Company Registration No. 05296886 (England and Wales)

CAPITA RETAIL FINANCIAL SERVICES LIMITED

ANNUAL REPORT AND UNAUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

CAPITA RETAIL FINANCIAL SERVICES LIMITED

COMPANY INFORMATION

Directors	Capita Corporate Director Limited	
	C C Clements	(Appointed 14 March 2022)
	A Ajit	(Appointed 15 July 2022)
Secretary	Capita Group Secretary Limited	
Company number	05296886	
Registered office	65, Gresham Street London England EC2V 7NQ	

CAPITA RETAIL FINANCIAL SERVICES LIMITED

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CAPITA RETAIL FINANCIAL SERVICES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Review of the business

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

The principal activity was that of outsourced business support services functions to client organisations. On 1 May 2023, the Group as a part of a reorganisation of its Experience business, transferred the trade and associated assets and liabilities of the Company to Western Mortgage Services Limited, a fellow group subsidiary company. The assets and liabilities were transferred at their existing carrying values and the consideration was received through an intragroup loan. Directors plan to liquidate the Company within twelve months from the approval of these annual financial statements and therefore have prepared the financial statements on the basis that the Company is no longer a going concern.

As shown in the Company's income statement on page 7, the Company's revenue decreased from £27,185,182 in 2021 to £26,024,380 in 2022. The operating loss has increased from £1,687,175 in 2021 to operating loss of £2,098,439 in 2022 primarily due to reduction in the volume of business.

The balance sheet on pages 8 - 9 of the financial statements shows the Company's financial position at the year end. Net assets have decreased from £54,321,861 in 2021 to £51,605,044 in 2022. Details of amounts owed by/to its parent company and fellow subsidiary companies are shown in notes 8 and 9 to the financial statements.

Key financial performance indicators used by the Group are adjusted profit before tax, adjusted earnings per share, operating margins, free cash flows before business exits and gearing ratio. Capita plc and its subsidiaries manage their operations on a divisional basis and as a consequence, some of these indicators are monitored only at a divisional level. The performance of the Capita Experience division is discussed in the Group's annual report which does not form part of this report.

Principal risks and uncertainties

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

The principal themes of risk for the company are:

- *Strategic*: changes in economic and market conditions such as contract pricing and competition.
- *Financial*: significant failures in internal systems of control and lack of corporate stability.
- *Operational*: including recruitment and retention of staff, maintenance of reputation and strong supplier and customer relationships, operational IT risk, and failures in information security controls.
- *Compliance*: non-compliance with laws and regulations. The Company must comply with a range of requirements that govern its business.

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

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

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

Section 172 Statement

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

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

Our People	
Why they are important	They deliver our business strategy; they support the organisation to build a values-based culture; and they deliver our products and services ensuring client satisfaction.
What matters to them?	Flexible working, learning and development opportunities leading to career progression, fair pay and benefits as a reward for performance, two-way communication, and feedback.
How we engaged?	People surveys, regular all-employee communications, employee director participation in Board discussions, employee focus groups and network groups and workforce engagement on remuneration, leadership council, regular breakfast sessions with Executive committee for our colleagues.
Topics of Engagement	Creating an inclusive workplace, Speak-Up policy, health and wellbeing, Directors' remuneration, acting on survey feedback.
Outcomes and actions	The 2022 employee survey showed improvement across all metrics. We are developing and delivering a range of action plans, including ensuring our leaders feel confidence in, and ownership of Capita's strategy, plans and successes, developing inclusive opportunities for internal career mobility. We developed a global career path framework which defines career levels, career job content, and reward framework and introduced mentoring schemes.
Risks to stakeholder relationship	Our ability to recruit due to the national and global labour market demand for resources, our ability to retain people, impacting our quality of service, our ability to evolve our culture and practices in accordance with our responsible business agenda.
Key Metrics	Employee Net Promoter Score, Employee Engagement Index and people survey completion level.
Clients and Customers	
Why they are important	They are recipients of Capita's services; and Capita's reputation depends on delighting them.
What matters to them?	High-quality service delivery; delivery of transformation projects within agreed timeframes; and responsible and sustainable business credentials.
How we engaged?	Client meetings and surveys, Regular meetings with government stakeholders and annual review with Cabinet Office, creation of Customer Advisory Boards and created a senior client partner programme giving an experienced, single point of contact for key clients and customers.
Topics of Engagement	Current service delivery, Capita's digital transformation capabilities, possible future services, co-creation of client value propositions, Ongoing benefits of hybrid working on client services.

