Company Registration No. 06957593 (England and Wales)

UPDATA INFRASTRUCTURE (UK) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

UPDATA INFRASTRUCTURE (UK) LIMITED

COMPANY INFORMATION

Directors	S M Frewing	
	Capita Corporate Director Limited	
	C S Nunn	(Appointed 16 February 2022)
Secretary	Capita Group Secretary Limited	
Company number	06957593	
Registered office	65 Gresham Street London England EC2V 7NQ	
Auditor	KPMG LLP 15 Canada Square London E14 5GL	

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UPDATA INFRASTRUCTURE (UK) LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present their Strategic Report and financial statements for the year ended 31 December 2021.

Review of the business
Updata Infrastructure (UK) Limited ("the Company") is a wholly owned subsidiary (indirectly held) of Capita plc. Capita plc along with its subsidiaries are hereafter referred to as "the Group". The Company operates within the Public Service division of the Group.

The Company's principal activity remains the provision of managed wide area networks and associated services to public sector and local authority organisations. The Directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

As shown in the Company's income statement on page 10, the Company's revenue decreased from £48,856,407 in 2020 to £46,042,595 in 2021 and the operating loss of £12,850,022 decreased to £3,519,581 mainly due to a goodwill impairment recognised in 2020.

The balance sheet on pages 11 to 12 of the financial statements shows the Company's financial position at the year end. Net liabilities have increased from £14,067,683 in 2020 to £16,228,691 in 2021. Details of amounts owed by/to its parent company and fellow subsidiary undertakings are shown in notes 12, 14 and 23 to the financial statements. In 2022, the Group took steps to strengthen the balance sheet of the Company. In February 2022, Capita Holdings Limited and Capita IT Services Holdings Limited irrevocably and unconditionally released the Company from its obligation to repay inter company loans amounting to £1,812,814 and £13,084,369 respectively. In June 2022, its parent company invested £11,500,000 in return for 1 ordinary share of the Company. The Company's share capital was then reduced to 1 ordinary share of £1 nominal value through the cancellation of 72,536 shares of £1 each, and the Company's share premium account was reduced to nil.

Key performance indicators used by Capita plc are operating margins, free cash flow, capital expenditure and return on capital employed. Capita plc and its subsidiaries manage their operations on a divisional basis and as a consequence, some of these indicators are monitored only at a divisional level. The performance of the Public Service 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 cannot provide absolute) assurance that significant risks are identified and addressed. An active risk management process identifies, assesses, mitigates and reports on strategic, financial, operational and compliance risk.
The principal themes of risk for the Company are:

- *Strategic:* changes in economic and market conditions such as contract pricing and competition.
- *Financial:* significant failures in internal systems of control and lack of corporate stability.
- *Compliance*: non-compliance with laws and regulations. The Company must comply with an extensive range of requirements that govern and regulate its business, and decisions by regulators that affect the Company's business and operations and these effects are often adverse.
- *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.

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

- Regularly reviewing operating/business 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 internal control framework.

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

Section 172 Statement

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

Further details of the Group's approach to each stakeholder are provided in Capita plc's section 172 statement on pages 40 and 41 of Capita plc's 2021 Annual Report.

Our People	
Why they are important	They deliver our business strategy; they support the organisation to build a values-based culture; and they deliver our products and services ensuring client satisfaction.
What matters to them?	Flexible working, learning and development opportunities leading to career progression, fair pay and benefits as a reward for performance, two-way communication, and feedback.
How we engaged?	People surveys, regular all-employee communications, employee director participation in Board discussions, employee focus groups and network groups and workforce engagement on remuneration.
Topics of Engagement	Protection of employees during Covid-19, human resources policies during Covid-19, future ways of working as a result of Covid-19, and creating an inclusive workplace.
Outcomes and actions	Issue of Capita-specific Covid-19 guidance and regular updates; new and temporary HR policies; increased provision and support for employee wellbeing and flexible working; and simplification of property portfolio and office space.
Risks to stakeholder relationship	Our ability to recruit due to the global economic bounceback, our ability to retain people, impacting the quality of service we can provide and our ability to change our culture and practices in line with our responsible business agenda.
Key Metrics	Employee net promoter score, people survey completion level.
Clients and Customers	
Why they are important	They are recipients of Capita's services; and Capita's reputation depends on delighting them.
What matters to them?	High-quality service delivery; delivery of transformation projects within agreed timeframes; rapid response to support pandemic planning; and responsible and sustainable business credentials.
How we engaged?	Client meetings and surveys, Regular meetings with government and annual review with Cabinet Office and Created a senior client partner programme giving an experienced, single point of contact for key clients and customers
Topics of Engagement	Remote working on client services as a result of Covid-19, current service delivery, possible future services, co-creation of client value propositions.
Outcomes and actions	Feedback provided to business units to address any issues raised, client value propositions team supporting divisions with cocreation ideas; and senior client partner programme undertaking client-focused growth sprints to build understanding of client issues and ideas to help address them.
Risks to stakeholder relationship	Loss of business by not providing the services they want, damage to reputation by not delivering to their requirements
Key Metrics	Customer NPS; specific feedback on client engagements.
Supplier and Partners	
Why they are important	They share our values and help us deliver our purpose; maintain high standards in our supply chain; and achieve social, economic and environmental benefits aligned to the Social Value Act.

