

**Company Registration No. 01860772 (England and Wales)**

**CAPITA EMPLOYEE BENEFITS (CONSULTING) LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**



**CAPITA EMPLOYEE BENEFITS (CONSULTING) LIMITED**  
**COMPANY INFORMATION**

<b>Directors</b>	N E Latner	(Appointed 1 April 2017)
	S J S Mayall	(Appointed 11 December 2017)
	S L Ring	
	A J Bowman	(Appointed 5 March 2018)
<b>Secretary</b>	Capita Group Secretary Limited	
<b>Company number</b>	01860772	
<b>Registered office</b>	17 Rochester Row London United Kingdom SW1P 1QT	
<b>Auditor</b>	KPMG LLP 15 Canada Square London E14 5GL	

## **CAPITA EMPLOYEE BENEFITS (CONSULTING) LIMITED**

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# **CAPITA EMPLOYEE BENEFITS (CONSULTING) LIMITED**

## **STRATEGIC REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

The directors present the strategic report and financial statements for the year ended 31 December 2017.

### **Review of the business**

The company is a wholly owned subsidiary (indirectly held) of Capita plc and operates within the group's Private Sector Partnerships division.

The principal activities of the company are the provision of employee benefits consultancy, communication and administrative services. There have not been any significant changes in the company's principal activities in the period under review. The directors are not aware, at the date of this report of any likely changes in the company's activities in the next year.

As shown in the company's income statement on page 7, revenue has decreased from £48,266,938 to £42,635,487 and operating profit has increased from £6,992,771 to £7,922,374 as compared to 2016. The decrease in revenue is due to closure of contracts and transfer of work to Capita Employee Benefits Limited, ending of commissions in EB&R business leading to trading reductions in revenue and reductions in revenue in actuarial business as defined benefit schemes continue to close. The increase in operating profit is primarily due to a one off settlement with a party amounting to £4,000,000 in 2016.

The balance sheet on page 8 of the financial statements shows the company's financial position at the year end. Net assets have increased by 46% from £15,631,090 to £22,813,939. The increase in net assets is primarily due to increase in cash balance at the year-end by £6,643,460. Amounts owed by/ to its parent company and fellow subsidiary undertakings are shown in note 10 and note 12 to the financial statements.

Key performance indicators used by Capita plc are operating margins, free cash flow, capital expenditure and return on capital employed. Capita plc and its subsidiaries manage their operations on a divisional basis and as a consequence, some of these indicators are monitored only at a divisional level. The performance of the Private Sector Partnerships division of Capita plc for 2017 is discussed in the group's annual report which does not form part of this report.

### **Principal risks and uncertainties**

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

The principal themes of risk for the company are:

- Strategic: changes in economic and market conditions such as contract pricing and competition.
- Financial: significant failures in internal systems of control and lack of corporate stability.
- 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, and decisions by regulators can affect the Company's business and operations and these effects are often adverse.

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

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

## **CAPITA EMPLOYEE BENEFITS (CONSULTING) LIMITED**

### **STRATEGIC REPORT (CONTINUED)** ***FOR THE YEAR ENDED 31 DECEMBER 2017***

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

On behalf of the board



N E Latner

**Director**

25 April 2018

## **CAPITA EMPLOYEE BENEFITS (CONSULTING) LIMITED**

### **DIRECTORS' REPORT**

#### ***FOR THE YEAR ENDED 31 DECEMBER 2017***

The directors present their annual report and financial statements for the year ended 31 December 2017.

#### **Results and dividends**

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

A dividend of nil was paid during the year (2016: £5,000,000).

#### **Directors**

The followings directors, have held office since 1 January 2017:

N N Bedford	(Appointed 9 February 2017) (Resigned 1 February 2018)
J D Vincent	(Resigned 16 May 2017)
N E Latner	(Appointed 1 April 2017)
S J S Mayall	(Appointed 11 December 2017)
S L Ring	
A J Bowman	(Appointed 5 March 2018)

#### **Political donations**

The Company made no political donations and incurred no political expenditure during the year (2016: nil).