Section 172 Statement (continued)

Outcomes and actions	Feedback provided to business units to address any issues raised, client value propositions team supporting divisions with co-creation ideas; direct customer and sector feedback; and senior client partner programme undertaking client-focused growth sprints to build understanding of client issues and ideas to help address them.
Risks to stakeholder relationship	Loss of business by not providing the services that our clients and customers want, damage to reputation by not delivering to their requirements.
Key Metrics	Customer Net Promoter Score; specific feedback on client engagements.
Supplier and Partners	
Why they are important	They share our values and help us deliver our purpose; maintain high standards in our supply chain; and achieve social, economic and environmental benefits aligned to the Social Value Act.
What matters to them?	Payments made within agreed payment terms, clear and fair procurement process, building lasting commercial relationships, and working inclusively with all types of businesses.
How we engaged?	Supplier meetings throughout source to procure process, regular reviews with suppliers, supplier questionnaires and risk assessments.
Topics of Engagement	Supplier payments, sourcing requirements, supplier performance, responsible business, science-based targets (SBTs) and the Supplier Charter.
Outcomes and actions	Alignment of payments with agreed terms; supplier feedback on improvements to procurement process; improvement plans and innovation opportunities; and improved adherence to supplier charter, suppliers committing to SBTs.
Risks to stakeholder relationship	Environmental issues, commitment to tackling SBTs, supply chain resilience
Key Metrics	99% of supplier payments within agreed terms; small and medium sized enterpise spend allocation; and supplier diversity profile.

Section 172 Statement (continued)

Society	
Why they are important	Capita is a provider of key services to government impacting a large proportion of the population.
What matters to them?	Social mobility, youth skills and jobs; digital inclusion; diversity and inclusion; climate change; business ethics and accreditations and benchmarking; and cost of living crisis.
How we engaged?	Memberships of non-governmental organisations, charitable and community partnerships, external accreditations and benchmarking and working with clients, suppliers and the Cabinet Office.
Topics of Engagement	Youth employment, promoting digital inclusion, workplace inequalities, Diversity & inclusion and Climate change.
Outcomes and actions	Publication of net zero carbon emissions plan and verification during 2022 of Science Based Targets; continued commitment and accreditation as a real living wage employer; youth and employability programme; Capita's investment in WithYouWithMe, a workplace technology platform that finds employment for military veterans and other overlooked groups through delivering innovative aptitude testing and digital skills training; highly commended by the Employers Network for Equality & Inclusion for our approach to intersectionality; recognised as a 'Leading Light' by the UK Social Mobility awards; and joined the Cost-of-living Taskforce.
Risks to stakeholder relationship	Lack of understanding of the issues important to them and insufficient communication or involvement in shaping and influencing strategies and plans
Key Metrics	Net zero carbon emissions by 2035; community investment; workforce diversity and ethnicity data, including pay gaps.

On behalf of the Board

C C Clements

C C Clements
Director
1 September 2023

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

Results and dividends
The results for the year are set out on page 7.

No ordinary dividend was paid or proposed during the year (2021: £nil).

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

Employees
Details of the number of employees and related costs can be found in note 15 to the financial statements.

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

Capita Corporate Director Limited	
K A Francis	(Resigned 15 July 2022)
A N Chapple	(Resigned 17 October 2022)
T F Vanoverschelde	(Resigned 14 March 2022)
C C Clements	(Appointed 14 March 2022)
A Ajit	(Appointed 15 July 2022)
M Billingham	(Appointed 17 October 2022 and resigned 31 March 2023)

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

The Company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests. Information on matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Group's performance.

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

Political donations
The Company made no political donations nor incurred any political expenditure during the year (2021: £nil)

Statement of Directors' responsibilities in respect of Strategic report, Directors' report and financial statements

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departure disclosed and explained in the financial statements; and
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and as explained in the note 1.1 of financial statements, the Directors do not believe the going concern basis to be appropriate and these financial statements are not prepared on that basis.