Section 172 Statement (Continued)

Supplier and Partners	
What matters to them?	Payments made within agreed payment terms, clear and fair procurement process, building lasting commercial relationships, and working inclusively with all types of business.
How we engaged?	Supplier meetings throughout source to procure process, regular reviews with suppliers, supplier questionnaires and risk assessments.
Topics of Engagement	Supplier payments, sourcing requirements, supplier performance, and the Supplier Charter.
Outcomes and actions	Alignment of payments with agreed terms; supplier feedback on improvements to procurement process; improvement plans and innovation opportunities; and improved adherence to supplier charter.
Risks to stakeholder relationship	Environmental issues, commitment to tackling net zero, supply chain resilience
Key Metrics	% of supplier payments within agreed terms; supplier relationship management feedback score; SME spend allocation; and supplier diversity profile
Society	
Why they are important	Capita is a provider of key services to government impacting a large proportion of the population.
What matters to them?	Social mobility, youth skills and jobs; digital inclusion; diversity and inclusion; climate change; business ethics and accreditations and benchmarking.
How we engaged?	Memberships of non-governmental organisations, charitable and community partnerships.
Topics of Engagement	Youth employment, tackling digital exclusion, workplace inequalities and climate change.
Outcomes and actions	Publication of net zero plan; real living wage accreditation; youth and employability programme; and commitments to tackle racism and enhance ethnic diversity.
Risks to stakeholder relationship	Lack of understanding of the issues important to them and insufficient communication or involvement in shaping and influencing strategies and plans
Key Metrics	Percentage reduction in carbon footprint, amount of community investment, and responsible business report 2021:capita.com/responsiblebusiness.

On behalf of the board

S M Frewing
Director
5 September 2022

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

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

Environment
Capita plc recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the Group's activities. The Company operates in accordance with Group 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 numbers of employees and related costs can be found in note 20 to the financial statements.

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

N S Dale	(Resigned 28 May 2021)
S M Frewing	
Capita Corporate Director Limited	
M Cook	(Resigned 31 July 2021)
C S Nunn	(Appointed 16 February 2022)

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

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's continues and that the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

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

Auditor
Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

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

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

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

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

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

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

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

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the Company's auditor is unaware. Having made enquires of fellow Directors and the Company's auditor, each Director has taken all the steps that he might reasonably be expected to take as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Qualifying third party indemnity provisions

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

On behalf of the board

S M Frewing
Director

65 Gresham Street
London
England
EC2V 7NQ

5 September 2022

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF UPDATA INFRASTRUCTURE (UK) LIMITED

Opinion

We have audited the financial statements of Updata Infrastructure (UK) Limited ("the Company") for the year ended 31 December 2021 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 ; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty related to going concern

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

Our opinion is not modified in respect of this matter.

Going concern basis of preparation

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

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

Our risk assessment procedures included:

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

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

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

As required by auditing standards, and taking into account possible pressures to meet profit and revenue targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular around incorrect assessment of point in time rather than over time revenue recognition as required by IFRS 15, revenue recorded in the wrong period, the risk that management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting judgements such as the profiling of the deferred income.

We did not identify any additional fraud risks.We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management or individuals who do not frequently post journals, and those posted to unusual accounts, including unexpected combination of entries related to revenue, expenses, cash and borrowings.
- Reviewing the accounting treatment of contracts to determine whether the revenue recognition methodology was appropriate.
- Selecting samples of revenue entries in the period immediately before and after the year end and amounts recorded within accrued income and deferred income at the year end. For all entries selected we obtained and agreed back to source documentation to assess whether revenue was recorded in the correct period.

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF UPDATA INFRASTRUCTURE (UK) LIMITED

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF UPDATA INFRASTRUCTURE (UK) LIMITED

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

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

Malcolm Footer (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

5 September 2022

UPDATA INFRASTRUCTURE (UK) LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2020 £
Revenue	3	46,042,595	48,856,407
Cost of sales		(43,080,977)	(45,779,110)
Gross profit		**2,961,618**	**3,077,297**
Administrative expenses		(6,481,199)	(15,927,319)
Operating loss	4	**(3,519,581)**	**(12,850,022)**
Net finance cost	5	(4,876)	(13,895)
Loss before tax		**(3,524,457)**	**(12,863,917)**
Income tax credit	7	1,363,449	1,320,238
Total comprehensive expense for the year		**(2,161,008)**	**(11,543,679)**

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

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

The notes on pages 14 to 41 form an integral part of these financial statements.

