

Company Registration No. 01336850 (England and Wales)

CAPITA CUSTOMER MANAGEMENT LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

CAPITA CUSTOMER MANAGEMENT LIMITED

COMPANY INFORMATION

Directors	M Billingham	(Appointed 5 May 2022)
	C Ripoche Van Hecke	(Appointed 27 March 2023)
	T F Vanoverschelde	(Appointed 17 April 2023)

Secretary	Capita Group Secretary Limited
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Company number	01336850
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Registered office	65 Gresham Street London England EC2V 7NQ
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Auditor	KPMG LLP 1 Sovereign Square Sovereign St Leeds LS1 4DA
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CAPITA CUSTOMER MANAGEMENT LIMITED

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CAPITA CUSTOMER MANAGEMENT LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Review of the business

Capita Customer Management Limited ("the Company") is a wholly owned subsidiary (indirectly held) of Capita plc. Capita plc, along with all its subsidiaries is hereafter referred as "the Group". The Company operates within the Group's Experience division.

The principal activity of the Company continued to be that of the providing outsourcing services. As a part of group restructuring plan, various businesses have been transferred in/out of the Company from/to other Group subsidiaries. Refer note 31 for more information on business acquisitions and transfers. 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.

During the year, the Company has incorporated a branch of a foreign merchant in the republic of Bulgaria pursuant to article 17a of the Commercial Act, namely Capita Customer Management Limited - Bulgaria Branch.

With effect from 3 May 2022, the Company reduced its share capital to 100 ordinary shares nominal value of £1 each, through the cancellation of 180,319,901 ordinary shares of £1 each and share premium was reduced from £37,680,000 to nil during the same period, with a corresponding impact to retained earnings.

On 1 May 2023, the Group as a part of reorganisation of its experience business, transferred the trade and assets of one of its subsidiary, Voice Marketing Limited into the Company. The assets and liabilities were transferred at their existing carrying values and the consideration was paid through an intragroup loan.

As shown in the Company's income statement on page 13, the Company's revenue has decreased from £351,798,560 in 2021 to £337,748,873 predominantly due to some contract exits in 2022, while operating profit of £30,712,387 in 2021 has shifted to an operating loss of £7,717,738 in 2022 due to the above contract exits and a significant transfer of functional & overhead costs to the Company due to these being centralized in the Customer Experience division. Also, the net finance income has increased from £120,889 in 2021 to £3,362,699 in 2022 mainly due to increase in the interest income earned from other Group undertakings on account of change in interest rate during the year. Further, there is also a revaluation gain of £2,202,634 on the financial assets measured at Fair Value through P&L (FVPL) during the year. The Company's tax charge/(credit) has moved from £41,482,623 in 2021 to (£21,159,419), principally due to changes in deferred tax recognition.

The balance sheet on pages 15 - 16 of the financial statements shows the Company's financial position at the year end. Net assets have increased from £141,853,836 in 2021 to £159,253,501 in 2022 mainly due to the profit generated during the year. The financial assets at FVPL relate to the Company's minority shareholding in companies as part of Capita Scaling Partners. The deferred income has decreased majorly due to reduction in deferred income in relation to O2 contract. There is also an increase in the financial liabilities due to increase in bank overdrafts in the ordinary course of business. Details of amounts owed by/to its parent Company and fellow subsidiary undertakings are shown in notes 17, 18 and 28 to the financial statements.

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

CAPITA CUSTOMER MANAGEMENT LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

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.
- *Operational*: including recruitment and retention of staff, maintenance of reputation and strong supplier and customer relationships, operational IT risk, and failures in information security controls.
- *Compliance*: non-compliance with laws and regulations. The Company must comply with an extensive range of requirements that govern and regulate its business.

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

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

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

CAPITA CUSTOMER MANAGEMENT LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Section 172 Statement

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

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

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

CAPITA CUSTOMER MANAGEMENT LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Section 172 statement (continued)

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

CAPITA CUSTOMER MANAGEMENT LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Section 172 Statement (continued)

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

On behalf of the board

T F Vanoverschelde

Director

23 June 2023

CAPITA CUSTOMER MANAGEMENT LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Results and dividends

The results for the year are set out on pages 13 and 14.

The Company has not paid or declared any dividends during the year (2021: £nil).

Directors

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

A J Bowman	(Resigned 21 June 2022)
A N Chapple	(Resigned 17 October 2022)
K A Francis	(Resigned 3 May 2022)
M Billingham	(Appointed 5 May 2022)
M Jeffreys	(Appointed 12 July 2022 and resigned 24 March 2023)
A Ajit	(Appointed 12 July 2022 and resigned 25 January 2023)
C C Clements	(Appointed 12 July 2022 and resigned 25 January 2023)
S Johnson	(Appointed 12 July 2022 and resigned 25 January 2023)
M Harding	(Appointed 12 July 2022 and resigned 25 January 2023)
C Ripoche Van Hecke	(Appointed 27 March 2023)
T F Vanoverschelde	(Appointed 17 April 2023)

Environment

Capita plc recognises the importance of its environmental responsibilities, monitors its impact on the environment and design 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.

Political donations

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

Disabled persons

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

Employee involvement

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

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

There is no employee share scheme at present, but the Directors are considering the introduction of such a scheme as a means of further encouraging the involvement of employees in the Company's performance.

CAPITA CUSTOMER MANAGEMENT LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Post reporting date events

In February 2023, the Group entered into a committed bridge facility of £50m with three of its relationship banks providing additional liquidity from 1 January 2024. It incorporates provisions such that it will partially reduce in quantum as a consequence of specified transactions. The committed facility has an expiry date of 31 December 2024 and is subject to covenants, which are the same as those in the RCF.

On 1 May 2023, the Group as a part of reorganisation of its experience business, transferred the trade and assets of one of its subsidiary, Voice Marketing Limited into the Company. The assets and liabilities were transferred at their existing carrying values and the consideration was paid through an intragroup loan.