#### **Disabled persons**

The company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

#### **Employee involvement**

The company participates in the group's policies and practices to keep employees informed on matters relevant to them as employees through regular meetings, newsletters, email notices and intranet communications. These communication initiatives enable employees to share information within and between business units and employees are encouraged, through an open-door policy, to discuss with management matters of interest to the employee and subjects affecting day to day operations of the company. The group's share incentive plan is designed to promote employee share ownership and to give employees the opportunity to participate in the future success of the group.

#### **Auditors**

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.

## **CAPITA EMPLOYEE BENEFITS (CONSULTING) LIMITED**

### **DIRECTORS' REPORT (CONTINUED)** **FOR THE YEAR ENDED 31 DECEMBER 2017**

#### **Statement of directors' responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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.

#### **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 enquiries of fellow directors and the company's auditor, each director has taken all the steps he/she might reasonably be expected to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

#### **Qualifying third party indemnity provisions**

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

On behalf of the board



N E Latner

**Director**

25 April 2018

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF CAPITA EMPLOYEE BENEFITS (CONSULTING) LIMITED**

We have audited the financial statements of Capita Employee Benefits (Consulting) Limited ("the company") for the year ended 31 December 2017 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

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

#### **Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

#### **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.

#### **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.



## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF CAPITA EMPLOYEE BENEFITS (CONSULTING) LIMITED**

#### **Directors' responsibilities**

As explained more fully in their statement set out on page 4, 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.

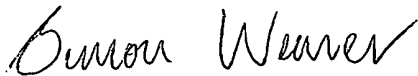
#### **Auditor's responsibilities**

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](http://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.



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

25 April 2018

**CAPITA EMPLOYEE BENEFITS (CONSULTING) LIMITED**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

	Notes	2017 £	2016 £
Revenue	3	42,635,487	48,266,938
Cost of sales		(29,994,125)	(30,389,437)
<b>Gross profit</b>		<b>12,641,362</b>	<b>17,877,501</b>
Administrative expenses		(4,718,988)	(10,884,730)
<b>Operating profit</b>	4	<b>7,922,374</b>	<b>6,992,771</b>
Net finance costs	5	-	(3,923)
<b>Profit before tax</b>		<b>7,922,374</b>	<b>6,988,848</b>
Income tax expense	8	(739,525)	(2,258,207)
<b>Total comprehensive income for the year</b>		<b>7,182,849</b>	<b>4,730,641</b>

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

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

The notes on pages 10 to 24 form an integral part of the financial statements.

# CAPITA EMPLOYEE BENEFITS (CONSULTING) LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2017

	Notes	2017 £	2016 £
<b>Non-current assets</b>			
Property, plant and equipment	9	2,877,681	4,690,710
Trade and other receivables	10	1,719	156,866
Deferred tax	8	-	25,076
		<b>2,879,400</b>	<b>4,872,652</b>
<b>Current assets</b>			
Trade and other receivables	10	14,027,590	14,840,954
Cash	11	26,732,575	20,089,114
		<b>40,760,165</b>	<b>34,930,068</b>
<b>Total assets</b>		<b>43,639,565</b>	<b>39,802,720</b>
<b>Current liabilities</b>			
Trade and other payables	12	13,643,110	14,652,372
Income tax payable		4,352,851	5,113,079
		<b>17,995,961</b>	<b>19,765,451</b>
<b>Non-current liabilities</b>			
Trade and other payables	12	2,524,273	2,906,179
Provisions	13	266,916	1,500,000
Deferred taxation	8	38,476	-
		<b>2,829,665</b>	<b>4,406,179</b>
<b>Total liabilities</b>		<b>20,825,626</b>	<b>24,171,630</b>
<b>Net assets</b>		<b>22,813,939</b>	<b>15,631,090</b>
<b>Capital and reserves</b>			
Issued share capital	14	1,751,000	1,751,000
Retained earnings		21,062,939	13,880,090
<b>Total equity</b>		<b>22,813,939</b>	<b>15,631,090</b>

The notes on pages 10 to 24 form an integral part of the financial statements.