UPDATA INFRASTRUCTURE (UK) LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2021

	Notes	2021 £	2020 £
Non-current assets			
Property, plant and equipment	**8**	1,740,478	2,999,147
Intangible assets	**9**	52,255	225,359
Contract fulfilment assets	**10**	5,481,086	5,715,134
Trade and other receivables	**12**	191,095	391,088
Deferred tax	**7**	2,795,323	2,341,220
		10,260,237	**11,671,948**
Current assets			
Trade and other receivables	**12**	13,307,356	12,642,308
Inventories	**13**	687	8,859
Income tax receivable		1,687,301	807,112
		14,995,344	**13,458,279**
Total assets		**25,255,581**	**25,130,227**
Current liabilities			
Trade and other payables	**14**	20,254,629	22,657,492
Deferred income	**15**	6,721,729	9,931,937
Financial liabilities	**16**	9,260,322	1,843,221
Lease liabilities	**17**	-	9,725
Provisions	**18**	-	613,000
		36,236,680	**35,055,375**
Non-current liabilities			
Deferred income	**15**	5,247,592	4,107,710
Lease liabilities	**17**	-	34,825
		5,247,592	**4,142,535**
Total liabilities		**41,484,272**	**39,197,910**
Net liabilities		**(16,228,691)**	**(14,067,683)**

UPDATA INFRASTRUCTURE (UK) LIMITED

BALANCE SHEET (CONTINUED)

AS AT 31 DECEMBER 2021

	Notes	2021 £	2020 £
Capital and reserves			
Issued share capital	**19**	72,536	72,536
Share premium		652,005	652,005
Retained deficit		(16,953,232)	(14,792,224)
Total equity		**(16,228,691)**	**(14,067,683)**

The notes on pages 14 to 41 form an integral part of these financial statements.

Approved by Board and authorised for issue on 5 September 2022

S M Frewing
Director

Company Registration No. 06957593

UPDATA INFRASTRUCTURE (UK) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital	Share premium	Retained deficit	Total equity
	£	**£**	**£**	**£**
At 1 January 2020	72,536	652,005	(3,248,545)	(2,524,004)
Total comprehensive expense for the year	-	-	(11,543,679)	(11,543,679)
At 31 December 2020	**72,536**	**652,005**	**(14,792,224)**	**(14,067,683)**
Total comprehensive expense for the year	-	-	(2,161,008)	(2,161,008)
At 31 December 2021	**72,536**	**652,005**	**(16,953,232)**	**(16,228,691)**

Share capital — The balance classified as share capital are the nominal proceeds on issue of the Company's equity share capital, comprising 72,536 ordinary shares of £1 each.

Share premium The amount paid to the Company by shareholders, in cash or other consideration, over and above the nominal value of shares issued to them.

Retained deficit — The balance in retained deficit pertains to net losses accumulated in the Company.

The notes on pages 14 to 41 form an integral part of these financial statements.

1 Accounting policies

1.1 Basis of preparation

Updata Infrastructure (UK) Limited is a Company incorporated and domiciled in the United kingdom. The financial statements are prepared under the historical cost basis except where stated otherwise and in accordance with applicable accounting standards.

In determining the appropriate basis of preparation for the annual report and financial statements for the year ended 31 December 2021, the Company's Directors ("the Directors") are required to consider whether the Company can continue in operational existence for the foreseeable future, being a period of at least 12 months following the approval of these financial statements. The Directors have concluded that it is appropriate to adopt the going concern basis, having undertaken a rigorous assessment of the financial forecasts, key uncertainties, and sensitivities, as set out below.

Board assessment

Base case scenario

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

Severe but plausible downside

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

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

Reliance on Capita plc ('the Group')

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

- provision of certain services, such as administrative support and should the Group be unable to deliver these services, the Company would have difficulty in continuing to trade;
- participation in the Group's notional cash pooling arrangements, of which £2,852,053 was held at 31 July 2022. In the event of a default by the Group, the Company may not be able to access its cash balance within the pooling arrangement;
- recovery of receivables of £1,637,124 from fellow Group undertakings as of 31 July 2022. If these receivables are not able to be recovered when forecast by the Company, then the Company may have difficulty in continuing to trade ;
- additional funding that may be required if the company suffers continuing future losses; and
- revenue from other Group entities and key contracts that may be terminated in the event of a default by the Group.

Despite the Company being in a net liability/net current liability position, the ultimate parent undertaking has stated that it will provide continuing financial support as necessary and to the extent it is able to do so.

1 Accounting policies **(Continued)**

1.1 Basis of preparation (continued)

The financial projections are dependent on the Group providing additional financial support over the period to 31 December 2023 (the "going concern period") and not seeking repayment of the amounts currently due, which at 31 December 2021 amounts to £15,625,601. The Group has indicated its intention to provide financial support to the Company in order to meet its liabilities as and when they fall due, but only to the extent that money is not otherwise available to the Company to meet such liabilities. In 2022, the Group took steps to strengthen the balance sheet of the Company. In February 2022, Capita Holdings Limited and Capita IT Services Holdings Limited irrevocably and unconditionally released the Company from its obligation to repay amounts owing of £1,812,814 and £13,084,369 respectively. In June 2022, its parent company invested £11,500,000 in return for 1 ordinary share of the Company. The Company's share capital was then reduced to 1 ordinary share of £1 nominal value through the cancellation of 72,536 shares of £1 each, and the Company's share premium account was reduced to nil.

As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Given the reliance the Company has on the Group, the Directors have considered the financial position of the ultimate parent undertaking as disclosed in its most recent condensed consolidated financial statements, being for the six month period ended 30 June 2022.

