita Employee Benefits Holdings Limited	—	—	—	—

At 31 December 2022 [illegible] (2021: £[illegible]m) [illegible]

Management [illegible]

[illegible]

	Financial assets 2022 £m	Financial liabilities 2022 £m	[illegible]	[illegible]
Cash flow hedges	—	—	0.9	1.8
Non-designated foreign exchange forwards and swaps	10.7	0.1	1.8	[illegible]
Lease liabilities	—	—	—	0.1
Cross-currency interest rate swaps	25.8	1.0	30.2	2.2
	36.5	1.1	32.9	[illegible]
Analysed as:				
Current	15.7	0.1	10.9	5.2
Non-current	20.8	1.0	22.0	[illegible]
	36.5	1.1	32.9	[illegible]

	2022 £m	[illegible]
Deferred tax included in the balance sheet is as follows:		
Accelerated capital allowances	3.9	[illegible]
Tax losses	1.0	[illegible]
Other short-term timing differences	6.3	[illegible]
	11.2	[illegible]

	Current		Non-current	
	2022 £m	[illegible]	2022 £m	[illegible]
Amounts owed by subsidiary companies	2,494.8	2,619.8	64.4	—

[illegible]

[illegible]

	Current		Non-current	
	2022 £m	[illegible]	2022 £m	[illegible]
Amounts owed to subsidiary companies	2,302.7	[illegible]	—	

[illegible]

	Current		Non-current	
	2022 £m	[illegible]	2022 £m	[illegible]
Trade receivables	—	—	—	—
Other debtors	1.1	2.0	—	
Other taxes and social security	0.1	[illegible]	—	[illegible]
Prepayments	0.4	[illegible]	—	[illegible]
	1.6	13.1	—	[illegible]

[illegible]

	Current		Non-current	
	2022 £m	[illegible]	2022 £m	[illegible]
Trade creditors	**8.9**	[illegible]	—	—
Other creditors	**0.7**	0.7	—	0.3
	9.6	7.9	—	0.3

[illegible]

	2022 £m	[illegible]
At 1 January	**8.2**	17.3
Provisions provided for during the year	**1.6**	8.8
Provisions released during the year	**(1.2)**	(5.9)
Utilisation	**(3.8)**	(12.0)
At 31 December	**4.8**	8.2

[illegible]

	2022 £m	[illegible]
Private placement loan notes	**44.2**	[illegible]
Credit facilities	**—**	[illegible]
	44.2	[illegible]

[illegible]

Maturity analysis of total loans:		
Falling due within 1 year	—	[illegible]
Falling due after more than 5 years	**44.2**	[illegible]
Total borrowings	**44.2**	[illegible]

[illegible]

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total of non-sterling denominated private placement loan notes			[illegible]	

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

In the following amounts for purchases and sales are for transactions invoiced during the year inclusive of VAT where applicable. All transactions are undertaken at arm's-length prices.

During the year the Company sold goods/services in the normal course of business to Entrust Support Services Limited for £1.2m (2021: £0.8m). The Company purchased goods/services in the normal course of business for £0.4m (2021: £0.3m). At the balance sheet date the net amount receivable from Entrust Support Services Limited was £nil (2021: £nil).

During the year the Company sold goods/services in the normal course of business to Capita Glamorgan Consultancy Limited for £0.1m (2021: £0.1m). The Company purchased goods/services in the normal course of business for £nil (2021: £nil). At the balance sheet date the net amount receivable from Capita Glamorgan Consultancy Limited was £nil (2021: £nil).

During the year the Company sold goods/services in the normal course of business to Fera Science Limited for £0.7m (2021: £0.6m). The Company purchased goods/services in the normal course of business for £0.1m (2021: £nil). At the balance sheet date the net amount receivable from Fera Science Limited was £nil (2021: £nil).

The Company operates defined benefit and defined contribution schemes. The pension charge for these schemes for the year was £1.7m (2021: £2.0m).

The Company operates [illegible] share-based payment [illegible] of the schemes [illegible] financial statements.