Approved by the board and authorised for issue on 25 April 2018.



N E Latner

Director

Company Registration No. 01860772

## CAPITA EMPLOYEE BENEFITS (CONSULTING) LIMITED

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital	Retained earnings	Total equity
	£	£	£
At 1 January 2016	1,751,000	14,149,449	15,900,449
Total comprehensive income for the year	-	4,730,641	4,730,641
Equity dividends paid	-	(5,000,000)	(5,000,000)
At 31 December 2016	1,751,000	13,880,090	15,631,090
Total comprehensive income for the year	-	7,182,849	7,182,849
As at 31 December 2017	1,751,000	21,062,939	22,813,939

**Share capital** – The balance classified as share capital are the nominal proceeds on issue of the Company's equity share capital, comprising 1,751,000 ordinary shares.

**Retained earnings** – Net profits kept to accumulate in the Company after dividends are paid and retained in the business as working capital.

The notes on pages 10 to 24 form an integral part of the financial statements.

# **CAPITA EMPLOYEE BENEFITS (CONSULTING) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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### **1. Accounting policies**

#### **1.1 Basis of preparation**

Capita Employee Benefits (Consulting) Limited is a company incorporated and domiciled in the UK.

The company is a wholly owned (indirectly held) subsidiary of Capita plc and operates within the company's Private Sector Partnerships division.

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

The company has sufficient financial resources together with long standing relationships with clients and suppliers. As a consequence, the directors believe that the company is well placed to manage its business risks successfully. After making enquires, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

#### **1.2 Compliance with accounting standards**

The company has prepared and presented these financial statements by applying the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but made amendments, where necessary, in order to comply with the Companies Act 2006. The company has applied FRS101 – Reduced Disclosure Framework in the preparation of its financial statements and these are contained on pages 7 to 24.

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 Financial Reporting Standards as adopted by the EU (EU-IFRS) and are available to the public and may be obtained from company's website on <http://investors.capita.com>.

From the year ended 31 December 2017, the company has elected to opt for the presentation of its financial statements as per IAS 1 to present the same in line with the consolidated financial statements published by the group. Accordingly, the comparatives for the year ended 31 December 2016 have been reclassified to the revised format adopted. Refer note 21 for a reconciliation between IAS 1 presentation and presentation as previously reported.

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, property, plant and equipment and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of key management personnel.

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

- 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;

# **CAPITA EMPLOYEE BENEFITS (CONSULTING) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017**

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### **1. Accounting policies (continued)**

#### **1.2 Compliance with accounting standards (continued)**

- 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
- Disclosures required by IFRS 7 Financial Instrument Disclosures.

#### **1.3 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

#### **1.4 Property, plant and equipment**

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

Computer equipment	3-5 years
Land and buildings (leasehold)	Over the lease period
Fixtures, fittings and equipment	3-5 years

#### **1.5 Leasing**

Rentals payable under operating leases are charged against income on straight line basis over the lease term.

#### **1.6 Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short- term liquid investments with original maturities of three months or less. Bank overdrafts are shown within current liabilities.

#### **1.7 Pensions**

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

The company also has employees who are members of defined benefit schemes operated by the group.

For one of these schemes, the Capita Pension & Life Assurance Scheme (the "Capita DB Scheme") there is no contractual agreement or stated group policy for charging the net defined benefit cost of the scheme to participating entities, the net defined benefit cost of the scheme is recognised fully by the sponsoring employer which is Capita Business Services Limited, a fellow subsidiary undertaking. 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 Pension & Life Assurance Scheme (the "Capita DB Scheme") provides benefits on a defined benefit basis funded from assets held in a separate trustee-administered fund; and

# **CAPITA EMPLOYEE BENEFITS (CONSULTING) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017**

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### **1. Accounting policies (continued)**

#### **1.7 Pensions (continued)**

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

At each funding assessment 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 scheme.