Ultimate parent undertaking – Capita plc
The Capita plc Board ('the Board') concluded that it was appropriate to adopt the going concern basis, having undertaken a rigorous assessment of the financial forecasts, key uncertainties, and sensitivities, when preparing the Group's condensed consolidated financial statements to 30 June 2022. These financial statements were approved by the Board on 4 August 2022 and are available on the Group's website (www.capita.com/investors). Below is a summary of the position at 4 August 2022:

Accounting standards require that 'the foreseeable future' for going concern assessment covers a period of at least twelve months from the date of approval of these condensed consolidated financial statements, although those standards do not specify how far beyond twelve months a Board should consider. In its going concern assessment, the Board has considered the period from the date of approval of these condensed consolidated financial statements to 31 December 2023, which is just less than eighteen months from the date of approval of these condensed consolidated financial statements ('the going concern period') and includes the scheduled repayments of private placement loan notes in the second half of 2023.

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

The base case projections used for going concern assessment purposes reflect business disposals completed up to the date of approval of these condensed consolidated 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.

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

1 Accounting policies **(Continued)**

1.1 Basis of preparation (continued)

Ultimate parent undertaking Capita plc (continued)

In addition to the ongoing disposal programme, the Group may seek to mitigate the liquidity risks which might arise in the downside scenario by seeking further sources of financing beyond its existing committed funding facilities. The Board has been successful in obtaining new and extended financing facilities in recent years, most recently the extension of the RCF which was signed in July 2022.

Material uncertainties related to the Group

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

Adoption of going concern basis by the Group:

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

Conclusion

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

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

1 Accounting policies **(Continued)**

1.2 Compliance with accounting standards

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

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

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

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

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

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

1.3 Changes in accounting policies

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

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

The Company is in the advanced stages of the assessment of the amended standard and based on its current assessment, it is not expected to have any material impact to the Company's financial statements.

1 Accounting policies **(Continued)**

1.4 Revenue recognition

Revenue is earned within the United Kingdom.

The Company operates a number of diverse businesses and therefore it uses a variety of methods for revenue recognition based on the principles set out in IFRS 15. Many of the contracts entered into are long term and complex in nature given the breadth of solutions the company offers.

The revenue and profits recognised in any period are based on the delivery of performance obligations and an assessment of when control is transferred to the customer. In determining the amount of revenue and profits to record, and related balance sheet items (such as contract fulfilment assets, capitalisation of costs to obtain a contract, trade receivables, accrued income and deferred income) to recognise in the period, management is required to form a number of key judgements and assumptions. This includes an assessment of the costs the Company incurs to deliver the contractual commitments and whether such costs should be expensed as incurred or capitalised. These judgements are inherently subjective and may cover future events such as the achievement of contractual milestones, performance KPIs and planned cost savings. In addition, for certain contracts, key assumptions are made concerning contract extensions and amendments, as well as opportunities to use the contract developed systems and technologies on other similar projects.

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 ('MSA's') not meeting the definition of a contract under IFRS 15 and as such the individual call-off agreements, linked to the MSA, are treated as individual contracts.

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

For contracts with multiple components to be delivered such as transformation, transitions and the delivery of outsourced services, management applies judgement to consider whether those promised goods and services are (i) distinct - to be accounted for as separate performance obligations; (ii) not distinct - to be combined with other promised goods or services until a bundle is identified that is distinct or (iii) part of a series of distinct goods and services that are substantially the same and have the same pattern of transfer to the customer.

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

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

1 Accounting policies **(Continued)**

1.4 Revenue recognition (continued)

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 standalone prices due to the specialised services required by customers and therefore the Company applies judgement to determine an appropriate standalone selling price. More frequently, the Company sells a customer bespoke solution, and in these cases the Company typically uses the expected cost-plus margin or a contractually stated price approach to estimate the standalone 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, the Company determines if revenue will be recognised over time or at a point in time. Where the Company recognises revenue over time for long term contracts, this is in general due to the Company performing and the customer simultaneously receiving and consuming the benefits provided over the life of the contract.

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, for long term service contracts where the series guidance is applied (see below for further details), the Company often uses a method of time elapsed which requires minimal estimation. Certain long-term contracts use output methods based upon the 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 (see below for further details). 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.

Long term contractual – greater than 2 years

The Company provides a range of services in various segments under customer contracts with a duration of more than two years.

The nature of contracts or performance obligations categorised within this revenue type is diverse and includes (i) long term outsourced service arrangements in the public and private sectors; and (ii) active software license arrangements (see definition below).

The Company considers that the services provided meet the definition of a series of distinct goods and services as they are (i) substantially the same and (ii) have the same pattern of transfer (as 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. Even if the underlying activities performed by the Company to satisfy a promise vary significantly throughout the day and from day to day, that fact, by itself, does not mean the distinct goods or services are not substantially the same. For the majority of long term service contracts with customers in this category, the Company recognises revenue using the output method as it best reflects the nature in which the Company is transferring control of the goods or services to the customer.

1 Accounting policies **(Continued)**

1.4 Revenue recognition (continued)

Active software licenses are those where the Company has a continuing involvement after the sale or transfer of control to the customer, which significantly affects the intellectual property to which the customer has rights. The Company is in a majority of cases responsible for any maintenance, continuing support, updates and upgrades and accordingly the sale of the initial software is not distinct. The Company's accounting policy for licenses is discussed in more detail below.

Short term contractual - less than 2 years

The nature of contracts or performance obligations categorised within this revenue type is diverse and includes (i) short term outsourced service arrangements in the public and private sectors; and (ii) software maintenance contracts.