The [illegible] share-based payments in respect of employee services [illegible] year to 31 December 2022 [illegible] (2021: £1.2m) [illegible] share-based payment [illegible] in respect of share-based payments [illegible] (2021: £0.6m).

The stated address relates to the place of incorporation of the entity, which is the same as its tax residence in all cases other than Capita Group Insurance PCC Limited which is incorporated in Guernsey but which is tax resident in the UK.

Unless otherwise indicated, all shareholdings are owned indirectly by the company and represent 100% of the issued share capital of the subsidiary. Dormant companies are marked (D).

Company name	Share class	Company name	Share class
[illegible]	£1.00 Ordinary	Capita Group Insurance PCC Limited	[illegible]
[illegible]	[illegible] Ordinary	[illegible]	[illegible]
[illegible]	£1.00 Ordinary	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible] ●	[illegible] Ordinary	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
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[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

Company name	Share class	Company name	Share class
[illegible]	£1.00 Ordinary	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	N/A	[illegible]	[illegible]
[illegible]	N/A	[illegible]	[illegible]
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[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

Footnotes

Registered office address

Listed below are subsidiaries controlled and consolidated by the Group where the directors have taken the exemption from having an audit of its financial statements for the year ended 31 December 2022. This exemption is taken in accordance with Section 479A of the Companies Act.

Company name	Company registration	Company name	Company registration
Akinika Debt Recovery Limited	1242485	Capita Southampton Limited	10207906
Akinika Limited	1613010	Capita Symonds (Asia) Limited	3023340
Booking Services International Limited	1833039	Capita Travel & Events Holdings Limited	6258931
Brentside Communications Limited	1991595	CHKS Limited	[illegible]
Brightwave Enterprises Limited	7066783	Clinical Solutions Acquisition Limited	[illegible]
Brightwave Holdings Limited	7162788	Clinical Solutions Finance Limited	[illegible]
Brightwave Limited	4092349	Clinical Solutions Holdings Limited	[illegible]
BSI Group Limited	3005596	Clinical Solutions International Limited	[illegible]
Capita Birmingham Limited	5660977	Clinical Solutions IP Limited	[illegible]
Capita Customer Solutions (UK) Limited	[illegible]	Computerland UK Limited	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
Capita ESS Holdings Limited	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	2384029	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
Capita International Limited	[illegible]	[illegible]	[illegible]
Capita International Retirement Benefit Scheme Trustees Limited	[illegible]	[illegible]	[illegible]
Capita IT Services (BSF) Limited	[illegible]	[illegible]	[illegible]
Capita IT Services Holdings Limited	[illegible]	[illegible]	[illegible]
Capita IT Services Limited	[illegible]	[illegible]	[illegible]
Capita Justice & Secure Services Holdings Limited	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
Capita Legal Services Limited	[illegible]	[illegible]	[illegible]
Capita Life and Pensions International Limited	[illegible]	[illegible]	[illegible]
Capita Managed IT Solutions Limited	[illegible]	[illegible]	[illegible]
Capita Mortgage Software Solutions Limited	[illegible]	[illegible]	[illegible]
Capita Property and Infrastructure (Structures) Limited	[illegible]	Thirty Three LLP	[illegible]
Capita Property and Infrastructure Holdings Limited	[illegible]	[illegible]	[illegible]
Capita Property and Infrastructure International Holdings Limited	[illegible]	[illegible]	[illegible]
Capita Property and Infrastructure International Limited	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

In this section

[illegible]

[illegible] to manage your shareholding in Capita plc.

Useful websites

Capita (www.capita.com/investors)

[illegible] wider Company. It also contains an investor section, where institutional [illegible] financial and statutory information and reports.

