Delivering efficiency and improved funding

"The steps taken to improve the Group's funding position and the efficiency programme launched at the start of 2024 are key underpins for Capita's future"

Tim Weller, Chief Financial Officer

Overview

Adjusted revenue[1] growth of 1.3% reflected underlying growth on contracts such as the Personal Independence Payments contract in Public Service, increases in indexation, and the one-off benefit relating to a commercial settlement in the closed book Life & Pensions business in Experience, partly offset by the impact of a number of contract losses.

Public Service revenue growth was underpinned by indexation, scope increases on the Royal Navy Training contract and increased volumes on the Personal Independence Payments contract, offset by contract hand-backs and losses in Local Public Services and a step down in revenues in Northern Ireland, which in 2022 benefited from the teachers' laptop contract. Experience revenue growth was driven by improved trading in its international business, indexation and the one-off benefit relating to a commercial settlement in the closed book Life & Pensions business, partly offset by contract losses including with the Co-operative Bank.

The 13.5% step-up in adjusted profit before tax[1] reflected the revenue trends noted above, in particular the commercial settlement in Experience, and a reduction in bonuses and variable pay, offset by increased financing costs.

Adjusted basic earnings per share[1] reduced to 1.70p (2022: 2.64p) as the increase in adjusted profit before tax[1] was offset by an increase in the adjusted current tax charge to £30.4m (2022: £6.4m). The adjusted current tax charge in 2023 reflects an £18.1m charge mainly in respect of losses not recognised for tax purposes which is shown in the income statement. There is an offsetting current tax credit arising on pension deficit contributions which is recognised in other comprehensive income rather than the income statement. While the adjusted earnings per share are impacted by a particularly high effective tax rate in 2023's income statement, the underlying rate of cash tax for the Group is much lower and we anticipate cash tax payments in 2024 of less than £10m.

The reported loss before tax of £106.6m (2022: profit £61.4m), reflects exceptional costs incurred in resolving the March 2023 cyber incident (£25.3m), costs incurred to deliver the significant cost reduction programme announced in November 2023 (£54.4m) and lower gains on the sale of businesses (2023: loss £2.4m; 2022: gain £166.9m). These negative year-on-year impacts were partially offset by the increase in adjusted profit before tax[1] (£6.7m) and lower goodwill impairment (2023: £42.2m; 2022: £169.0m).

Summary of financial performance

Financial highlights	Reported results			Adjusted[1] results		
	31 December 2023	31 December 2022	Reported YoY change	**31 December 2023**	31 December 2022	Adjusted[1] YoY change
Revenue	**£2,814.6m**	£3,014.6m	(6.6)%	**£2,642.1m**	£2,609.0m	1.3%
Operating (loss)/profit	**£(52.0)m**	£(79.6)m	35%	**£106.5m**	£78.0m	37%
EBITDA	**£144.5m**	£235.7m	(39)%	**£214.6m**	£204.4m	5%
(Loss)/profit before tax	**£(106.6)m**	£61.4m	n/a	**£56.5m**	£49.8m	14%
Basic (loss)/earnings per share	**(10.60p)**	4.47p	n/a	**1.70p**	2.64p	(36)%
Operating cash flow*	**£81.2m**	£156.4m	(48)%	**£97.4m**	£128.4m	(24)%
Cash generated from operations*	**£8.7m**	£117.8m	(93)%	**£41.2m**	£98.4m	(58)%
Free cash flow*[,2]	**£(154.9)m**	£(31.5)m	(392)%	**£(115.5)m**	£(42.4)m	(172)%
Net debt	**£(545.5)m**	£(482.4)m	£(63.1)m	**£(545.5)m**	£(482.4)m	£(63.1)m
Net financial debt (pre-IFRS 16)	**£(182.1)m**	£(84.9)m	£(97.2)m	**£(182.1)m**	£(84.9)m	£(97.2)m

* Adjusted operating cash flow, cash generated from operations and free cash flow exclude the impact of business exits (refer to note 2.9)

1. Refer to APMs on pages 230 to 233.
2. From 1 January 2023 free cash flow and free cash flow excluding business exits are presented after deducting the capital element of lease payments and receipts. Comparative amounts have been re-presented.