The Company has assessed that maintenance and support (i.e. on-call support, remote support) for software licenses is a performance obligation that can be considered capable of being distinct and separately identifiable in a contract if the customer has a passive license. These recurring services are substantially the same as the nature of the promise is for the Company to 'stand ready' to perform maintenance and support when required by the customer. Each day of standing ready is then distinct from each following day and is transferred in the same pattern to the customer.

Transactional (Point in time) contracts

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

The nature of contracts or performance obligations categorised within this revenue type is diverse and includes (i) provision of IT hardware goods; (ii) passive software license agreements; (iii) commission received as agent from the sale of third party software; and (iv) fees received in relation to delivery of professional services.

Passive software licenses are licenses which have significant stand-alone functionality and the contract does not require, and the customer does not reasonably expect, the Company to undertake activities that significantly affect the license. Any ongoing maintenance or support services for passive licenses are likely to be separate performance obligations. The Company's accounting policy for licenses is discussed in more detail below.

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)

1 Accounting policies **(Continued)**

1.4 Revenue recognition (continued)

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

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

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

Principal versus agent

The Company has arrangements with some of its customers whereby it needs to determine if it acts as a principal or an agent as more than one party is involved in providing the goods and services to the customer. The Company acts as a principal if it controls a promised good or service before transferring that good or service to the customer. The Company 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 Company has in establishing the price for the specified good or service, whether the Company has inventory risk and whether the Company 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 Company 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 Company is acting as a principal, revenue is recorded on a gross basis. Where the Company is acting as an agent revenue is recorded at a net amount reflecting the margin earned.

Contract fulfilment assets

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

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

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

1 Accounting policies **(Continued)**

1.4 Revenue recognition (continued)

The assessment of this criteria requires the application of judgement, in particular when considering costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable. The Company 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 in scope of the Company's accounting policy for property, plant and equipment), software license costs (generally in scope of the Company's accounting policy for intangible assets), recruitment costs and training.

The Company has determined that, where the relevant specific criteria are met, the costs for (i) process mapping and design; (ii) system development; and (iii) project management are likely to qualify to be capitalised as contract fulfilment assets.

Capitalisation of costs to obtain a contract

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

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

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

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

The Company utilises contract fulfilment assets and capitalised costs to obtain a contract to cost of sales over the expected contract period using a systematic basis that mirrors the pattern in which the Company transfers control of the service to the customer. The utilisation charge is included within cost of sales. Judgement is applied to determine this period, for example whether this expected period would be the contract term or a longer period such as the estimated life of the customer relationship for a particular contract if, say, renewals are expected.

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

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

Where the relevant contracts or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract.

1 Accounting policies **(Continued)**

1.4 Revenue recognition (continued)

The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific KPIs that could trigger variable consideration, or service credits.

Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

Deferred and accrued income
The Company's customer contracts include a diverse range of payment schedules dependent upon the nature and type of goods and services being provided. The Company often agrees payment schedules at the inception of long term contracts under which it receives payments throughout the term of the contracts. These payment schedules may 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.

Where payments made are greater than the revenue recognised at the period end date, the Company recognises a deferred income contract liability for this difference. Where payments made are less than the revenue recognised at the period end date, the Company recognises an accrued income contract asset for this difference. At each reporting date, the Company assesses whether there is any indication that accrued income assets may be impaired by considering whether the revenue remains highly probable that no revenue reversal will occur. Where an indicator of impairment exists, the Company makes a formal estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

1.5 Goodwill

Goodwill is stated at cost less any accumulated impairment losses. It is not amortised but is tested annually for impairment. This is not in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 which requires that all goodwill be amortised. The Directors consider that this would fail to give a true and fair view of the profit for the year and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. It is not practicable to quantify the effect on the financial statements of this departure. On adoption of FRS 101, the Company restated business combinations that took place between 1 January 2007 and 31 December 2014. The Company, therefore, restated its opening balances in 2014 to reflect the position had IFRS 3 'Business Combinations' been in effect since 1 January 2007.

1.6 Other intangibles

Intangibles are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful life, which is typically 5 years. In the case of capitalised software development costs, research expenditure is written off to the statement of profit and loss in the period in which it is incurred. Development expenditure is written off in the same way unless and until the Company is satisfied as to the technical, commercial and financial viability of individual projects. In these cases, the development expenditure is capitalised and amortised over the period during which the Company is expected to benefit.

1 Accounting policies **(Continued)**

1.7 Property, plant and equipment

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

Leasehold improvements	shorter of lease term or 5 years
Furniture and fixtures	2 - 5 years
Computer equipment	2 - 5 years

1.8 Leasing

The Company leases various assets, comprising land and buildings.

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

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

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

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

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

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

1 Accounting policies **(Continued)**

1.9 Pensions

The Company participates in a number of defined contribution pension schemes where contributions are charged to the profit and loss account in the year in which they are due. These schemes are funded and contributions are paid to separately administered funds. The assets of these schemes are held separately from the Company. The Company remits monthly pension contributions to Capita Business Services Ltd, a fellow subsidiary undertaking, which pays the group liability centrally. Any unpaid contributions at the year-end have been accrued in the accounts of Capita Business Services Ltd.

In addition, the Company participates in a defined benefit pension scheme which requires contributions to be made to a separate trustee-administered fund. The participation is in a public sector defined benefit pension schemes and is for a finite period. On materiality grounds, the pension costs for this scheme are reported on a defined contribution basis recognising a cost equal to its contribution payable for the period. (See Note 22.)