Shareholder portal (www.capitashares.co.uk)

Capita's register of shareholders is maintained by Link Group. Our shareholder portal is a secure online site where you can manage your shareholding [illegible] [illegible] payments, [illegible] communications by email [illegible] confirmation.

e-communications

[illegible]

Managing your shareholding

[illegible]

Company contact details

Registered office

Capita plc
65 Gresham Street
London EC2V 7NQ
Tel 020 7799 1525
Registered in England and Wales with registration number 02081330

Investor Relations

IR Team [illegible] capita.com
Director of Investor Relations [illegible]

Company Secretariat

[illegible]

Company advisers

Independent auditor

[illegible]

Corporate brokers

[illegible]

Bankers

[illegible]

Corporate communications

[illegible]

Registrars

Link Group

[illegible]

The Group presents various alternative performance measures (APMs) as the performance of the Group is reported and measured on this basis internally. This includes key performance indicators (KPIs) such as adjusted revenue, adjusted profit before tax, adjusted earnings per share, free cash flow before business exits, and gearing ratios.

These APMs should not be viewed as a complete picture of the Group's financial performance which is presented in the reported results. The exclusion of certain items may result in a more favourable view when costs such as acquired intangible amortisation and impairments of goodwill are excluded. These measures may not be comparable when reviewing similar measures reported by other companies.

APM	Closest equivalent IFRS measure	Definition, Purpose and Reconciliation
Income statement		

Adjusted revenue — Revenue

Calculated as revenue less any revenue relating to businesses that have been sold or exited during the year or prior year, or are in the process of being sold or exited.

This measure of revenue is used internally in respect of the Group's continuing business, being the Group's continuing activities, which exclude business exits, and the Board believes it is a good indication of ongoing performance.

The table below shows a reconciliation between reported and adjusted revenue, as well as adjusted revenue growth.

	2022	[illegible]
Reported revenue per the income statement	£3,014.6m	[illegible]
Deduct: business exits (note 2.2.1)	(£168.8m)	[illegible]
Adjusted revenue	£2,845.8m	[illegible]
Adjusted revenue growth	2.4 %	[illegible]

Adjusted operating profit — Operating profit

Calculated as reported operating profit excluding items determined by the Board to be outside underlying operations. These items are detailed in note 2.4.

The Board believes that the measure is useful [illegible] management to evaluate the Group's operating performance and to make financial, strategic and operating decisions.

[illegible] adjusted operating profit [illegible] note 2.1.

Adjusted operating profit margin — Operating profit margin

Calculated as the adjusted operating profit divided by adjusted revenue.

This measure is a [illegible] of the Group's operating [illegible].

The table below [illegible] operating profit margin.

		2022	[illegible]
Adjusted revenue	[illegible]	£2,845.8m	[illegible]
Adjusted operating profit (note 2.1)	[illegible]	£102.9m	[illegible]
Adjusted operating profit margin	[illegible]	3.6 %	[illegible]

Adjusted EBITDA — EBITDA

Calculated as adjusted operating profit for the [illegible] depreciation [illegible] and impairment of property, plant and equipment, [illegible] intangible assets [illegible] and the [illegible] investment gains [illegible] excluded from adjusted operating profit.

The Directors believe that adjusted EBITDA is a useful [illegible] investors because it [illegible] closely [illegible] management to evaluate Group and [illegible] performance [illegible] the basis [illegible] agreed with the lenders [illegible].

[illegible] pre and post IFRS 16 [illegible] impact [illegible] adjusted EBITDA.

The table below shows the calculation of adjusted EBITDA.

	Post IFRS 16		Pre IFRS 16	
	2022	[illegible]	2022	[illegible]
Adjusted profit before tax	£73.8m	[illegible]	£79.0m	[illegible]
Add back: adjusted net finance costs (note 4.3)	£34.9m	[illegible]	£16.5m	[illegible]
Add back: adjusted depreciation and impairment of property, plant and equipment (note 3.2)	£45.4m	[illegible]	£45.4m	[illegible]
Add back: depreciation and impairment of right-of-use assets (note 3.6)	£53.3m	[illegible]	£—m	[illegible]
Add back: adjusted amortisation and impairment of intangible assets (note 3.[illegible])	£37.2m	[illegible]	£37.2m	[illegible]
[illegible]	(£5.8m)	[illegible]	(£5.8m)	[illegible]
Adjusted EBITDA	£238.8m	[illegible]	£172.3m	[illegible]
Adjusted EBITDA [illegible]	8.4 %		6.1 %	[illegible]