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

Qualifying third party indemnity provisions

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

On behalf of the Board

C C Clements

C C Clements
Director

1 September 2023

CAPITA RETAIL FINANCIAL SERVICES LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Unaudited 2022 £	2021 £
Revenue	3	26,024,380	27,185,182
Cost of sales		(25,005,607)	(26,575,951)
Gross profit		**1,018,773**	**609,231**
Administrative expenses		(3,117,212)	(2,296,406)
Operating loss	4	**(2,098,439)**	**(1,687,175)**
Net finance income	5	1,041,381	43,394
Loss before tax		**(1,057,058)**	**(1,643,781)**
Income tax credit	6	189,903	347,617
Total comprehensive expense for the year		**(867,155)**	**(1,296,164)**

The income statement has been prepared on the basis that the Company has ceased all its operations.

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

The notes and information on pages 11 to 26 form an integral part of these financial statements.

CAPITA RETAIL FINANCIAL SERVICES LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2022

	Notes	Unaudited 2022 £	2021 £
Non Current assets			
Property, plant and equipment	7	-	35,052
Trade and other receivables	8	-	7,326
Deferred tax assets	6	-	150,667
		-	**193,045**
Current assets			
Property, plant and equipment	7	9,671	-
Trade and other receivables	8	75,948,068	66,454,948
Deferred tax assets	6	107,581	-
Income tax receivable		553,297	-
		76,618,617	**66,454,948**
Total assets		**76,618,617**	**66,647,993**
Current liabilities			
Trade and other payables	9	3,239,473	5,063,319
Deferred income	10	1,933,238	2,391,185
Financial liabilities	11	17,215,663	1,553,647
Provisions	12	2,625,199	858,655
Income tax payable		-	1,232,981
		25,013,573	**11,099,787**
Non-current liabilities			
Provisions	12	-	1,226,345
		-	**1,226,345**
Total liabilities		**25,013,573**	**12,326,132**
Net assets		**51,605,044**	**54,321,861**

CAPITA RETAIL FINANCIAL SERVICES LIMITED

BALANCE SHEET (CONTINUED)

AS AT 31 DECEMBER 2022

	Notes	Unaudited 2022 £	2021 £
Capital and reserves			
Issued share capital	13	2	2
Retained earnings		51,605,042	54,321,859
Total equity		**51,605,044**	**54,321,861**

For the year ended 31 December 2022, the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

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

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

The notes and information on pages 11 to 26 form an integral part of these financial statements.

Approved by Board and authorised for issue on 1 September 2023

C C Clements

C C Clements
Director

CAPITA RETAIL FINANCIAL SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital	Retained earnings	Total
	£	£	£
At 1 January 2021	**2**	**55,618,023**	**55,618,025**
Total comprehensive expense for the year	-	(1,296,164)	(1,296,164)
Equity-settled share-based payment	-	2,141	2,141
Settlement of share based payment charged to intercompany	-	(2,141)	(2,141)
At 31 December 2021	**2**	**54,321,859**	**54,321,861**
Impact of changes in accounting standards- Amendments to IAS 37 (refer note 1.3)	-	(1,849,662)	(1,849,662)
At 1 January 2022 on adoption of IAS 37	**2**	**52,472,197**	**52,472,199**
Total comprehensive expense for the year- Unaudited	-	(867,155)	(867,155)
At 31 December 2022- Unaudited	**2**	**51,605,042**	**51,605,044**

Share capital -

The balance classified as share capital is the nominal proceeds on issue of the Company's equity share capital, comprising two ordinary shares of £1.00 each.

Retained earnings -

Represents the accumulated profits in the Company.

The notes and information on pages 11 to 26 form an integral part of these financial statements.

1 Accounting policies

1.1 Basis of preparation

Capita Retail Financial Services Limited is a company incorporated and domiciled in the United Kingdom. The financial statements are prepared under the historical cost basis except where stated otherwise and in accordance with applicable accounting standards.

In determining the appropriate basis of preparation for the annual report and financial statements for the year ended 31 December 2022, the Company's Directors ('the Directors') are required to consider whether the Company can continue in operational existence for the foreseeable future, being a period of at least twelve months following the approval of these financial statements.