The Capita DB Scheme closed to future accrual of benefit on 30 November 2017. All of the company's employees who had been active members of the Capita DB Scheme joined the group's principal defined contribution scheme.

#### **1.8 Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is 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 income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of goodwill;
- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

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

# **CAPITA EMPLOYEE BENEFITS (CONSULTING) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017**

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### **1. Accounting policies (continued)**

#### **1.8 Taxation (continued)**

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

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

#### **1.9 Share-based payments**

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined using an option pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense, attributable to the company, since the previous balance sheet date is recognised in the profit and loss account and settled with Capita plc, the ultimate parent undertaking.

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

#### **1.10 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 EMPLOYEE BENEFITS (CONSULTING) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** **FOR THE YEAR ENDED 31 DECEMBER 2017**

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### **1. Accounting policies (continued)**

#### **1.11 Financial instruments**

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other receivables - Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

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

#### **1.12 Impairment of non-financial assets**

At each reporting date, the company assesses whether there is any indication that an asset may be impaired. 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. The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

#### **1.13 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 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.

### **2. Significant accounting judgements, estimates and assumptions**

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

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

## CAPITA EMPLOYEE BENEFITS (CONSULTING) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

#### 3 Revenue

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

#### 4 Operating Profit

	2017	2016
	£	£
Operating profit for the year is stated after charging:		
Net foreign exchange loss	976	3,653
Depreciation of property, plant and equipment	624,945	694,571
Operating lease rentals-plant and machinery	85,738	133,872
Operating lease rentals-other assets*	3,626,763	3,879,216

\* The company does not hold title to the lease on other assets. Rather the company is recharged these costs by the leaseholder. Therefore as per note 15, the entity has £nil lease commitments.

Audit fees are borne by the ultimate parent undertaking, Capita plc. The audit fee for the current period was £22,050 (2016: £21,000). 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 Net finance costs

	2017	2016
	£	£
Bank overdrafts and loans	-	3,923
<b>Total net finance costs</b>	<b>-</b>	<b>3,923</b>

## CAPITA EMPLOYEE BENEFITS (CONSULTING) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

#### 6 Employees

The average monthly number of employees were:

	2017 Number	2016 Number
Operations	367	424
Sales and administration	62	72
	<b>429</b>	<b>496</b>

Their aggregate remuneration comprised:

Employment costs	2017 £	2016 £
Wages and salaries	21,771,529	24,091,679
Social security costs	2,388,586	2,784,731
Pension costs	1,915,106	1,730,457
Share based payments	25,359	(28,438)
	<b>26,100,580</b>	<b>28,578,429</b>

#### 7 Directors' remuneration

The directors were paid by another subsidiary of Capita plc. As no qualifying services were performed by the directors on the Company's affairs, no directors remuneration has been allocated to the company in 2017 (2016: nil).

## CAPITA EMPLOYEE BENEFITS (CONSULTING) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

#### 8 Income tax

The major components of income tax expense for the year ended 31 December 2017 and 2016 are:

	2017 £	2016 £
<b>Current income tax</b>		
Current income tax charge	1,684,783	2,225,554
Adjustment in respect of prior years	(1,008,810)	(164,418)
	<b>675,973</b>	<b>2,061,136</b>
<b>Deferred income tax</b>		
Origination and reversal of temporary differences	(92,382)	24,198
Adjustment in respect of prior years	155,934	172,873
	<b>63,552</b>	<b>197,071</b>
<b>Total tax expense</b>	<b>739,525</b>	<b>2,258,207</b>

The reconciliation between tax expense/ (credit) and the product of accounting profit multiplied by the UK corporation tax rate for the respective years is as follows:

	2017 £	2016 £
<b>Profit before tax</b>	<b>7,922,374</b>	<b>6,988,848</b>
<b>Notional charge/ (credit) at UK corporation tax rate of 19.25% (2016: 20%)</b>	<b>1,525,057</b>	<b>1,397,770</b>
Adjustments in respect of current income tax of prior years	(1,008,810)	(164,418)
Adjustments in respect of deferred tax of prior years	155,934	172,873
Non-deductible expenses	55,117	853,032
Effect of change in UK corporation tax rate	12,227	(1,050)
<b>At the effective tax rate of 9.63% (2016: 32.32%)</b>	<b>739,525</b>	<b>2,258,207</b>
<b>Total tax expense / (credit) reported in the income statement</b>	<b>739,525</b>	<b>2,258,207</b>

	<b>Balance sheet</b>		<b>Income statement</b>	
	2017 £	2016 £	2017 £	2016 £
<b>Deferred tax liabilities</b>				
Decelerated capital allowances	(38,476)	-	38,476	-
<b>Deferred tax assets</b>				
Accelerated capital allowances	-	25,076	25,076	197,071
<b>Net deferred tax (liability)/asset</b>	<b>(38,476)</b>	<b>25,076</b>		
<b>Deferred income tax expense</b>			<b>63,552</b>	<b>197,071</b>

The UK corporation tax rate decreased from 20% to 19% on 1 April 2017 and will decrease further to 17% from 1 April 2020. The deferred tax balances have been adjusted to reflect this change.

# CAPITA EMPLOYEE BENEFITS (CONSULTING) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

### 9 Property, plant and equipment

	Land and buildings leasehold	Fixtures, fittings & equipment	Computer equipment	Total
	£	£	£	£
<b>Cost</b>				
<b>At 1 January 2017</b>	<b>4,672,825</b>	<b>1,610,945</b>	<b>6,674,478</b>	<b>12,958,248</b>
Additions	-	-	119,874	119,874
Disposals	(1,911,269)	(11,560)	(7,440)	(1,930,269)
Asset retirement	-	-	(93,719)	(93,719)
<b>At 31 December 2017</b>	<b>2,761,556</b>	<b>1,599,385</b>	<b>6,693,193</b>	<b>11,054,134</b>
<b>Depreciation and impairment</b>				
<b>At 1 January 2017</b>	<b>1,496,083</b>	<b>403,918</b>	<b>6,367,537</b>	<b>8,267,538</b>
Charged during the year				
Disposals	(604,590)	(11,560)	(6,161)	(622,311)
Depreciation	370,198	145,641	109,106	624,945
Asset retirement	-	-	(93,719)	(93,719)
<b>At 31 December 2017</b>	<b>1,261,691</b>	<b>537,999</b>	<b>6,376,763</b>	<b>8,176,453</b>
<b>Net book value</b>				
<b>At 31 December 2016</b>	<b>3,176,742</b>	<b>1,207,027</b>	<b>306,941</b>	<b>4,690,710</b>
<b>At 31 December 2017</b>	<b>1,499,865</b>	<b>1,061,386</b>	<b>316,430</b>	<b>2,877,681</b>

# **CAPITA EMPLOYEE BENEFITS (CONSULTING) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** **FOR THE YEAR ENDED 31 DECEMBER 2017**

### **10 Trade and other receivables**

<b>Non-current</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Prepayments	1,719	89,457
Accrued income	-	67,409
	<b>1,719</b>	<b>156,866</b>
<b>Current</b>		
Trade receivables	6,129,076	8,375,480
Other receivables	1,265,224	253,529
Accrued income	3,186,932	2,987,796
Prepayments	380,207	1,696,633
Amount due from parent and fellow subsidiary undertaking	3,066,151	1,527,516
	<b>14,027,590</b>	<b>14,840,954</b>

### **11 Cash**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Cash at bank and in hand	26,732,575	20,089,114
	<b>26,732,575</b>	<b>20,089,114</b>