Auditor

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

Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial statements

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

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

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

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

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

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

Future developments

The Directors of the Company are not aware of any circumstance in which the principal activity of the Company would cease or change.

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.

CAPITA CUSTOMER MANAGEMENT LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

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.

Corporate governance arrangements

The Company forms part of the Capita plc group of companies (the "Group"). Capita plc shares have a premium listing on the main market of the London stock exchange and Capita plc is subject to the requirements of the UK Corporate Governance Code 2018 (the "Code") published by the Financial Reporting Council.

The Company did not apply a corporate governance code during the year as its governance arrangements form part of the wider Group's governance arrangements and are integrated into the management of the Group as a whole.

The Company forms part of the Group's Experience division and the Company's board of directors includes the Divisional Executive Officer ("EO") and Divisional Finance Director ("DFD"). The EO is also part of the Group's Executive Committee ("ExCo"), led by the Chief Executive Officer of Capita plc.

Information about ExCo members is provided in the Capita plc Annual Report & Accounts. Decisions made by the Capita plc board and its committees, or by the ExCo and its committees, are cascaded throughout the Group as applicable and the management of each division, led by its Executive Officer, is responsible for implementation among unregulated businesses in their division. Boards of directors of regulated entities within the Group have authority to make decisions autonomously, with risk committee oversight at a Group level. Monthly performance reviews are conducted by the ExCo with divisional management. These enable a two-way conversation to take place about business strategy, developments and performance. The directors of the Company remain responsible for all decisions affecting the operation of the Company's affairs.

On behalf of the board

T F Vanoverschelde

Director

65 Gresham Street
London
England
EC2V 7NQ

23 June 2023

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CAPITA CUSTOMER MANAGEMENT LIMITED

Opinion

We have audited the financial statements of Capita Customer Management Limited ("the Company") for the year ended 31 December 2022 which comprise the Income Statement, Statement of Comprehensive Income, 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 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 ; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis of opinion

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

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for from the date of approval of the financial statements to 31 August 2024 ("the going concern period").

We used our knowledge of the Company, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

The risk that we considered most likely to adversely affect the Company's available financial resources over this period was the extent to which the Company is reliant on its ultimate parent undertaking, Capita plc ("the Group"), which is driven by the following factors:

- The Company's participation in the Group's notional cash pooling arrangements;
- The significant level of intercompany receivables from fellow Group undertakings;
- The level of administrative support services received from the Group;
- The Company receives revenue from other Group entities or key contracts that may be terminated in the event of default by the Group; and
- The Company forms part of a group of subsidiary companies owned directly or indirectly by Capita plc, each of which guarantee the obligations under certain funding arrangements of Capita plc.

We considered whether these risks could plausibly affect the liquidity in the going concern period.

Our procedures including assessing the financial position of Capita plc to determine there was a risk that it would not be able to provide support to the Company. The most recent Capita plc financial statements have concluded that it was appropriate to adopt the going concern basis with no material uncertainty identified. Therefore, although the Company has inter-dependencies with the Group as detailed above, even in a severe but plausible downside for both the Company and the Group, the Directors are confident the Company will continue to have adequate financial resources to continue in operation and discharge its liabilities as they fall due over the going concern period.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CAPITA CUSTOMER MANAGEMENT LIMITED

Going concern (continued)

We considered whether the going concern disclosure in note 1.1 to the financial statements gives a full and accurate description of the director's assessment of going concern, including the identified risks and dependencies.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period;
- we found the going concern disclosure in note 1.1 to be acceptable.

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

Fraud and breaches of laws and regulations – ability to detect

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

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

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

We performed procedures including:

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CAPITA CUSTOMER MANAGEMENT LIMITED

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

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

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

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

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

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

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

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

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

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

Strategic report and directors' report

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CAPITA CUSTOMER MANAGEMENT LIMITED

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

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

Auditor's responsibilities

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

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

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

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

Katharine L'Estrange (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 Sovereign Square

Sovereign St

Leeds

LS1 4DA

Date: 23 June 2023

CAPITA CUSTOMER MANAGEMENT LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	2021 £
Revenue	3	337,748,873	351,798,560
Cost of sales		(297,686,204)	(301,580,595)
Gross profit		40,062,669	50,217,965
Administrative expenses		(47,780,407)	(19,505,578)
Operating (loss)/profit	4	(7,717,738)	30,712,387
Investment (expense)/income	5	(94,551)	578,324
Other income	6	2,202,634	-
Finance income	7	3,362,699	120,889
Finance costs	8	(1,570,424)	(1,087,943)
(Loss)/profit before tax		(3,817,380)	30,323,657
Income tax credit/(charge)	9	21,212,506	(41,482,623)
Total profit/(loss) for the year		17,395,126	(11,158,966)

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

The notes on pages 18 to 50 form an integral part of these financial statements.

CAPITA CUSTOMER MANAGEMENT LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	£	£
Profit/(loss) for the year	17,395,126	(11,158,966)
	<u><u> </u></u>	<u><u> </u></u>
Other comprehensive income:		
Currency translation differences	4,539	-
	<u> </u>	<u> </u>
Total other comprehensive income for the year	4,539	-
	<u><u> </u></u>	<u><u> </u></u>
Total comprehensive income/(expense) for the year	17,399,665	(11,158,966)
	<u><u> </u></u>	<u><u> </u></u>

The notes on pages 18 to 50 form an integral part of these financial statements.