The reduction from reported basic earnings per share to a reported loss per share reflects the reduction in reported profit before tax noted above, compounded by the swing from a reported income tax credit to an income tax charge. The reported income tax charge in 2023 reflects changes in the accounting estimate of recognised deferred tax assets, unrecognised current year tax losses and non-deductible goodwill impairment. The reported tax credit in the prior period reflected an increase in the recognised deferred tax asset.

Cash generated from operations excluding business exits[1] decreased, as expected, from £98.4m to £41.2m, driven by the cash costs of the cyber incident and higher working capital outflows partly offset by reduced outflows in respect of provisions.

Free cash flow excluding business exits[1,2] in the year ended 31 December 2023 was an outflow of £115.5m (2022: outflow £42.4m). This reflects the reduction in cash generated from operations and increased capital expenditure from technology investment across the Group.

The decrease in free cash flow[1,2] reflects the above reduction in free cash flow excluding business exits[1,2], a cash outflow from business exits, and an increase in pension deficit contributions triggered by disposals.

As part of our drive for simplification of the business, and strengthening the balance sheet, we have continued to dispose of non-core businesses. During 2023 we completed the disposal of the Resourcing, Security Watchdog, PageOne, Enforcement, Software, and Travel businesses, realising total proceeds net of disposal costs of £96.8m (including settlement of intercompany balances on completion) with net cash proceeds of £63.4m reflecting the cash held in the disposed entities on completion. On 4 December 2023, we announced the disposal of the Group's 75% shareholding in Fera Science Limited (Fera), realising gross proceeds of £62m. The Group received net cash proceeds of £51m reflecting the total proceeds less cash held in the entity when the disposal completed on 17 January 2024, and disposal costs.

These disposals completed the Board-approved Portfolio c.£500m business disposal programme. The Group is using the proceeds from this disposal programme to repay debt, to make further deficit reduction contributions to the Group's defined benefit pension scheme and to invest in driving growth in the remaining core businesses. In 2023, we repaid £112.5m of private placement loan notes and made pension deficit contributions of £46.3m (£30.0m regular contributions and £16.3m acceleration of agreed contributions triggered by disposals).

We have incurred costs associated with the cyber incident detailed in the Chief Executive Officer's review. These costs comprise specialist professional fees, recovery and remediation costs and acceleration of investment to reinforce Capita's cyber security environment. A charge of £25.3m has been recognised in the year ended 31 December 2023 and has been excluded from adjusted profit. This excludes any potential insurance recovery as this had not yet met the criteria for recognition at the year end. The cash outflow in respect of the cyber incident in the year was £20.1m which is included within free cash flow and cash generated from operations excluding business exits[1].

1. Refer to APMs on pages 230 to 233.
2. From 1 January 2023 free cash flow and free cash flow excluding business exits are presented after deducting the capital element of lease payments and receipts. Comparative amounts have been re-presented.

We announced the implementation of a cost reduction programme in November 2023 which is expected to deliver annualised efficiencies of £60m from Q1 2024. Following the announcement, we commenced employee consultation programmes, and exited a number of leased properties. As a result, a charge of £54.4m has been recognised in the year ended 31 December 2023. As noted in November 2023, we have continued to evaluate additional cost saving opportunities and have identified further efficiency actions which we intend to take and which are expected to deliver an additional £100m of annualised cost savings by mid 2025. We expect to reinvest a proportion of these further savings back into the business to enhance the Group's technology, service delivery and pricing proposition.

The Group's committed bank facilities provide liquidity for the cash fluctuations of the business cycle and an allowance for contingencies. In June 2023, the Group's revolving credit facility (RCF) was extended to 31 December 2026 at £284m, reducing to £250m by 1 January 2025 as a consequence of specified transactions. As such at 31 December 2023 the RCF commitment had been reduced to £260.7m (2022: £288.4m) and was subsequently reduced to £250.0m on 23 January 2024 following receipt of proceeds from the Fera disposal. The RCF was not drawn upon at 31 December 2023 (2022: undrawn).

In July 2023 the Group issued £101.9m equivalent of US private placement loan notes across three tranches: £50m maturing 25 July 2026, USD45m maturing 25 July 2026 and USD23m maturing 25 July 2028.

The RCF extension and private placement loan note issuance are a demonstration of debt providers' confidence in Capita and have enabled us to extend significantly the average maturity of our debt funding.