### **12 Trade and other payables**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
<b>Current</b>		
Trade payables	925,893	2,031,597
Other payables	-	15,997
Other taxes and social security	1,865,703	2,425,737
Accruals and deferred income	2,065,600	2,198,185
Amount due to parent and fellow subsidiary undertaking	8,785,914	7,980,856
	<b>13,643,110</b>	<b>14,652,372</b>
<b>Non-current</b>		
Accruals and deferred income	2,524,273	2,906,179
	<b>2,524,273</b>	<b>2,906,179</b>

**CAPITA EMPLOYEE BENEFITS (CONSULTING) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**13 Provisions**

	Claims £	Dilapidations £	Total £
<b>As at 1 January 2017</b>	1,500,000	-	1,500,000
Additions	-	1,309,370	1,309,370
Utilisation	(164,427)	(1,093,454)	(1,257,881)
Release	(1,284,573)	-	(1,284,573)
<b>As at 31 December 2017</b>	51,000	215,916	266,916

The company is subject to claims and litigation arising out of the ordinary course of business, resulting principally from alleged errors and omissions in connection with the Company's pension administration and consulting business. Provision is made where appropriate for potential liabilities that may arise in respect of claims and litigations attributable to events which have been notified to or are anticipated by the Company at the balance sheet date.

During the year the business undertook a review of its claims provisions. Following this review the value of various claims were adjusted to appropriate values. These revised values reflect the best estimate of both the quantum and likelihood of the claim being crystalized and resulting in settlement.

The Company is required to perform repairs on leased properties prior to the properties being vacated at the end of the lease term. Dilapidation provisions for such costs are made where a legal obligation is identified and the liability can be reasonably quantified.

**14 Issued share capital**

	2017 Numbers	2017 £	2016 Numbers	2016 £
<b>Allotted, called up and fully paid</b>				
Ordinary shares of £1 each				
At 1 January	1,751,000	1,751,000	1,751,000	1,751,000
At 31 December	1,751,000	1,751,000	1,751,000	1,751,000

**Share capital**

The nominal proceeds on issue of the Company's equity share capital, comprising £1 ordinary shares.

**15 Operating lease commitments**

At the reporting date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows :

	Land and buildings		Other	
	2017 £	2016 £	2017 £	2016 £
Within one year	309,153	355,263	-	9,647
Between two and five years	168,163	477,316	-	12,447
<b>Total</b>	<b>477,316</b>	<b>832,579</b>	<b>-</b>	<b>22,094</b>

**16 Dividends**

	2017 £	2016 £
<b>Ordinary shares</b>		
Final dividend paid		
Final for 2017 paid: Nil per share (2016: £2.86 per share)	-	5,000,000
<b>Total dividends paid</b>	<b>-</b>	<b>5,000,000</b>

## **CAPITA EMPLOYEE BENEFITS (CONSULTING) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** **FOR THE YEAR ENDED 31 DECEMBER 2017**

#### **17 Employee benefits**

The company offers both defined benefit and defined contribution pension schemes. The pension charge for the defined contribution pension schemes for the year is £1,907,405 (2016: £1,725,994).

The company has current and former employees who are members of the Capita Pension and Life Assurance Scheme (the "Capita scheme"), a defined benefit scheme.

The most recent funding assessment of the Capita DB Scheme was carried out as at 31 March 2014 and revealed an actuarial deficit. As a result of this, Capita Plc entered into an agreement to make deficit recovery payments to the Capita DB Scheme until the end of 2027. In addition, Capita Plc agreed an average employer contribution rate of 13.8% (excluding employee contributions made as part of a salary sacrifice arrangement) to fund for the cost of benefits accrued.

The next scheduled scheme funding assessment will be carried out with an effective date of 31 March 2017 and to be completed by 30 June 2018.

For the purpose of the consolidated accounts of Capita plc, an independent qualified actuary projected the results of the 31 March 2014 valuation to 31 December 2017.