CAPITA CUSTOMER MANAGEMENT LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2022

		2022	2021
	Notes	£	£
Non-current assets			
Property, plant and equipment	10	5,644,130	8,919,586
Intangible assets	11	27,522,920	28,350,999
Investments in subsidiaries	12	6,018	6,018
Investments in associates	13	212,566	-
Right of use asset	14	6,453,105	6,852,656
Contract fulfilment assets	15	5,169,527	11,381,138
Financial assets	16	17,167,850	-
Trade and other receivables	17	773,546	1,043,685
Deferred tax	9	31,727,472	8,300,476
		94,677,134	64,854,558
Current assets			
Trade and other receivables	17	275,356,994	269,203,093
Cash		125,188	-
		275,482,182	269,203,093
Total assets		370,159,316	334,057,651
Current liabilities			
Trade and other payables	18	53,968,854	54,080,509
Deferred income	19	41,503,876	83,265,455
Financial liabilities	20	84,513,291	21,935,412
Lease liabilities	21	962,039	1,269,201
Provisions	22	4,863,955	1,465,652
Income tax payable		8,460,158	13,114,279
		194,272,173	175,130,508
Non-current liabilities			
Lease liabilities	21	16,633,642	17,073,307
Total liabilities		210,905,815	192,203,815
Net assets		159,253,501	141,853,836

CAPITA CUSTOMER MANAGEMENT LIMITED

BALANCE SHEET (CONTINUED)

AS AT 31 DECEMBER 2022

	Notes	2022 £	2021 £
Capital and reserves			
Issued share capital	23	100	180,320,001
Share premium		-	37,680,000
Foreign currency translation reserve		4,539	-
Retained earnings/(deficit)		159,248,862	(76,146,165)
Total equity		159,253,501	141,853,836

The notes on pages 18 to 50 form an integral part of these financial statements.

Approved by Board and authorised for issue on 23 June 2023

-

T F Vanoverschelde
Director

Company Registration No. 01336850

CAPITA CUSTOMER MANAGEMENT LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital	Share premium	Retained (deficit)/earnings	Foreign currency translation reserve	Total equity
	£	£	£		£
At 1 January 2021	180,320,001	37,680,000	(64,987,199)	-	153,012,802
Total comprehensive expense for the year	-	-	(11,158,966)	-	(11,158,966)
Contribution in respect of share based payment charge	-	-	62,113	-	62,113
Settlement of share based payment charged by intercompany	-	-	(62,113)	-	(62,113)
At 31 December 2021	180,320,001	37,680,000	(76,146,165)	-	141,853,836
Total comprehensive income for the year	-	-	17,395,126	-	17,395,126
Currency translation differences	-	-	-	4,539	4,539
Contribution in respect of share based payment charge	-	-	673,542	-	673,542
Settlement of share based payment charged by intercompany	-	-	(673,542)	-	(673,542)
Reduction in share capital and share premium	(180,319,901)	(37,680,000)	217,999,901	-	-
At 31 December 2022	100	-	159,248,862	4,539	159,253,501

Share capital

The balance classified as share capital is the nominal proceeds on issue of the Company's equity share capital, comprising 180,320,001 ordinary shares.

With effect from 3 May 2022, the Company reduced its share capital to 100 ordinary shares nominal value of £1 each, through the cancellation of 180,319,901 ordinary shares of £1 each and share premium was reduced from £37,680,000 to nil during the same period, with a corresponding impact to opening reserves.

Share premium

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

Retained earnings

Net profits kept to accumulate in the Company after dividends are paid and retained as working capital.

Foreign currency translation reserve - Gains or losses resulting from the process of expressing amounts denominated or measured in one currency in terms of another currency by use of the exchange rate between the two currencies.

The notes on pages 18 to 50 form an integral part of these financial statements.

CAPITA CUSTOMER MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

1.1 Basis of preparation

Capita Customer Management Limited is a company incorporated and domiciled in the UK.

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

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

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

Board assessment

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

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

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

- provision of certain services, such as administrative support services 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 £511,451 was held at 31 May 2023. In the event of the cash being required elsewhere in the Group, the Company may not be able to access its cash balance within the pooling arrangement;
- recovery of receivables of £103,846,883 from fellow Group undertakings as of 31 May 2023. If these receivables are not able to be recovered when forecast by the Company, then the Company may have difficulty in continuing to trade;
- additional funding that may be required if the Company suffers potential future losses;
- revenue from other Group entities and/or key contracts that may be terminated in the event of a default by the Group; and
- the Company forms part of a group of subsidiary companies owned directly or indirectly by Capita plc each of which guarantee the obligations under certain funding arrangements of Capita plc and Capita Holdings Limited.

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

CAPITA CUSTOMER MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.1 Basis of preparation (continued)

Ultimate parent undertaking – Capita plc

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

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

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

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

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

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

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

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

CAPITA CUSTOMER MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.1 Basis of preparation (continued)

Adoption of going concern basis by the Group:

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

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

Conclusion

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

1.2 Guarantor group

The Company forms part of a group of subsidiary companies owned directly or indirectly by Capita plc each of which guarantee the obligations under certain funding arrangements of Capita plc and Capita Holdings Limited. These funding arrangements are: Capita plc's principal bank credit facilities, Euro fixed rate bearer bonds issued by Capita plc, and US private placement loan notes issued by Capita Holdings Limited. These arrangements are subject to ongoing compliance with covenants that include the Group's maximum ratio of adjusted net debt to adjusted EBITDA and minimum interest cover. The covenant threshold tests are required to be carried out twice a year and the group was in compliance with all debt covenants.

CAPITA CUSTOMER MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.3 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;
- An additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy;
- Certain disclosures as required by IFRS 15 Revenue from Contracts with Customers;
- Disclosures in respect of the compensation of key management personnel; and
- Certain disclosures as required by IFRS 16 Leases.

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

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

CAPITA CUSTOMER MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.4 Changes in accounting policies

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

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

1.5 Revenue recognition

Revenue is earned largely in 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 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.

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.

CAPITA CUSTOMER MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.5 Revenue recognition (continued)

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

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

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

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

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

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 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.

CAPITA CUSTOMER MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.5 Revenue recognition (continued)

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 estimation of number of users, level of service activity or fees collected.

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

The Company disaggregates revenue from contracts with customers by contract type, as management believe this best depicts how the nature, amount, timing and uncertainty of the Company's revenue and cash flows are affected by economic factors. Categories are: 'long-term contractual – greater than two years'; and 'short-term contractual – less than two years'. Years based from service commencement date. The Company assumes that up to 1.6% of the cumulative rolling five-year revenue for a long-term contract is a reasonable proxy for the standalone selling price of the exit obligation.