The principal activity of the Company was that of outsourced business support services functions to client organisations. The Group as a part of a reorganisation of its Experience business, transferred the trade and associated assets and liabilities of the Company to Western Mortgage Services Limited, a fellow group subsidiary company. The Directors have therefore prepared the financial statements on the basis that the Company is no longer a going concern, and have used the breakup basis as at 31 December 2022.

Consequently, the Directors have considered the adjustments required to prepare the financial statements on a breakup basis. The expected realisable and settlement values for assets and liabilities are not considered to be materially different from their carrying value at the balance sheet date. Therefore, the Directors have considered that no further adjustments are required as a result of preparing the financial statements on a breakup basis.

1.2 Compliance with accounting standards

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

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

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

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

1 Accounting policies **(Continued)**

1.2 Compliance with accounting standards (continued)

Since the consolidated financial statements of Capita plc include equivalent disclosures, the Company has also taken the disclosure exemptions under FRS 101 available in respect of the following disclosures:
- Certain disclosures required by IFRS 2 Share Based Payments in respect of group settled share based payments; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosure required by IFRS 7 Financial Instrument Disclosures.

1.3 Changes in accounting policies

The Company has adopted the new amendments to standards detailed below but they do not have a material effect on the Company's financial statements except for amendments to IAS 37.

New amendments or interpretation	**Effective date**
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	1-Jan-22
Annual Improvements to IFRS Standards 2018–2020	1-Jan-22
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1-Jan-22
Reference to the Conceptual Framework (Amendments to IFRS 3)	1-Jan-22

Onerous contracts – cost of fulfilling a contract (amendments to IAS 37)
An onerous contract is a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services, which include both incremental costs (e.g. the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g. depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The Company has adopted the amendment which resulted in a change in accounting policy for performing an onerous contract assessment. Previously, the Company included only incremental costs to fulfil a contract when determining whether that contract was onerous. The revised policy requires inclusion of both incremental costs and an allocation of other direct costs.

1 Accounting policies **(Continued)**

1.3 Changes in accounting policies (continued)

Onerous contracts – cost of fulfilling a contract (amendments to IAS 37) - Continued
In accordance with the transitional provisions, the Company applies the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application) and has not restated its comparative information.

The adoption of the amended standard has resulted in a reduction in retained earnings at 1 January 2022 of £1,849,662 on account of an increase of £1,849,662 in onerous contract provisions. 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. For further details, please refer to note 12.

1.4 Revenue recognition

The Company applies a variety of methods for revenue recognition based on the principles set out in IFRS 15.

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

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

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

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

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

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

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

1 Accounting policies **(Continued)**

1.4 Revenue recognition (continued)

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

Once the total transaction price is determined, the Company allocates this to the identified performance obligations in proportion to their relative stand-alone selling prices and recognises revenue when (or as) those performance obligations are satisfied.

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

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

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

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

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

Contract modifications

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

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

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

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

1 Accounting policies **(Continued)**

1.4 Revenue recognition (continued)

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 since management need to determine if a modification has been approved and if it either creates new or changes existing enforceable rights and obligations of the parties. Depending upon the outcome of such negotiations, the timing and amount of revenue recognised may be different in the relevant accounting periods. Modification and amendments to contracts are undertaken via an agreed formal process. For example, if a change in scope has been approved but the corresponding change in price is still being negotiated, management use their judgement to estimate the change to the total transaction price. Importantly, any variable consideration is only recognised to the extent that it is highly probable that no revenue reversal will occur.

Deferred and accrued income

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

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

At each reporting date, the Company assesses whether there is any indication that accrued income assets may be impaired by considering whether it remains highly probable that no revenue reversal will occur. Where an indicator of impairment exists, the Company makes a formal estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Contract types

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

Long-term contractual – greater than two years

The Company provides a range of services under customer contracts with a duration of more than two years. The nature of contracts or performance obligations categorised within this revenue type is diverse and includes long-term outsourced service arrangements in the public and private sectors.

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

Short-term contractual – less than two years

The nature of contracts or performance obligations categorised within this revenue type is diverse and includes short-term outsourced service arrangements in the public and private sectors.

1 Accounting policies (Continued)

1.4 Revenue recognition (continued)

Transactional (point-in-time) contracts

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

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

Onerous contracts

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

1.5 Property, plant and equipment

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

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

1.6 Leasing

The Company has elected not to recognise the right-of-use assets and lease liabilities for short term leases that have a lease term of twelve months or less and leases of low value assets. The Company recognises the lease payments associated with the leases as an expense on a straight line basis over the lease term.