"The RCF extension and private placement loan note issuance are a demonstration of debt providers' confidence in Capita and have enabled us to extend significantly the average maturity of our debt funding"

The Group reached agreement with the Trustees of the Group's main pension scheme (the Scheme), in respect of the March 2023 triennial funding review. Given the healthy funding position of the Scheme, the 2023 agreement does not require any further deficit contributions from the Group other than those already committed as part of the 2020 triennial valuation. In accordance with the 2020 agreement, we have paid £30.0m of regular deficit contributions and £16.3m of contributions triggered by business disposals in 2023 and will pay a further £21m of contributions in 2024, with no further deficit contributions in 2025 and beyond.

Summary of financial performance

Adjusted results

Capita reports results on an adjusted basis to aid understanding of business performance. The Board has adopted a policy of disclosing separately those items that it considers are outside the underlying operating results for the particular period under review and against which the Group's performance is assessed internally. In the directors' judgement, these items need to be disclosed separately by virtue of their nature, size and/or incidence for users of the financial statements to obtain an understanding of the financial information and the underlying in-period performance of the business. In general, the Board believes that alternative performance measures (APMs) are useful for investors because they provide further clarity and transparency of the Group's financial performance and are closely monitored by management to evaluate the Group's operating performance to facilitate financial, strategic and operating decisions.

Following feedback from investors, the Board has revised its definition of free cash flow[1] and free cash flow excluding business exits[1] alternative performance measures. From 1 January 2023, both these metrics have been presented after deducting the capital element of lease payments and receipts, as this provides a more relevant and comparable measure of the cash generated by the Group's operations and available to fund operations, capital expenditure, non-lease debt obligations, and potential dividends. Comparative amounts have been re-presented.

In accordance with the above policy, the trading results of business exits, along with the non-trading expenses (including the income statement charges in respect of major cost reduction programmes) and gain or loss on disposals, have been excluded from adjusted results. To enable a like-for-like comparison of adjusted results, the 2022 comparatives have been re-presented to exclude 2023 business exits. As at 31 December 2023, the following businesses met this threshold and were classified as business exits and therefore excluded from adjusted results in both 2023 and 2022: AMT Sybex, Secure Solutions and Services, the Speciality Insurance business, Trustmarque, Real Estate and Infrastructure Consultancy, Optima Legal Services, Pay360, Capita Translation and Interpreting, Resourcing, Security Watchdog, PageOne, Software, Enforcement, Travel and Fera.

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

Adjusted revenue

Adjusted revenue[1] growth was 1.3% year-on-year. The adjusted revenue[1] was impacted by the following:

- **Public Service** (0.3% growth): growth was underpinned by indexation, scope increases and improved trading on a number of contracts including the Royal Navy Training contract and the Personal Independence Payments contract. This was offset by contract hand-backs and losses in Local Public Services and non-recurrence of the contract to provide laptops to teachers in Northern Ireland in 2022; and
- **Experience** (2.5% growth): growth was driven by improved international trading, indexation, and the one-off benefit relating to a commercial settlement in the closed book Life & Pensions business, partly offset by contract losses, primarily the loss of the Co-operative Bank contract.

Order book

The Group's consolidated order book was £5,882.6m at 31 December 2023 (2022: £5,805.2m). Additions from contract wins, scope changes and indexation in 2023 totalled £2,417.5m. This includes in Experience new wins with the Civil Service Pension Scheme and the National Transport Authority of Ireland, as well as the renewal with Vattenfall. Public Service won new contracts including the Functional Assessment Service for the Department of Work and Pensions and a significant contract with the City of London Police, as well as an extension to the Recruiting Partnering Project with the British Army and expanded scope on the Transport for London contract.

These additions were offset by the reduction from revenue recognised in the year (£2,101.0m), contract terminations (£174.7m) and business disposals (£64.4m).

The Group's order book does not include those contracts which are framework agreements such as the new Virgin Media O2 contract as these do not meet the accounting criteria for order book recognition.