The Company also participated in another public sector defined benefit during the period. Participation was for a finite period (ceased in July 2021) and there were contractual protections in place to limit the financial risks to the Company of this scheme. The pension costs for this scheme are reported on a defined contribution basis recognising a cost equal to its contribution payable during the period of participation.

The Company also participated in the Capita Pension & Life Assurance Scheme (the "Capita DB Scheme"). During 2019, the Company ceased to employ any active members in the Capita DB Scheme which triggered a cessation event. As such a Section 75 debt (which is a statutory debt due from a participating employer to the trustees of a multi-employer defined benefit pension scheme which is in deficit) became due. The Section 75 debt was paid by Capita plc on behalf of the Company in 2021 with the Company's liability to the Capita DB Scheme being settled.

As there is no contractual agreement 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 the Principal Employer (Capita Business Services Ltd). During the period the Company participated in the Capita DB Scheme it recognised a cost equal to its contribution payable during the period.

1 Accounting policies **(Continued)**

1.10 Taxation

Tax on the profit or loss for 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)**

1.11 Share-based payments

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted 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. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than 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, attributable to the company, since the previous balance sheet date is recognised in the income statement and settled with Capita plc, the ultimate parent undertaking.

In accordance with IFRS 2, share option awards of the ultimate parent company's equity instruments in respect of settling grants to employees of the company are disclosed as a charge to the income statement and a credit to equity. The Company's policy is to reimburse its ultimate parent company through the intercompany account for charges that are made to it. Hence the credit to equity has been eliminated, rather reflecting a credit to inter-company which better describes the underlying nature of the transaction.

1.12 Group accounts

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

1.13 Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

1 Accounting policies **(Continued)**

1.14 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, for example under an insurance contract, 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. The Company provides, on a discounted basis, for the future rent expense and related cost of leasehold property (net of estimated sub- lease income) where the space is vacant or currently not planned to be used for ongoing operations.

1.15 Financial instruments

(i) Classification

The Company classifies its financial assets in the following measurement categories:
• those to be measured subsequently at fair value (either through OCI or through profit or loss); and
• those to be measured at amortised cost.

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

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

(ii) Recognition and derecognition

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

(iii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to income statement following the derecognition of the investment. Dividends from such investments continue to be recognised in income statement as other income when the Company 's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

1 Accounting policies **(Continued)**

1.15 Financial instruments (Continued)

(iv) Impairment

The Company assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Trade and other receivables

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

Trade and other payables

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

Cash

Cash in the balance sheet comprise cash at bank and in hand. Bank overdrafts are shown within current financial liabilities.

1.16 Inventories

Inventories are valued at the lower of cost and net realisable value.

2 Significant accounting judgements, estimates and assumptions

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

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

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

- **Contract fulfilment assets:** Judgement is applied by the Company when determining what costs qualify to be capitalised in particular when considering whether these costs are incremental and when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

- **Provisions:** The measurement of provisions reflects management's assessment of the probable outflow of economic benefits resulting from an existing obligation. Provisions are calculated on a case by case basis and involve judgement as regards the final timing and quantum of any financial outlay.

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

	Note	2021	2020
		£	£
Operating loss for the year is stated after charging:			
Net foreign exchange losses		243	395
Depreciation of property, plant and equipment	8	1,865,428	1,955,560
Impairment of property, plant and equipment	8	49,277	-
Loss on disposal of intangible assets		-	103,503
Impairment of goodwill	9	-	7,029,787
Amortisation of intangible assets	9	173,104	301,418
Depreciation of ROUA - property, plant and equipment	10	-	510,376
Impairment of ROUA - property, plant and equipment	10	-	183,168
Short-term lease rentals - plant and machinery		232,266	297,209
Short-term lease rentals - other assets		79,422	-

Audit fees are borne by the ultimate parent undertaking, Capita plc. The audit fee for the current period was £30,000 (2020: £ 25,000). The Company has taken advantage of the exemption provided by regulations 6(2)(b) of The Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 not to provide information in respect of fees for other (non-audit) services as this information is required to be given in the Group accounts of the ultimate parent undertaking, which it is required to prepare in accordance with the Companies Act 2006.

5 Net finance costs

	2021	2020
	£	£
Interest expense on lease liabilities	308	13,895
Interest on bank overdraft	4,568	-
	4,876	**13,895**

6 Leases under IFRS 16

	2021	2020
	£	£
Expenses relating to short-term leases (note 4)	232,266	297,209
Interest expense on lease liabilities (note 5)	308	13,895
Depreciation of ROUA - property, plant and equipments	-	510,376
Impairment of ROUA - property, plant and equipments	-	183,168

7 Income tax

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

	2021	2020
	£	£
Current tax		
UK Corporation tax	(885,861)	(767,290)
Adjustments in respect of prior periods	(23,485)	26,313
	(909,346)	**(740,977)**
Deferred tax		
Origination and reversal of temporary differences	(465,807)	(548,273)
Adjustment in respect of prior periods	11,704	(30,988)
	(454,103)	**(579,261)**
Total tax credit reported in the income statement	**(1,363,449)**	**(1,320,238)**