Contract fulfilment costs

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

When determining the appropriate accounting treatment for such costs, the Company firstly considers any other applicable standards. If those other standards preclude capitalisation of a particular cost, then an asset is not recognised under IFRS 15. If other standards are not applicable to contract fulfilment costs, the Company applies the following criteria which, if met, result in capitalisation: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered.

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

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

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

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

CAPITA CUSTOMER MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.5 Revenue recognition (continued)

Contract modifications

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

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

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

For contracts for which the Company has decided there is a series of distinct goods and services that are substantially the same and have the same pattern of transfer where revenue is recognised over time, the modification will always be treated under either (a) or (b); (d) may arise when a contract has a part termination and a modification of the remaining performance obligations. The facts and circumstances of any contract modification are considered individually as the types of modifications will vary contract by contract and may result in different accounting outcomes.

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

Deferred and accrued income

The Company's customer contracts include a diverse range of payment schedules dependent upon the nature and type of goods and services being provided. This can include performance-based payments or progress payments as well as regular monthly or quarterly payments for ongoing service delivery. Payments for transactional goods and services may be at delivery date, in arrears or part payment in advance.

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.

CAPITA CUSTOMER MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.5 Revenue recognition (continued)

Contract types

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

Long term contractual - greater than two years

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

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

Short term contractual - less than two years

The nature of contracts or performance obligations categorised within this revenue type is diverse and includes: (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 licences is a performance obligation that can be considered capable of being distinct and separately identifiable in a contract if the customer has a passive licence. These recurring services are substantially the same 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.

Principal versus agent

The Company has arrangements with some of its clients 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.

CAPITA CUSTOMER MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.5 Revenue recognition (continued)

Licences

Software licences delivered by the Company can either be right to access ('active') or right to use ('passive') licences, which determines the timing of revenue recognition. The assessment of whether a licence is active or passive involves judgement.

The key determinant of whether a licence is active is whether the Company is required to undertake continuing activities that significantly affect the licensed intellectual property (or the customer has a reasonable expectation that it will do so) and the customer is, therefore, exposed to positive or negative impacts resulting from those changes. 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. All other licences which have significant stand-alone functionality are treated as passive licences.

When software upgrades are sold as part of the software licence agreement (i.e. software upgrades are promised to the customer), the Company applies judgement to assess whether the software upgrade is distinct from the licence (i.e. a separate performance obligation). If the upgrade is considered fundamental to the ongoing use of the software by the customer, the upgrades are not considered distinct and not accounted for as a separate performance obligation.

The Company considers for each contract that includes a separate licence performance obligation all the facts and circumstances in determining whether the licence revenue is recognised over time ('active') or at a point in time ('passive') from the go live date of the licence.

1.6 Goodwill

Following initial recognition, goodwill is stated at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. At the acquisition date, any goodwill acquired is allocated to the cash-generating units (CGU) which are expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the CGU to which the goodwill relates. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured on the basis of the relative values of the operation disposed of and the portion of the CGU retained.

1.7 Capitalised and purchased software

Software is 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.

1.8 Property, plant & 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:

Fixtures, fittings & equipment	4-5 years
Computer equipment	3-10 years

CAPITA CUSTOMER MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.9 Leasing

The Company leases various assets, comprising land and buildings and equipments.

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

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

The Company as a lessee – Right-of-use assets and lease liabilities

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

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

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

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

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

CAPITA CUSTOMER MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.10 Investments

The Company has investments in subsidiaries and associates.

Investment in subsidiaries are initially recorded at cost. Subsequently they are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. At each reporting period, the Company assesses whether there are indicators to reverse the previously recognised impairment loss. The reversals of impairment are only recognised where there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

Investment in associate are accounted for using the equity method. They are initially recorded at cost which includes transaction cost. Subsequent to initial recognition the financial statement includes the Company's share of profit and loss and OCI in investee until the date on which significant influence ceases.

1.11 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.

The Company also has employees who are members of a defined benefit pension scheme operated by the group – the Capita Pension & Life Assurance Scheme (the "Capita DB Scheme"). The Company has current employees who continue to accrue benefits in the Capita DB Scheme.

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 of the Capita DB Scheme is recognised fully by the Principal Employer (Capita Business Services Ltd). The Company then recognises a cost equal to its contribution payable for the period. The contributions payable by the participating entities are determined on the following basis:

- The Capita DB Scheme provides benefits on a defined benefit basis funded from assets held in a separate trustee-administered fund.
- The Capita DB Scheme is a non-segregated scheme with around 200 different sections in the scheme where each section provides benefits on a particular basis (some based on final salary, some based on career average earnings) to particular groups of employees.
- At each full actuarial valuation of the Capita DB Scheme (carried out triennially), the contribution rates for those sections containing active members are calculated. These are then rationalised such that sections with similar employer contribution rates (when expressed as a percentage of pensionable pay) are grouped together and an average employer contribution rate for each of the rationalised groups calculated.
- The Company's contribution is consequently calculated by applying the appropriate average employer contribution rates to the pensionable pay of its employees participating in the Capita DB Scheme.

A full actuarial valuation of the Capita DB Scheme is carried out every three years by an independent qualified actuary for the Trustee of the Capita DB Scheme, with the last full valuation carried out as at 31 March 2020. The next full actuarial valuation is due to be carried out with an effective date of 31 March 2023.

CAPITA CUSTOMER MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.12 Taxation

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

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

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

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax asset 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.

CAPITA CUSTOMER MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.13 Share-based payments

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

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

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

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

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

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

1.14 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.

CAPITA CUSTOMER MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.15 Financial instruments

Investments and other financial assets

(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.

(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.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(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.

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 the income statement following the derecognition of the investment. Dividends from such investments continue to be recognised in the 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.