Adjusted profit before tax

Adjusted profit before tax[1] increased in 2023. The adjusted profit before tax[1] was driven by the following:

- **Public Service:** the beneficial impact of the scope increases and improved trading on a number of contracts discussed above, offset by the impact of contract exits in Local Public Service;
- **Experience:** the flow through of the revenue benefits noted above, in particular the closed book Life & Pensions contract settlement, as well as higher interest receipts in our pension business partly offset by flow through of prior year contract losses in particular the Co-operative Bank and continued attrition in the remaining Life & Pensions business; and
- **Capita plc:** the impact of the reallocation of central costs previously allocated to Capita Portfolio to Capita plc in 2022, increased financing cost and the non-recurrence of gains on investments in 2022.

Adjusted revenue[1] bridge by division

	Public Service £m	Experience £m	Total £m
Year ended 31 December 2022	1,454.8	1,154.2	2,609.0
Net growth	3.8	29.3	33.1
Year ended 31 December 2023	**1,458.6**	**1,183.5**	**2,642.1**

Adjusted profit before tax[1] bridge by division

	Public Service £m	Experience £m	Capita plc £m	Total £m
Year ended 31 December 2022	93.7	35.7	(79.6)	49.8
Net growth/(reduction)	(4.4)	15.2	(4.1)	6.7
Year ended 31 December 2023	**89.3**	**50.9**	**(83.7)**	**56.5**

1. Refer to APMs on pages 230 to 233.

Adjusted tax charge/(credit)

The adjusted income tax charge for the year was £31.1m (2022: £4.4m) including £30.4m of current tax (2022: £6.4m). There is a current tax credit arising on pension deficit contributions recognised in other comprehensive income (OCI) rather than the income statement. If the current tax that is flowing through OCI is taken into account, the total current charge is more closely aligned to the current tax payable in respect of the year.

Cash generated from operations and free cash flow

Adjusted operating cash conversion[1] decreased to 45% (2022: 63%), driven by:

- the reduction in working capital, which reflects the £28.0m benefit in 2022 of a step-up in the usage of the Group's non-recourse facilities in 2022 whereas in 2023 there was a £9.3m reduction in usage, a reduction in the accrual for management bonuses and variable pay, and the non-cash nature of the commercial settlement in the closed book Life & Pensions business in Experience; and
- the lower outflow related to provisions in 2023 reflected in the movement in non-cash and other adjustments.

Cash generated from operations excluding business exits[1] reflects the above and the direct cash flow impact of the cyber incident (£20.1m). The £30.0m of pension deficit contributions are in line with the deficit funding contribution schedule previously agreed with the scheme trustees as part of the 2020 triennial valuation.

Free cash flow before business exits[1,2] for the year ended 31 December 2023 was an outflow of £115.5m (2022: outflow £42.4m). This reflects the reduction in cash generated from operations and increased capital expenditure on technology across the Group.

Reported results

Adjusted to reported profit

As noted above, to aid understanding of our underlying performance, adjusted operating profit[1] and adjusted profit before tax[1] exclude a number of specific items, including the amortisation and impairment of acquired intangibles and goodwill, the impact of business exits, and, in 2023, the impacts of the cyber incident and cost reduction programme.

Impairment of goodwill

In preparing its half yearly condensed consolidated financial statements at 30 June 2023, and these consolidated financial statements at 31 December 2023, the Group undertook detailed impairment reviews.

At 30 June 2023 a goodwill impairment of £42.2m was recognised. This comprised:

- £35.3m: in respect of CGUs in the Group's Portfolio division where the disposal processes of the businesses aligned to these CGUs were sufficiently advanced that the Board's judgement was that for impairment testing purposes the value in use of these CGUs should be determined based on the future cash flows of the CGUs from continuing use, up to the estimated date of disposal, plus an estimate of the sale proceeds less cost of disposal. The impairments arose primarily due to the expectation of acquirers factoring in additional investment and costs required to run the businesses outside the Group, and general macroeconomic conditions; and

1. Refer to APMs on pages 230 to 233.
2. From 1 January 2023 free cash flow and free cash flow excluding business exits are presented after deducting the capital element of lease payments and receipts. Comparative amounts have been re-presented.