APM	Closest equivalent IFRS measure	Definition, Purpose and Reconciliation
Income statement continued		
Adjusted profit *before tax*	**Profit before tax**	Calculated as profit or loss before tax excluding the items detailed in note 2.4 which include: business exits trading results; non-trading expenses; and any gain/loss on business disposals; acquired intangible amortisation; and impairment of goodwill and acquired intangibles. The Board believes that this measure is useful for investors because it is closely monitored by management to evaluate the Group's operating performance and to make financial, strategic and operating decisions. A reconciliation of reported to adjusted profit before tax is provided in note 2.4.
Adjusted profit *after tax*	**Profit after tax**	Calculated as the above adjusted profit or loss before tax less the tax credit or expense on adjusted profit or loss. The table below shows a reconciliation.

	2022	[illegible]
Adjusted profit/(loss) before tax (note 2.4)	**£73.8m**	[illegible]
Tax on adjusted profit/(loss) (note 2.6.1)	**£31.8m**	[illegible]
Adjusted profit/(loss) after tax	**£105.6m**	[illegible]

APM	Closest equivalent IFRS measure	Definition, Purpose and Reconciliation
Adjusted effective tax rate	**Tax rate**	[illegible]
Adjusted basic earnings per share	**Basic earnings per share**	[illegible]
***Adjusted diluted* earnings per share**	***Diluted* earnings per share**	[illegible]
[illegible]		
Cash flows generated/(used) by operations before business exits	**Cash generated/(used) by operations**	[illegible]
Free cash flow before business *exits*	**Net cash flows from operating *activities***	[illegible]

[illegible]

APM	Closest equivalent IFRS measure	Definition, Purpose and Reconciliation
Cash flows and net debt continued		
Adjusted operating cash conversion	**Operating cash conversion**	Calculated as operating cash flow before business exits divided by adjusted EBITDA The Board believes that this measure is useful for investors because it is closely monitored by management to evaluate the Group's operating performance and to make financial, strategic and operating decisions.
Net debt	**Borrowings, cash, derivatives, lease liabilities and deferred consideration**	Calculated as the net of the Group's cash, cash equivalents and overdrafts, private placement loan notes, [illegible] other loan notes, currency and interest rate swaps, lease liabilities and deferred consideration. The Board believes that net debt [illegible] The calculation of net debt is [illegible]
Net financial debt (pre-IFRS 16)	**No direct equivalent**	[illegible]
Gearing: net debt to adjusted EBITDA ratio	**No direct equivalent**	[illegible]

Adjusted operating cash conversion:

		2022	[illegible]
Adjusted EBITDA	a	**£238.8m**	[illegible]
Working capital		**(£32.7m)**	[illegible]
Non-cash and other adjustments		**(£44.7m)**	£38.5m
Operating cash flow before business exits	b	**£161.4m**	£68.0m
Adjusted operating cash conversion	b/a	**67.6 %**	[illegible]

Net financial debt (pre-IFRS 16):

	2022	[illegible]
Net debt (note [illegible])	**£482.4m**	[illegible]
Remove IFRS 16 impact (note [illegible])	**(£397.5m)**	[illegible]
Net financial debt (pre-IFRS 16)	**£84.9m**	£431.4m

Gearing: net debt to adjusted EBITDA ratio:

	Post IFRS 16		Pre IFRS 16	
	2022	[illegible]	2022	[illegible]
Adjusted EBITDA	**£238.8m**	[illegible]	**£172.3m**	[illegible]
EBITDA in respect of business exits not yet completed	**£1.3m**	[illegible]	**£1.3m**	[illegible]
Adjusted EBITDA including business exits not yet completed	**£240.1m**	[illegible]	**£173.6m**	[illegible]
Net debt / net financial debt (pre-IFRS 16)	**£482.4m**	[illegible]	**£84.9m**	[illegible]
Net debt / net financial debt (pre-IFRS 16) to adjusted EBITDA ratio	**2.0x**	[illegible]	**0.5x**	[illegible]

[illegible]

CONRAN DESIGN GROUP

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