1.7 Pensions

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

1 Accounting policies **(Continued)**

1.8 Taxation

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

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

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

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

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

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

1 Accounting policies **(Continued)**

1.9 Share-based payments

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

The fair value of the equity instrument granted is measured at the 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, since 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 income statement, with a corresponding adjustment to equity.

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

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

1.10 Financial instruments

Cash and cash equivalents
Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. Bank overdrafts are shown within current liabilities.

Trade and other receivables
The trade and other receivables have been measured and presented at their expected realisable values.

Trade and other payables
The trade and other payables have been measured and presented at their expected settlement values.

1 Accounting policies **(Continued)**

1.11 Provisions

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

2 Significant accounting judgements, estimates and assumptions

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

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

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

- **Onerous Contract Provision:** Judgement is required in measuring and recognising provisions related to onerous contracts including the impact of the amendments to IAS 37 explained in note 1.3. Because of the inherent uncertainty in the evaluation process, actual losses may be different from the originally estimated provision. Where no reliable basis of estimation can be made, no provision is recorded.

3 Revenue

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

4	Operating loss for the year	Unaudited 2022 £	2021 £
	Operating loss for the year is stated after charging:		
	Depreciation of property, plant and equipment (refer note 7)	25,381	32,862
	Impairment of contract fulfillment asset	-	139,918
	Expenses related to leases of low-value assets - plant and machinery	3,938	8,988

5 Net finance income

	Unaudited 2022 £	2021 £
Interest on bank deposits	5,839	2,135
Intercompany interest income	1,035,542	41,259
	1,041,381	**43,394**

6 Income tax

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

	Unaudited 2022 £	2021 £
Current income tax		
UK Corporation tax	(195,570)	(320,307)
Adjustments in respect of prior periods	(37,419)	62,503
	(232,989)	**(257,804)**
Deferred income tax		
Origination and reversal of temporary differences	(6,297)	(27,421)
Adjustment in respect of prior periods	49,383	(62,392)
	43,086	**(89,813)**
Total tax credit reported in the income statement	**(189,903)**	**(347,617)**

(Continued)

6 Income tax

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

	Unaudited 2022 £	2021 £
Loss before tax	**(1,057,058)**	**(1,643,781)**
Loss before taxation multiplied by standard rate of UK corporation tax of 19% (2021: 19%)	(200,841)	(312,318)
Taxation impact of factors affecting tax charge:		
Expenses not deductible for tax purposes	486	750
Adjustments in respect of current income tax of prior periods	(37,419)	62,503
Impact of changes in statutory tax rates	(1,512)	(36,160)
Adjustments in respect of deferred income tax of prior periods	49,383	(62,392)
Total adjustments	**10,938**	**(35,299)**
Total tax credit reported in the income statement	**(189,903)**	**(347,617)**

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

	Balance sheet		Income statement	
	Unaudited 2022	2021	Unaudited 2022	2021
Deferred tax assets	£	£	£	£
Decelerated capital allowances	77,044	56,964	(20,080)	(9,333)
Other short term timing differences	30,537	93,703	63,166	(80,480)
Net deferred tax asset	**107,581**	**150,667**		
Deferred tax charge/(credit)			**43,086**	**(89,813)**

7 Property, plant and equipment

	Leasehold improvement	Fixtures, fittings and equipment	Computer equipment	Total
	£	£	£	£
Cost				
At 1 January 2022	36,297	77,265	31,308	144,870
Asset retirements	-	-	(31,308)	(31,308)
At 31 December 2022 -Unaudited	**36,297**	**77,265**	-	**113,562**
Depreciation				
At 1 January 2022	26,575	54,085	29,158	109,818
Charge for the year	7,778	15,453	2,150	25,381
Asset retirements	-	-	(31,308)	(31,308)
At 31 December 2022 -Unaudited	**34,353**	**69,538**	-	**103,891**
Net book value				
At 31 December 2022 -Unaudited	**1,944**	**7,727**	-	**9,671**
At 31 December 2021	**9,722**	**23,180**	**2,150**	**35,052**