Adjusted operating profit to free cash flow excluding business exits[1,2]

	2023 £m	2022 £m
Adjusted operating profit[1]	**106.5**	78.0
Add: depreciation/amortisation and impairment of property, plant and equipment, right-of-use assets and intangible assets	108.1	126.4
Adjusted EBITDA[1]	**214.6**	204.4
Working capital	(110.7)	(30.7)
Non-cash and other adjustments	(6.5)	(45.3)
Operating cash flow excluding business exits[1]	**97.4**	128.4
Adjusted operating cash conversion[1]	***45%***	*63%*
Pension deficit contributions	(30.0)	(30.0)
Cyber incident	(20.1)	–
Cost reduction programme	(6.1)	–
Cash generated from operations excluding business exits[1]	**41.2**	98.4
Net capital expenditure	(58.9)	(38.0)
Interest/tax paid	(45.1)	(47.5)
Net capital lease payments	(52.7)	(55.3)
Free cash flow excluding business exits[1,2]	**(115.5)**	(42.4)

Adjusted[1] to reported results bridge

	Operating (loss)/profit		(Loss)/profit before tax	
	2023 £m	2022 £m	2023 £m	2022 £m
Adjusted[1]	**106.5**	78.0	**56.5**	49.8
Amortisation and impairment of acquired intangibles	**(0.2)**	(5.1)	**(0.2)**	(5.1)
Impairment of goodwill	**(42.2)**	(169.0)	**(42.2)**	(169.0)
Net finance costs/(income)	**–**	–	**(2.2)**	3.4
Business exits	**(36.4)**	16.5	**(38.8)**	182.3
Cyber incident	**(25.3)**	–	**(25.3)**	–
Cost reduction programme	**(54.4)**	–	**(54.4)**	–
Reported	**(52.0)**	(79.6)	**(106.6)**	61.4

- £6.9m: in respect of a business in the Business Solutions group of CGUs in Portfolio. The impairment arose primarily due to a negotiated exit of an end customer, which has negatively impacted the forecast financial performance of the business.

At 31 December 2023, no further goodwill impairment was identified.

Refer to note 3.4 to the consolidated financial statements for further details.

Business exits

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

In accordance with our policy, the trading results of these businesses, along with the non-trading expenses and gains/(losses) recognised on business disposals, were classified as business exits and therefore excluded from adjusted results. To enable a like-for-like comparison of adjusted results, the 2022 comparatives have been re-presented to exclude the 2023 business exits.

In addition to the disposals set out in the table to the right, the Group decided to exit a small business in Public Service in the second half of the year, and the trading result and non-trading expenses of this business have been excluded from adjusted results.

Cyber incident

The Group has incurred exceptional costs associated with the cyber incident, reflecting the complexity of the forensic analysis of exfiltrated data. These costs comprise specialist professional fees, recovery and remediation costs and investment to reinforce Capita's cyber security environment. A charge of £25.3m has been recognised in the year ended 31 December 2023. This charge excludes any potential insurance recovery, as this had not yet met the criteria for recognition at the end of the year, and no provision has been made for any costs in respect of potential claims or regulatory penalties in respect of the incident as it is not possible, at this stage, to reliably estimate their value.

Further detail of the specific items charged in arriving at reported operating profit and profit before tax for 2023 is provided in note 2.4 to the consolidated financial statements.

Cost reduction programme

We announced the implementation of a major cost reduction programme in November 2023 which is expected to deliver annualised efficiencies of £60m from Q1 2024. Following this announcement, we commenced employee consultation programmes and exited a number of leased properties. The organisational changes primarily impacted indirect support function and overhead roles.

At 31 December 2023 business exits primarily comprised the following business disposals:

Business	Disposal completed on
Resourcing	31 May 2023
Security Watchdog	31 May 2023
Page One	31 July 2023
Software	31 July 2023
Enforcement	31 July 2023
Travel	14 November 2023
Fera	17 January 2024

A charge of £54.4m has been recognised in the year ended 31 December 2023, comprising £23.3m of redundancy and other costs, and impairments of right-of-use assets and property, plant and equipment, and provisions of unavoidable running costs in respect of the property exits totalling £31.1m. The cash outflow in 2023 in respect of the cost reduction programme was £6.1m which is included within free cash flow and cash generated from operations excluding business exits[1]. The Group continues to evaluate additional cost saving opportunities and expects to implement further cost reduction initiatives expected to deliver annualised efficiencies of £100m by the middle of 2025. These further cost reduction initiatives are expected to result in a step up in cost reduction programme cash costs in 2024 from £21m arising from the programme announced in November 2023 to an estimated £50m for the overall programme.