The pension charge for the defined benefit scheme for the year was £ 7,701 (2016: £4,463). The average employer contribution rate during 2016 across all Capita companies to defined benefit pension arrangements was approximately 31.2% pa (2016: 27.4%) of pensionable salaries including employee contributions made as part of a salary sacrifice scheme.

The major assumptions for the valuation at 31 December 2017 were as follows: rate of price inflation - RPI/CPI 3.2% pa/2.2% pa (2016: 3.25% pa/2.25% pa); rate of the salary increase - 3.2% pa (2016: 3.25% pa); rate of increase for pensions in payment (where RPI inflation capped at 5% pa applies - 3.1% pa (2016: 3.15% pa); discount rate - 2.5% pa (2016: 2.8% pa).

The Capita DB scheme assets at fair value at 31 December 2017 were (i) equities/hedge funds/absolute returns/diversified growth funds - £ 560.9m (2016: £ 520.4m); (ii) bonds/debt - £530.3m (2016: £ 492.5 m); (iii) property - £ 78.3m (2016: £ 70.4m); (iv) insurance contracts - £ 76.7m (2016: £ 51.2m); (v) cash/other - £(144.9m) (2016: £(96.5m)), totalling £ 1,101.3m (2016: £ 1,038.0m).

The actuarially assessed value of Capita DB Scheme liabilities at 31 December 2017 was £ 1,493.4m (2016: £ 1,366.4m) indicating that the Capita DB Scheme had a net liability of £392.1m (2016: net liability of £ 328.4m). These figures are quoted gross of deferred tax. The full disclosure is available in the consolidated accounts of Capita Plc.



## CAPITA EMPLOYEE BENEFITS (CONSULTING) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

#### 18 Related Party Disclosures

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

Nature of Transaction	Name of Company	Year	Fellow Subsidiary	Total
Sales of Goods	Capita Glamorgan Consultancy Limited	December 31, 2017	-	-
		December 31, 2016	611	611
	Urban Vision Partnership Limited	December 31, 2017	231	231
		December 31, 2016	84	84
	Entrust Support Services Limited	December 31, 2017	-	-
		December 31, 2016	329	329
	Axelos Limited	December 31, 2017	109	109
		December 31, 2016	67	67
	<b>Total</b>	<b>December 31, 2017</b>	<b>340</b>	<b>340</b>
		<b>December 31, 2016</b>	<b>1,091</b>	<b>1,091</b>

#### Closing balance of Related Parties

Nature of Transaction	Name of Company	Year	Fellow Subsidiary	Total
Trade Receivables				
	Capita Glamorgan Consultancy Limited	December 31, 2017	-	-
		December 31, 2016	611	611
	Urban Vision Partnership Limited	December 31, 2017	-	-
		December 31, 2016	84	84
	Entrust Support Services Limited	December 31, 2017	-	-
		December 31, 2016	329	329
	Axelos Limited	December 31, 2017	-	-
		December 31, 2016	67	67
	<b>Total</b>	<b>December 31, 2017</b>	<b>-</b>	<b>-</b>
		<b>December 31, 2016</b>	<b>1,091</b>	<b>1,091</b>

#### Terms and conditions of transactions with related parties

All transactions were undertaken at normal market prices.

#### 19 Controlling party

The company's immediate parent undertaking is Capita Employee Benefits Holdings Limited, a company incorporated in England and Wales.

The company's ultimate parent undertaking is Capita plc, a company incorporated in England and Wales. The accounts of Capita plc are available from the registered office at 71 Victoria Street, London, SW1H 0XA.

#### Post balance sheet events

There are no significant events which have occurred after the reporting period.