7 Income tax **(Continued)**

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

	2021	2020
	£	£
Loss before tax	(3,524,457)	(12,863,917)
Loss before taxation credit multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	(669,647)	(2,444,144)
Adjustments in respect of current income tax of prior periods	(23,485)	26,313
Adjustments in respect of deferred income tax of prior periods	11,704	(30,988)
Expenses not deductible for tax purposes	18	1,339,516
Non taxable income	(11,161)	-
Impact of changes in statutory tax rates	(670,878)	(210,935)
Total adjustments	(693,802)	1,123,906
Total tax credit reported in the income statement	**(1,363,449)**	**(1,320,238)**

Deferred tax	**Balance sheet**		**Income statement**	
	2021	**2020**	**2021**	**2020**
	£	**£**	**£**	**£**
Deferred tax assets				
Decelerated capital allowances	2,781,986	2,315,110	(466,876)	(575,251)
Other temporary difference	13,337	26,110	12,773	(4,010)
Net deferred tax asset	**2,795,323**	**2,341,220**		
Deferred income tax credit			**(454,103)**	**(579,261)**

A change to the main UK corporation tax rate was substantively enacted on 24 May 2021. The rate applicable from 1 April 2023 increases from 19% to 25%. The deferred tax asset at 31 December 2021 has been calculated based on this rate, resulting in a £670,878 tax credit to the income statement in 2021.

8 Property, plant and equipment

	Leasehold improvements	Computer equipment	Total
	£	£	£
Cost			
At 1 January 2021	84,157	6,743,020	6,827,177
Additions	-	656,036	656,036
Disposals	(84,157)	-	(84,157)
Asset retirement	-	(521,259)	(521,259)
At 31 December 2021	**-**	**6,877,797**	**6,877,797**
Depreciation			
At 1 January 2021	32,213	3,795,817	3,828,030
Charge for the year	2,667	1,862,761	1,865,428
Impairment	49,277	-	49,277
On disposal	(84,157)	-	(84,157)
Asset retirement	-	(521,259)	(521,259)
At 31 December 2021	**-**	**5,137,319**	**5,137,319**
Net book value			
At 31 December 2021	**-**	**1,740,478**	**1,740,478**
At 31 December 2020	**51,944**	**2,947,203**	**2,999,147**

9 Intangible assets

	Goodwill	Software	Total
	£	£	£
Cost			
At 1 January 2021	7,466,287	826,840	8,293,127
Disposals	-	(451,481)	(451,481)
31 December 2021	**7,466,287**	**375,359**	**7,841,646**
Amortisation and impairment			
At 1 January 2021	7,466,287	601,481	8,067,768
Charge for the year	-	173,104	173,104
Retirements	-	(451,481)	(451,481)
At 31 December 2021	**7,466,287**	**323,104**	**7,789,391**
Net book value			
At 31 December 2021	-	**52,255**	**52,255**
At 31 December 2020	-	**225,359**	**225,359**

10 Contract fulfilment assets

Cost	**£**
At 1 January 2020	**7,244,328**
Additions	3,057,952
Utilised during the year	(4,320,798)
Impairment	(266,348)
At 31 December 2020	**5,715,134**
Additions	3,086,875
Utilised during the year	(3,320,923)
At 31 December 2021	**5,481,086**

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

11 Investment in subsidiaries

	£
Cost	
At January 2021 and 31 December 2021	2,663,913
Impairment	
At January 2021 and 31 December 2021	2,663,913
Net book value	
At 31 December 2021	-
At 31 December 2020	-

Details of the company's subsidiaries at 31 December 2021 are as follows:

Company	Country of registration or incorporation	Ordinary shares held (%)	Nature of business
Updata Infrastructure 2012 Limited*	England	100	Dormant
Daisy Updata Communications Limited^	England	50	Contract maintenance

*Registered office: 65 Gresham Street, London, England, EC2V 7NQ
^Registered office: Lindred House, 20 Lindred Road Brierfield, Nelson, BB9 5SR

12 Trade and other receivables

Current	2021	2020
	£	£
Trade debtors	7,035,288	5,628,736
Other receivables	134,444	524
Accrued income	214,621	-
Prepayments	2,822,400	2,732,076
Contract fulfilment assets	2,814,102	2,276,318
VAT recoverable	29,845	-
Amounts due from parent and fellow subsidiary undertaking	256,656	2,004,654
	13,307,356	**12,642,308**

Non-current	2021	2020
	£	£
Prepayments	191,095	391,088
	191,095	**391,088**

13 Inventories

	2021	2020
	£	£
Finished goods	687	8,859
	687	**8,859**

14 Trade and other payables

	2021	2020
	£	£
Trade creditors	1,590,273	3,404,387
Other creditors	1,426	513,390
Other taxes and social security	-	714,993
Accruals	3,037,329	2,112,994
Amounts due to parent and fellow subsidiary undertaking	15,625,601	15,911,728
	20,254,629	**22,657,492**

15 Deferred income

	2021	2020
	£	£
Current		
Deferred income	6,721,729	9,931,937
	6,721,729	**9,931,937**
Non-current		
Deferred income	5,247,592	4,107,710
	5,247,592	**4,107,710**