Net finance costs

Net finance costs increased by £20.5m to £52.2m (2022: £31.7m), primarily attributable to the higher interest rate environment and run-off of low-coupon debt.

Reported tax charge/(credit)

The reported income tax charge for the year of £74.0m (2022: credit £14.6m) reflects the changes in the accounting estimate of recognised deferred tax assets, unrecognised current year tax losses and non-deductible goodwill impairment. The prior period credit reflected an increase in the recognised deferred tax asset.

1. Refer to APMs on pages 230 to 233.

Free cash flow to free cash flow excluding business exits

Free cash flow[1,2] was lower than free cash flow excluding business exits[1,2] reflecting free cash outflows generated by business exits, and pension deficit contributions triggered by the disposal of Pay360 and Capita Translation and Interpreting in the second half of 2022 and Resourcing in 2023.

Movements in net debt

Net debt at 31 December 2023 was £545.5m (2022: £482.4m). The increase in net debt over the year ended 31 December 2023 reflects the free cash outflow noted above offset by the continued reduction in our leased property estate. Net financial debt (pre-IFRS 16) at 31 December 2023 was £182.1m (2022: £84.9m).

Net financial debt (pre-IFRS 16) increased by £97.2m to £182.1m at 31 December 2023, resulting in a net financial debt to adjusted EBITDA[1] (both pre-IFRS 16) ratio of 1.2x. Over the medium term the Group is targeting a net financial debt to adjusted EBITDA[1] (both pre-IFRS 16) ratio of ≤1.0x. If the sale of the Group's investment in Fera had completed at 31 December 2023, the ratio would have been 0.9x[1].

The Group was compliant with all debt covenants at 31 December 2023.

Capital and financial risk management

Liquidity remains an area of focus for the Group. Financial instruments used to fund operations and to manage liquidity comprise US private placement loan notes, RCF and overdrafts.

The Group's committed bank facilities provide liquidity for the cash fluctuations of the business cycle and an allowance for contingencies. In June 2023, the RCF was extended to 31 December 2026 at £284m, reducing to £250m by 1 January 2025 as a consequence of specified transactions. As such at 31 December 2023 the RCF commitment had been reduced to £260.7m (2022: £288.4m) and was subsequently reduced to £250m on 23 January 2024 following receipt of proceeds from the Fera disposal.

The RCF was not drawn upon at 31 December 2023 (2022: undrawn).

In addition, the Group has in place non-recourse trade receivable financing, utilisation of which has become economically more favourable than drawing under the RCF as prevailing interest rates have increased. As such, the Group has continued its use of the facility across the year with the value of invoices sold under the facility at 31 December 2023 of £35.2m (2022: £44.4m).

In July 2023 the Group issued £101.9m equivalent of US private placement loan notes across three tranches: £50m maturing 25 July 2026, USD45m maturing 25 July 2026 and USD23m maturing 25 July 2028.

In 2023, the Group repaid £112.5m of private placement loan notes including £30.3m of Euro private placement loan notes which were originally due in 2027, following which the next debt maturity is January 2025.

At 31 December 2023, the Group had £67.6m (2022: £177.2m) of cash and cash equivalents net of overdrafts, and £262.5m (2022: £285.5m) of private placement loan notes and fixed-rate bearer notes.

1. Refer to APMs on pages 230 to 233.
2. From 1 January 2023 free cash flow and free cash flow excluding business exits are presented after deducting the capital element of lease payments and receipts. Comparative amounts have been re-presented.

Free cash flow[1,2] to free cash flow excluding business exits[1]

	2023 £m	2022 £m
Free cash flow[1,2]	**(154.9)**	(31.5)
Business exits	**23.1**	(19.5)
Pension deficit contributions triggered by disposals	**16.3**	8.6
Free cash flow excluding business exits[1,2]	**(115.5)**	(42.4)

Net debt

	2023 £m	2022 £m
Opening net debt	**(482.4)**	(879.8)
Cash movement in net debt	(9.0)	438.2
Non-cash movements	(54.1)	(40.8)
Closing net debt	**(545.5)**	(482.4)
Remove closing IFRS 16 impact	363.4	397.5
Net financial debt (pre-IFRS 16)	**(182.1)**	(84.9)
Cash and cash equivalents net of overdrafts	67.6	177.2
Financial debt net of swaps	(249.7)	(262.1)
Net financial debt/adjusted EBITDA[1] (both pre-IFRS 16)	**1.2x**	0.5x
Net debt (post-IFRS 16)/adjusted EBITDA[1]	**2.4x**	2.0x