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.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within current financial liabilities.

CAPITA CUSTOMER MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.16 Impairment of non-financial assets

At each reporting end date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.17 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.

1.18 Guarantees and financial commitments

The Company has provided a guarantee over private placements loan notes issued by its ultimate parent undertaking Capita Plc and its fellow subsidiary undertakings Capita Holdings Limited. It has further, provided a guarantee over borrowings of its fellow subsidiary undertakings under a cash pooling banking facility, in both cases the guarantee is made as a part of a guarantor of subsidiary undertaking of Capita plc.

1.19 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.

The Income Statement and the Balance Sheet of a foreign branch have been translated into Presentation currency as follows:

- Assets and liabilities have been translated at the closing rate at the Balance Sheet date;
- Income and expenses in the Income Statement and Statement of Other Comprehensive Income have been translated at the year to date average exchange rate; and
- All resulting exchange rate differences have been recognised in the Statement of Other Comprehensive Income in the currency translation reserve.

1.20 Government grants

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

CAPITA CUSTOMER MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.21 Common control transactions

Where a business is transferred from one legal entity to another legal entity within the Capita Group under a Business Transfer Agreement (“BTA”), this is treated as a business combination under common control, and would therefore fall outside of the scope of IFRS 3 Business Combinations. As such, an accounting policy choice has been made for how common control transactions are dealt with across the Group, as follows:

- Where a BTA is undertaken at net book value (with consideration paid equal to the net book value of the assets and liabilities transferred on the BTA date), the relevant assets and liabilities of the transferring business are recognised in the transferee at their previous carrying values as in the transferor’s stand-alone entity accounts;
- Where the consideration paid is greater than the net book value of the assets and liabilities transferred, this excess is recognised as a gain on disposal for the transferor, and by the recognition of entity level goodwill in the transferee, which would be linked to the acquired business.

CAPITA CUSTOMER MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

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 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.
- **Deferred tax:** In determining the recognition of deferred tax (note 9), management assess the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax assets are recognised to the extent that taxable temporary differences exist, and it is considered probable that future taxable profits will be available against which the assets can be utilised before their expiry. The availability of future profits must be assessed against forecasts and other supporting evidence. This determination of future forecasts is based on management's judgement. It requires judgement regarding whether future profit forecasts are considered 'more likely than not' as supporting evidence for deferred tax asset recognition.

3 Revenue

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

CAPITA CUSTOMER MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

4	Operating (loss)/profit	2022 £	2021 £
	Operating (loss)/profit for the year is stated after charging/(crediting):		
	Net foreign exchange (gains)/losses	(48,638)	26,197
	Depreciation of property, plant and equipment	3,875,606	3,894,714
	Loss on disposal of property, plant and equipment and intangibles	381,022	215,437
	Depreciation of ROUA	1,012,779	1,100,490
	Amortisation of intangible assets	3,345,521	1,804,682
	Contract fulfilment asset utilisation	7,020,271	7,917,738
	Contract fulfilment asset impairment	646,860	-
	(Reversal)/ Impairment of ROUA	(123,588)	2,031

Audit fees are borne by the ultimate parent undertaking, Capita plc. The audit fee for the current period was £78,000 (2021: £84,000). The Company has taken advantage of the exemption provided by regulations 6(2)(b) of the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 not to provide information in respect of fees for other (non-audit) services as this information is required to be given in the Company accounts of the ultimate parent undertaking, which it is required to prepare in accordance with the Companies Act 2006.

5	Investment (expenses)/income	2022 £	2021 £
	Income from shares in Group undertakings	-	578,324
	Share of results in associates	(94,551)	-
		(94,551)	578,324

6	Other income	2022 £	2021 £
	Revaluation gain on financial assets measured at FVPL	2,202,634	-
		2,202,634	-

7	Finance income	2022 £	2021 £
	Interest income on bank deposits	(76,894)	-
	Interest income from Group undertakings	(3,285,805)	(120,889)
		(3,362,699)	(120,889)

CAPITA CUSTOMER MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

8	Finance cost	2022 £	2021 £
	Interest expense on bank overdrafts	585,457	33,797
	Interest expense on lease liabilities	984,967	1,027,044
	Other interest expense	-	27,102
		<u>1,570,424</u>	<u>1,087,943</u>
9	Income tax		
	The major components of income tax charge for the years ended 31 December 2022 and 2021 are:		
		2022 £	2021 £
	Current tax		
	UK corporation tax	785,790	6,465,666
	Adjustments in respect of prior periods	1,260,636	(166,240)
		<u>2,046,426</u>	<u>6,299,426</u>
	Deferred tax		
	Origination and reversal of temporary differences	(21,512,474)	34,937,028
	Adjustment in respect of prior periods	(1,746,458)	246,169
		<u>(23,258,932)</u>	<u>35,183,197</u>
	Total tax (credit)/charge reported in the income statement	<u>(21,212,506)</u>	<u>41,482,623</u>

CAPITA CUSTOMER MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

9 Income tax

(Continued)

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

	2022 £	2021 £
(Loss)/profit before tax	(3,817,380)	30,323,657
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	(725,302)	5,761,495
Adjustments in respect of current income tax of prior periods	1,260,636	(166,240)
Adjustments in respect of deferred tax of prior periods	(1,746,458)	246,169
Expenses not deductible for tax	298,409	79,479
Non taxable income	(432,927)	(130,239)
Deferred tax (recognised)/not recognised	(14,877,000)	50,100,000
Impact of changes in statutory tax rates	(4,989,864)	(14,408,041)
Total adjustments	(20,487,204)	35,721,128
Total tax (credit)/expense reported in the income statement	(21,212,506)	41,482,623

	Balance sheet		Income statement	
	2022	2021	2022	2021
	£	£	£	£
Deferred tax assets				
Decelerated capital allowances	5,490,638	4,157,847	(1,164,729)	(426,077)
Tax losses	25,845,979	4,700,668	(21,145,311)	37,040,172
Other temporary differences	1,034,908	1,074,988	40,080	(88,067)
Contract fulfilment asset	(644,053)	(1,633,027)	(988,972)	(1,342,831)
Net deferred tax asset	31,727,472	8,300,476		
Deferred tax charge/ (credit)			(23,258,932)	35,183,197

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

The Company has gross unrecognised fixed asset timing differences of £6.3m (2021: £0), gross unrecognised trading losses of £115.8m (2021: £200.4m) in the statutory accounts due to the uncertainty of future use.