**CAPITA EMPLOYEE BENEFITS (CONSULTING) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**20 Reconciliation of 2016**

**Income statement reconciliation**  
**For the year ended 31 December 2016**

FRS Format	Footnote	2016	Reclass from FRS to IAS	IAS Format	2016
Turnover		48,266,938		Revenue	48,266,938
Cost of sales		(30,389,437)		Cost of sales	(30,389,437)
<b>Gross profit</b>		<b>17,877,501</b>		<b>Gross Profit</b>	<b>17,877,501</b>
Administrative expenses	A	(10,881,077)	(3,653)	Administrative expenses	(10,884,730)
Other operating expenses	A	(3,653)	3,653		
<b>Operating profit</b>		<b>6,992,771</b>		<b>Operating profit/(loss)</b>	<b>6,992,771</b>
Interest payable and other similar expenses		(3,923)		Net Finance Cost	(3,923)
<b>Profit before taxation</b>		<b>6,988,848</b>		<b>Profit before taxation</b>	<b>6,988,848</b>
Tax on (loss)/profit		(2,258,207)		Income tax expense	(2,258,207)
<b>Profit and comprehensive loss/income for the financial year</b>		<b>4,730,641</b>		<b>Total profit/loss for the year</b>	<b>4,730,641</b>

**Footnote:**

A. Other operating expenses have been included within administrative expenses under IAS 1 format.

**CAPITA EMPLOYEE BENEFITS (CONSULTING) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**20 Reconciliation of 2016**

**Balance sheet reconciliation**  
**As at 31 December 2016**

FRS format	Footnote	2016	Reclass from FRS to IAS	2016 (New Format)	2016
<b>Fixed assets</b>				<b>Non-current assets</b>	
Tangible fixed assets		4,690,710		Property, plant and equipment	4,690,710
	A		156,866	Trade and other receivables	156,866
	A		25,076	Deferred tax	25,076
<b>Total Non current assets</b>		<b>4,690,710</b>	<b>181,942</b>	<b>Total non current assets</b>	<b>4,872,652</b>
<b>Current assets</b>				<b>Current assets</b>	
Debtors	A	15,022,896	(181,942)	Trade and other receivables	14,840,954
Cash at bank and in hand		20,089,114		Cash	20,089,114
<b>Total current assets</b>		<b>35,112,010</b>	<b>(181,942)</b>	<b>Total current assets</b>	<b>34,930,068</b>
<b>Total assets</b>		<b>39,802,720</b>	<b>-</b>	<b>Total assets</b>	<b>39,802,720</b>
				<b>Current liabilities</b>	
Creditors: amounts falling due within one year	B	(19,765,451)	(5,113,079)	Trade and other payables	14,652,372
	B		5,113,079	Income tax payable	5,113,079
<b>Total current liabilities</b>		<b>(19,765,451)</b>	<b>-</b>	<b>Total current liabilities</b>	<b>19,765,451</b>
Net current assets		15,346,559			
<b>Total assets less current liabilities</b>		<b>20,037,269</b>			
				<b>Non-current liabilities</b>	
Creditors: amounts falling due after more than one year		(2,906,179)		Trade and other payables	2,906,179
Other provisions		(1,500,000)		Provisions	1,500,000
<b>Total non-current liabilities</b>		<b>(4,406,179)</b>		<b>Total non-current liabilities</b>	<b>4,406,179</b>
Net assets		15,631,090		<b>Total liabilities</b>	<b>24,171,630</b>
				<b>Net assets</b>	<b>15,631,090</b>
<b>Capital and reserves</b>				<b>Capital and reserves</b>	
Called up share capital		1,751,000		Issued share capital	1,751,000
Profit and loss account		13,880,090		Retained earnings	13,880,090
<b>Shareholders' funds</b>		<b>15,631,090</b>		<b>Total equity</b>	<b>15,631,090</b>

**Footnote:**

A. Deferred tax asset which was previously classified under "Debtors" is now shown separately on the face of the balance sheet. Debtors less than a year are classified under Current trade and other receivables and more than one year are classified as Non-current trade and other receivables.

B. "Creditors: Amounts falling within one year" previously included corporation tax payable. This is now disclosed separately on the face of the balance sheet.