Available liquidity[1]

	2023 £m	2022 £m
Revolving credit facility (RCF)	**260.7**	288.4
Less: drawing on committed facilities	**–**	–
Undrawn committed facilities	**260.7**	288.4
Cash and cash equivalents net of overdrafts	67.6	177.2
Less: restricted cash	(46.0)	(60.4)
Available liquidity[1]	**282.3**	405.2

Going concern

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

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

Viability assessment

The Board's assessment of viability over the Group's three-year business planning time horizon is summarised in the viability statement on page 64.

Pensions

The Group reached agreement with the Trustees of the Group's main pension scheme (the Scheme) in respect of the March 2023 triennial funding review. Given the healthy funding position of the Scheme, the 2023 agreement does not require any further deficit recovery contributions from the Group other than those already committed as part of the 2020 triennial valuation.

In accordance with the 2020 agreement, the Group paid £30.0m of regular deficit funding contributions in 2023 and will pay a further £21m of contributions in 2024, with no further deficit contributions in 2025 and beyond. In addition, the Group paid £16.3m of accelerated deficit reduction contributions triggered by the disposal of certain businesses in the second half of 2022 and in 2023.

The valuation of the Scheme liabilities (and assumptions used) for funding purposes (the actuarial valuation) is specific to the circumstances of the Scheme. It differs from the valuation and assumptions used for accounting purposes, which are set out in IAS 19 and shown in these consolidated financial statements. The main difference is in assumption principles being used, which is a result of the different regulatory requirements of the valuations. Management estimates that at 31 December 2023 the net asset of the Scheme on a funding basis (ie the funding assumption principles adopted for the full actuarial valuation at 31 March 2023 updated for market conditions at 31 December 2023) was approximately £81.0m (2022: net asset £40.0m) on a technical provisions basis. The Trustee of the Scheme has also agreed a secondary more prudent funding target to enable it to reduce the reliance the Scheme has on the covenant of the Group. On this basis, at 31 December 2023, the funding level was around 99% (or a net liability of £6m). The deficit of £6m is expected to be met by the remaining deficit contributions.

The net defined benefit pension position of all reported defined benefit schemes for accounting purposes decreased from a surplus of £39.6m at 31 December 2022 to a surplus of £26.8m at 31 December 2023. The main reasons for this movement are the reduction in the discount rate applied to the schemes' liabilities following the fall in corporate bond yields in the final quarter of 2023 and assets returning less than expected over the period, partially offset by the above deficit funding contributions.

Consolidated balance sheet

At 31 December 2023 the Group's consolidated net assets were £114.9m (2022: net assets £352.7m).

The movement is predominantly driven by the reported loss before tax for the year as explained above, the actuarial loss on all reported defined benefit pension schemes and the reduction in the amount of deferred tax assets recognised.

Parent company balance sheet

The company's market capitalisation continues to be significantly less than the net assets of the parent company at 31 December 2023 and the directors gave consideration as to why this might be the case and whether assets on the parent company balance sheet might be impaired. The factors considered included: the differing basis of valuations (including that third parties value the services sector on income statement multiples versus long-term view using a discounted cash flow for the basis of impairment testing under accounting standards), sum-of-the parts view and the multiples achieved on recent disposals, general market assumptions of the sector which can ignore the liquidity profile and specific risks of an entity, and other specific items impacting the market's view of the Group at the moment.

Management's estimate of the fair value less costs to sell of the Group used in the testing of goodwill and intangibles for impairment at 31 December 2023 gave a value for the Group that exceeded the market capitalisation at that date, and supported the parent company net assets.

An impairment test was performed at 31 December 2023 in respect of the parent company's investments in subsidiaries and amounts owed by subsidiary undertakings. A net impairment reversal of £1.7m was identified in respect of the parent company's investments in subsidiaries, and a net impairment of £0.4m was recognised in respect of amounts owed by subsidiaries.

> "The Group reached agreement with the Trustees of the Group's main pension scheme in respect of the March 2023 triennial funding review… with no further deficit contributions in 2025 and beyond"