CAPITA CUSTOMER MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

10 Property, plant and equipment

	Land and buildings leasehold £	Fixtures, fittings & equipment £	Computer equipment £	Total £
Cost				
At 1 January 2022	8,215,868	921,119	14,997,972	24,134,959
Additions	143,300	-	72,586	215,886
Disposals	(246,842)	-	(262,202)	(509,044)
Common control transactions - Refer note 31	-	963,733	753,575	1,717,308
Intra group transfer*	3,287,200	-	-	3,287,200
Asset retirement	(1,370,161)	(656,989)	(1,434,016)	(3,461,166)
At 31 December 2022	10,029,365	1,227,863	14,127,915	25,385,143
Depreciation				
At 1 January 2022	2,993,312	726,360	11,495,701	15,215,373
Disposal	(45,624)	-	(236,332)	(281,956)
Common control transactions - Refer note 31	-	530,018	525,615	1,055,633
Intra group transfer*	3,337,523	-	-	3,337,523
Charge for the year	1,136,877	261,411	2,477,318	3,875,606
Asset retirement	(1,370,161)	(656,989)	(1,434,016)	(3,461,166)
At 31 December 2022	6,051,927	860,800	12,828,286	19,741,013
Net book value				
At 31 December 2022	3,977,438	367,063	1,299,629	5,644,130
At 31 December 2021	5,222,556	194,759	3,502,271	8,919,586

*During the year, certain leasehold property were transferred from Capita plc and Capita Business Services Limited as part of a Group reorganisation.

CAPITA CUSTOMER MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

11 Intangible assets

	Goodwill	Capitalised & purchased Software	Total
	£	£	£
Cost			
At 1 January 2022	21,609,629	10,729,394	32,339,023
Additions	-	1,700,199	1,700,199
Disposals	-	(214,666)	(214,666)
Common control transactions - (Refer note 31)	-	2,170,534	2,170,534
Asset retirements	-	(1,781,236)	(1,781,236)
At 31 December 2022	21,609,629	12,604,225	34,213,854
Amortisation			
At 1 January 2022	-	3,988,024	3,988,024
Charge for the year	-	3,345,521	3,345,521
Common control transactions - (Refer note 31)	-	1,199,357	1,199,357
Disposals	-	(60,732)	(60,732)
Asset retirements	-	(1,781,236)	(1,781,236)
At 31 December 2022	-	6,690,934	6,690,934
Net book value			
At 31 December 2022	21,609,629	5,913,291	27,522,920
At 31 December 2021	21,609,629	6,741,370	28,350,999

CAPITA CUSTOMER MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

12 Investment in subsidiaries

Net book value	£
At 1 January 2022 and 31 December 2022	6,018

Holdings of ordinary share capital

Details of the Company's direct subsidiaries at 31 December 2022 are as follows:

Company	Country of registration or incorporation	Ordinary shares held (%)	Nature of business
Ventura (UK) India Limited*	England	100	Non trading
Capita Customer Management Limited - Bulgaria Branch**	Bulgaria	100	Customer management services

*65 Gresham Street, London, England, EC2V 7NQ

**Infinity Tower, Floor 14, 69, Bulgaria Blvd., Sofia, 1404, Bulgaria

Details of the Company's indirect subsidiaries at 31 December 2022 are as follows:

Company	Country of registration or incorporation	Ordinary shares held (%)	Nature of business
Capita India Private Limited*	India	100	Business process outsourcing services
Ventura (India) Private Limited**	India	3	Customer management services

*Plant 06, Godrej and Boyce Complex, LBS Marg, Pirojshahnagar, Vikhroli (West), Mumbai, 400 079, India

**Tower B1, Magarpatta SEZ, Levels 1, 2 & 3, Kad Wasti, Magarpatta, Hadapsar, Pune - 411028, India.

13 Investment in associates

At 1 January 2022	£
Common control transactions - (Refer note 31)	-
	212,566
At 31 December 2022	212,566

Details of the company's associates at 31 December 2022 are as follows:

Company	Country of registration/incorporation	Ordinary shares held (%)
Market Mortgage Limited	England & Wales	48.29

CAPITA CUSTOMER MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

14 Right of use assets

Net book value	Property	Equipment	Total
At 1 January 2022	5,932,872	919,784	6,852,656
Amendments during the year	763,411	(273,771)	489,640
Impairment reversal during the year	-	123,588	123,588
Depreciation during the year	(516,728)	(496,051)	(1,012,779)
At 31 December 2022	<u>6,179,555</u>	<u>273,550</u>	<u>6,453,105</u>

15 Contract fulfilment assets

	£
At 1 January 2021	17,351,224
Additions	1,003,840
Transferred from current CFA	943,812
Utilised during the year	(7,917,738)
At 31 December 2021	11,381,138
Additions	1,455,520
Utilised during the year	(7,020,271)
Impairment	(646,860)
At 31 December 2022	<u>5,169,527</u>
Net book value	
At 31 December 2022	<u>5,169,527</u>
At 31 December 2021	<u>11,381,138</u>

In preparing these financial statements, the Company undertook a review to identify indicators of impairment of contract fulfilment assets. The Company determined whether or not the contract fulfilment assets were impaired by comparing the carrying amount of the assets to the remaining amount of consideration that the entity expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the entity used the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price were removed for the impairment test.

In line with our accounting policy, as set out in note 1.5, 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.