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

16 Financial liabilities

	2021	2020
	£	£
Bank overdrafts	9,260,322	1,843,221
	9,260,322	**1,843,221**

17 Lease liability

	2021	2020
	£	£
Current	-	9,725
Non-current	-	34,825
	-	**44,550**

	2021	2020
Maturity analysis - contractual undiscounted cash flows	£	£
Less than one year	-	9,929
One to two year	-	9,929
More than two years	-	29,788
Total undiscounted lease liabilities at 31 December	**-**	**49,646**

18 Provisions

	Others
	£
At 1 January 2021	613,000
Released during the year	(135,000)
Utilised during the year	(478,000)
At 31 December 2021	-

19 Issued share capital

	2021	2020	2021	2020
	Numbers	Numbers	£	£
Ordinary share capital				
Allotted, called up and fully paid				
Ordinary shares of £1 each				
At 1 January	72,536	72,536	72,536	72,536
At 31 December	**72,536**	**72,536**	**72,536**	**72,536**

20 Employees

	2021	**2020**
	Number	**Number**
Sales	26	32
Operations	207	229
Administration	8	8
	241	**269**

Their aggregate remuneration comprised:

	2021	**2020**
	£	**£**
Wages and salaries	12,300,187	12,948,904
Social security costs	1,580,040	1,678,699
Pension costs	1,035,038	1,103,968
	14,915,265	**15,731,571**

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

21 Directors' remuneration

None of the Directors were paid by the Company during the year (2020: nil). The Directors were paid by another company within Public service division. As no qualifying services were provided by the Directors on Company's affairs, no remuneration has not been allocated to this Company. In addition to the above, the Directors of the Company were reimbursed for the expenses incurred by them whilst performing business responsibilities.

22 Employee benefits

The Company participates in both defined benefit and defined contribution pension schemes.

Contributions in respect of the defined contribution schemes payable by the Company during the year amounted to £1,035,038 (2020: £1,103,968)

Public sector defined benefit pension scheme

For the public sector defined benefit pension scheme which the Company currently participates in, this is for a finite period. On materiality grounds, the Company has not assessed its exposure to actuarial and investment risk. However, to provide context, the latest full actuarial valuation carried out as at 31 March 2019 by the scheme's actuary showed assets of £387k and funding liabilities of £339k in respect of the three employees associated with this scheme. The Company currently pays 21.2% pa of pensionable pay in respect of its active members.

For the public sector defined benefit pension scheme that the Company ceased to participate in during 2021, this was for a finite period and there were contractual protections in place allowing actuarial and investment risk to be passed on to the end customer via recoveries for contributions paid. The nature of these arrangements vary from contract to contract but typically allows for the majority of contributions payable to the schemes in excess of an initial rate agreed at the inception to be recovered from the end customer, as well as exit payments payable to the schemes at the cessation of the contract (where applicable), such that the Company's net exposure to actuarial and investment risk is immaterial.

Judgement is required in determining the appropriate accounting treatment for the participation in these schemes, in particular as to whether actuarial and investment risk fall in substance on the Company. It is considered that the net risk to the Company from these defined benefit arrangements is immaterial and therefore the costs in relation to all of the above schemes are reported on a defined contribution basis recognising a cost equal to its contribution payable during the period. No amounts are recognised on the Company's balance sheet.

The pension charge for these public sector defined benefit pension schemes is included in the above pension charge for the defined contribution pension schemes.

The Capita Pension and Life Assurance Scheme (the "Capita DB Scheme")

During 2019, the Company ceased to employ any active members in the Capita DB Scheme which triggered a cessation event. As such a Section 75 debt (which is a statutory debt due from a participating employer to the trustees of a multi-employer defined benefit pension scheme which is in deficit) became due. The Section 75 debt was paid by Capita plc on behalf of the Company in 2021 with the Company's liability to the Capita DB Scheme being settled.

23 Related party transactions

Nature of Transaction	Name of Company	Year	£ Fellow Subsidiary
Sales of Goods			
	Entrust Support Services Limited	December 31, 2021	776,781
		December 31, 2020	1,111,966
		December 31, 2021	**776,781**
		December 31, 2020	**1,111,966**
Trade Receivables			
	Entrust Support Services Limited	December 31, 2021	20,143
		December 31, 2020	6,916
		December 31, 2021	**20,143**
		December 31, 2020	**6,916**

24 Controlling party

The Company's immediate parent undertaking is Capita IT Services Holdings Limited, a Company incorporated in England and Wales.

The Company's ultimate parent undertaking is Capita plc, a Company incorporated in England and Wales. The accounts of Capita plc are available from the registered office at 65 Gresham Street, London, United Kingdom, EC2V 7NQ.

25 Post balance sheet events

In 2022, the Group took steps to strengthen the balance sheet of the Company.

- On 25 February 2022, Capita Holdings Limited and Capita IT Services Holdings Limited irrevocably and unconditionally released the Company from its obligation to repay intercompany loans amounting to £1,812,814 and £13,084,369 respectively. The reduction in debt has been credited to the income statement in 2022.

- On 20 June 2022, Capita IT Services Holdings Limited invested £11,500,000 in Updata Infrastructure (UK) Limited against which Updata Infrastructure (UK) Limited issued 1 ordinary share of nominal value of £1 at a share premium of £11,499,999.

- Thereafter on 29 June 2022, the Company's share capital was reduced to 1 Ordinary share of £1 nominal value through the cancellation of 72,536 ordinary shares of £1 each. The Company's share premium account was reduced by £12,152,004 to nil.