8 Trade and other receivables

Current	**Unaudited 2022**	**2021**
	£	£
Trade receivables	219,139	167,913
Accrued income	2,628,960	1,548,904
Prepayments	9,664	53,926
Amounts due from parent and fellow subsidiary companies*	73,090,305	64,684,205
	75,948,068	**66,454,948**

8 Trade and other receivables (Continued)

Non-current	Unaudited 2022 £	2021 £
Prepayments	-	7,326
	-	7,326

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

9 Trade and other payables

	Unaudited 2022 £	2021 £
Trade payables	42,553	56,746
Other payables	3,201	679
Other taxes and social security	1,362,272	890,848
Accruals	624,263	769,635
Amounts due to parent and fellow subsidiary companies*	1,207,184	3,345,411
	3,239,473	5,063,319

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

10 Deferred income

	Unaudited 2022 £	2021 £
Deferred income	1,933,238	2,391,185
	1,933,238	2,391,185

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

11 Financial liabilities

	Unaudited 2022 £	2021 £
Overdrafts	17,215,663	1,553,647
	17,215,663	**1,553,647**

12 Provisions

Non-current	**Onerous-Contract provision**
	£
As at 1 January 2022	1,226,345
Reclassed to current	(1,226,345)
As at 31 December 2022- Unaudited	-

Current	**Onerous-Contract provision**
	£
At 1 January 2022	858,655
Impact of changes in accounting standards- amendments to IAS 37*	1,849,662
As at 1 January 2022 on adoption of IAS 37	**2,708,317**
Reclassed from non current	1,226,345
Utilisation	(1,309,463)
At 31 December 2022- Unaudited	**2,625,199**

*As discussed in note 1.3, the adoption of the amendment to IAS 37 resulted in additional onerous contract provision. On adoption of the amended standard the cumulative effect was recognised as an opening balance adjustment to retained earnings.

13 Issued share capital

	2022 Numbers	2021 Numbers	2022 £	2021 £
Allotted, called up and fully paid				
Ordinary shares paid of £1 each				
At 1 January	2	2	2	2
At 31 December- Unaudited	**2**	**2**	**2**	**2**

14 Employee benefits

The total costs charged to income in respect of defined contribution plans is £419,476 (2021 Re-presented: £446,731*).

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

15 Employees

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

	Unaudited 2022 Number	2021 Number
Operations	1,010	877
Administration	19	34
	1,029	**911**

Their aggregate remuneration comprised:

Employee costs	Unaudited 2022 £	Represented* 2021 £
Wages and salaries	23,333,748	21,911,170
Social security costs	1,927,257	1,854,767
Pension costs	419,476	446,731
Shared based payments	-	2,141
	25,680,481	**24,214,809**

The above includes employee costs for temporary staff as well as recharges from other Group companies amounting to £839,312 in 2022 (2021: £652,562) in respect of various services delivered to the Company throughout the year.

*The 2021 comparative figures have been re-presented to reflect the reclassification of employee contributions from pensions costs to wages and salaries. This has resulted in increase in wages and salaries by £578,042 and decrease in pension costs by the same amount. There is no impact on net assets, total profit or retained earnings as a result of this reclassification.

16 Directors' remuneration

	Unaudited 2022 £	Represented* 2021 £
Remuneration for qualifying services	253,835	309,491
Company pension contributions to defined contribution schemes	5,662	9,763
	259,497	**319,254**

One Director was paid by the Company (2021: One). The other directors have not provided qualifying services to the Company and are paid by other companies within the Capita Group. Their remuneration has not been allocated to the Company.

*The 2021 comparative figures have been re-presented to reflect the reclassification of Director contributions from pensions contributions to remuneration for qualifying services. This has resulted in increase in remuneration for qualifying services by £9,884 and decrease in pension contributions by the same amount. There is no impact on net assets, total profit or retained earnings as a result of this reclassification.

17 Controlling party

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

18 Post balance sheet events

On 1 May 2023, the Group as a part of a reorganisation of its Experience business, transferred the trade and associated assets and liabilities of the Company to Western Mortgage Services Limited, a fellow group subsidiary company. The assets and liabilities were transferred at their existing carrying values and the consideration was received through an intragroup loan. Directors plan to liquidate the Company within twelve months from the approval of the annual financial statements and therefore have prepared the financial statements on the basis that the Company is no longer a going concern.