CAPITA CUSTOMER MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

16 Financial assets

Non-current	2022 £	2021 £
Financial assets at fair value through P&L	17,167,850	-
	<u>17,167,850</u>	<u>-</u>

17 Trade and other receivables

Current	2022 £	2021 £
Trade debtors	25,750,960	23,851,579
Other receivables	76,738	18,410
Prepayments and accrued income	20,084,083	20,152,310
Other taxes and social security	12,321	-
Amounts due from parent & fellow subsidiary undertaking*	229,432,892	225,180,794
	<u>275,356,994</u>	<u>269,203,093</u>

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

Non-Current	2022 £	2021 £
Loan receivable	498,460	-
Prepayments	275,086	1,043,685
	<u>773,546</u>	<u>1,043,685</u>

CAPITA CUSTOMER MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

18 Trade and other payables

Current	2022 £	2021 £
Trade payables	1,575,628	917,927
Other payables	296,376	272,155
Other taxes and social security	12,558,894	12,946,053
Accruals	15,920,170	11,230,810
Amounts due to parent and fellow subsidiary undertaking	23,617,786	28,713,564
	<u>53,968,854</u>	<u>54,080,509</u>

Amounts due to parent and fellow subsidiary undertaking are non-interest bearing and repayable on demand.

19 Deferred income

	2022 £	2021 £
Current		
Deferred income	41,503,876	83,265,455
	<u>41,503,876</u>	<u>83,265,455</u>

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.

20 Financial liabilities

	2022 £	2021 £
Overdrafts	84,513,291	21,935,412
	<u>84,513,291</u>	<u>21,935,412</u>

CAPITA CUSTOMER MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

21 Lease Liabilities

	2022	2021
	£	£
Current	962,039	1,269,201
Non-current	16,633,642	17,073,307
At 31 December	17,595,681	18,342,508

	2022	2021
	£	£
Maturity analysis - Contractual undiscounted cash flows		
Less than one year	1,909,086	2,228,788
One to two years	1,679,173	2,033,567
More than two years	22,243,185	22,923,404
Total undiscounted lease liabilities at 31 December	25,831,444	27,185,759

22 Provisions

Current	Onerous contract provisions	Restructuring & Severance	Property	Others	Total
	£	£	£	£	£
At 1 January 2022	-	95,731	1,155,696	214,225	1,465,652
Business transfers	-	-	-	58,000	58,000
Additions	3,627,259	594,000	-	75,941	4,297,200
Released	-	-	(220,000)	(119,573)	(339,573)
Utilisation	-	(95,731)	(330,000)	(191,593)	(617,324)
At 31 December 2022	3,627,259	594,000	605,696	37,000	4,863,955

The Company has recorded an onerous contract provision for one long term contract where the expected economic benefits to be received are below the unavoidable costs of meeting the obligations under the contract over the contractual term. The assumptions will be revised annually and any changes may result in a release or increase in the provision in future reporting periods.

The £594,000 additional provision relates to severance provision created during the year.

The property provision reflects the onerous nature of property lease provisions (net of any sub-letting opportunity) on a discounted basis, where due to the reduced requirement for space there is additional surplus capacity.

Others represents the solicitor fees.

Estimation uncertainty is involved in determining all the above provisions.

CAPITA CUSTOMER MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

23 Issued share capital	2022 Numbers	2021 Numbers	2022 £	2021 £
Allotted, called up and fully paid				
Ordinary shares of £1 each				
At 1 January	180,320,001	180,320,001	180,320,001	180,320,001
Share reduction	(180,319,901)	-	(180,319,901)	-
At 31 December	100	180,320,001	100	180,320,001

With effect from 3 May 2022, the Company reduced its share capital to 100 ordinary shares nominal value of £1 each, through the cancellation of 180,319,901 ordinary shares of £1 each and share premium was reduced from £37,680,000 to nil during the same period, with a corresponding impact to retained earnings.

24 Contingent liabilities

The Company forms part of a group of subsidiary companies to Capita plc which guarantee the obligations of the core funding arrangements of Capita group. These are: Capita plc's principal bank facilities, EUR fixed rate bearer bonds issued by Capita plc, and US private placement loan notes issued by Capita Holdings Limited.

At 31 December 2022 the RCF commitment was £288.4m (31 December 2021: £385.7m). The RCF expires on 31 August 2024 and was not drawn upon at 31 December 2022 (31 December 2021: £40.0m drawn).

At 31 December 2022, the total exposure under these guarantees undertaken for the benefit Capita plc and other subsidiary undertakings was £285.5m (2021: £552.9m).

The Company also forms part of a cross-guarantee in respect of the overdrafts of its fellow subsidiary companies under a notional cash-pool bank arrangement.

CAPITA CUSTOMER MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

25 Employees

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

	2022 Number	2021 Number
Sales	52	59
Admin	147	61
Operations	6,655	6,498
	6,854	6,618

Their aggregate remuneration comprised:

	2022 £	Re-presented* 2021 £
Employee costs		
Wages and salaries	236,852,324	218,419,695
Social security costs	15,894,736	12,553,672
Pension costs	4,653,941	4,129,886
Shared based payments (charged by intercompany)	673,542	62,113
	258,074,543	235,165,366

*The 2021 comparative figures have been re-presented to reflect the reclassification of employee contributions from pensions costs to wages and salaries. This has resulted in increase in wages and salaries by £4,237,200 and decrease in pension costs by the same amount. There is no impact on net assets, total profit or retained earnings as a result of this reclassification.

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

During the year, the Company received £nil (2021: £499,906) under CJRS. These amounts are included within the relevant cost headings in the table above.

CAPITA CUSTOMER MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

26 Employee benefits

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

The pension charge for the defined contribution pension schemes for the year is £4,608,134 (2021: £4,089,581). The pension charge excludes pension contributions paid by the Company on behalf of employees via a salary sacrifice arrangement. The 2021 comparative figure has also been re-presented to reflect this.

The Company has current and former employees who are members of the Capita Pension and Life Assurance Scheme (the "Capita DB Scheme"), a defined benefit pension scheme. The Company has current employees who continue to accrue benefits in the Capita DB Scheme.

The Capita DB Scheme is a non-segregated scheme with around 200 different sections in the scheme where each section provides benefits on a particular basis (some based on final salary, some based on career average earnings) to particular groups of employees.

The pension charge for the Company in relation to the Capita DB Scheme for the year was £45,807 (2021: £40,305).

A full actuarial valuation of the Capita DB Scheme is carried out every three years by an independent qualified actuary for the Trustee of the Capita DB Scheme, with the last full valuation carried out as at 31 March 2020. Amongst the main purposes of the valuation is to agree a contribution plan such that the pension scheme has sufficient assets available to meet future benefit payments, based on assumptions agreed between the Trustee of the Capita DB Scheme and the Principal Employer (Capita Business Services Ltd, a fellow subsidiary undertaking). The 31 March 2020 valuation showed a funding deficit of £182.2m (31 March 2017: £185m). This equates to a funding level of 89.0% (31 March 2017: 86.1%).

As a result of the full actuarial valuation, the Principal Employer and the Trustee of the Capita DB Scheme agreed a funding plan to eliminate the deficit – the Principal Employer has agreed to pay additional contributions totalling £124m between July 2021 and December 2023.

In addition, the Principal Employer has agreed to make additional, non-statutory, contributions of £15m each year in 2024, 2025 and 2026 to meet a secondary funding target. The aim of which is to target, by 2026, the position of having sufficient assets to invest in a portfolio of low risk assets that will generate income to pay members' benefits as they fall due.

Finally, the Principal Employer agreed an average employer contribution rate of 36.0% (excluding employee contributions made as part of a salary sacrifice arrangement) towards the expected cost of benefits accruing.

The next full actuarial valuation is due to be carried out with an effective date of 31 March 2023.

For the purpose of the consolidated accounts of Capita plc, an independent qualified actuary projected the results of the 31 March 2020 full actuarial valuation to 31 December 2022 taking account of the relevant accounting requirements.

The principal assumptions for the accounting valuation as at 31 December 2022 were as follows: rate of increase in RPI/CPI price inflation - 3.15% pa/2.50% pa (2021: 3.30% pa/2.65% pa); rate of salary increase - 3.15% pa (2021: 3.30% pa); rate of increase for pensions in payment (where RPI inflation capped at 5% pa applies) - 3.05% pa (2021: 3.20% pa); discount rate - 4.75% pa (2021: 1.90% pa).

The Capita DB Scheme assets at fair value as at 31 December 2022 totalled £1,126.3m (2021: £1,732.5m). The actuarially assessed value of Capita DB Scheme liabilities as at 31 December 2022 was £1,087.0m (2021: £1,725.3m) indicating that the Capita DB Scheme had a net asset of £39.3m (2021: net asset of £7.2m). These figures are quoted gross of deferred tax. The full disclosure is available in the consolidated accounts of Capita plc.

For the purpose of these accounts, the Company's interest in the Capita DB Scheme is reported on a defined contribution basis recognising a cost equal to its contributions payable during the period.

CAPITA CUSTOMER MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

27 Directors' remuneration

	2022	2021
	£	£
Remuneration for qualifying services	1,279,395	-
Company pension contributions to defined contribution schemes	14,042	-
	<u>1,293,437</u>	<u>-</u>

The other Directors have not provided qualifying services to the Company and are paid by the other Companies within the Capita Group. In addition, the Directors of the Company were reimbursed for the expenses incurred by them whilst performing business responsibilities.

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 5 (2021 - 0).

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

	2022	2021
	£	£
Remuneration for qualifying services	577,021	-
Company pension contributions to defined contribution schemes	-	-
	<u>577,021</u>	<u>-</u>

28 Related party transactions

The following table provides the total amount of transactions that have been entered into with related parties other than those with other wholly owned subsidiaries of Capita plc, for the relevant financial year:

Nature of Transaction	Name of Company	Year	Fellow Subsidiary	£ Total
Purchase of Goods				
	Entrust Support Services Limited	December 31, 2022	2,389	2,389
		December 31, 2021	-	-
Total		December 31, 2022	<u>2,389</u>	<u>2,389</u>
		December 31, 2021	<u>-</u>	<u>-</u>

CAPITA CUSTOMER MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

29 Controlling party

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

30 Post balance sheet event

In February 2023, the Group entered into a committed bridge facility of £50m with three of its relationship banks providing additional liquidity from 1 January 2024. It incorporates provisions such that it will partially reduce in quantum as a consequence of specified transactions. The committed facility has an expiry date of 31 December 2024 and is subject to covenants, which are the same as those in the RCF.

On 1 May 2023, the Group as a part of reorganisation of its experience business, transferred the trade and assets of one of its subsidiary, Voice Marketing Limited into the Company. The assets and liabilities were transferred at their existing carrying values and the consideration was paid through an intragroup loan.

31 Common control transactions

The Group as a part of reorganisation of its technology software and solutions business and group support services business, transferred the trade and assets into the Company from other subsidiaries in the Group. As these businesses were ultimately controlled by Capita plc, these are deemed business combinations under common control. Thus, an accounting policy choice was made which is explained in detailed in note 1.21. The assets and liabilities were transferred at their existing carrying values and the consideration was paid through an intragroup loan. The following table shows the assets acquired and liabilities assumed and consideration paid by the Company:

Nature of business acquisitions/disposals	Transferred from/to	Date of transfer	Asset	Liability	Consideration
Consultancy business and Capita Scaling Partners business	Transferred from Capita Business Services Limited	1 May 2022 1 July 2022	15,309,459	(7,170,267)	(8,139,192)
Telco, Media and technology business	Transferred from Capita IT Services Limited	1 Dec 2022	952,137	(858,461)	(93,676)
Technology Software Solutions business	Transferred to Capita Shared Services Limited	1 Nov2022	(189)	204,986	(204,797)

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