Company Registration No. 02260524 (England and Wales)

CAPITA EMPLOYEE BENEFITS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

CAPITA EMPLOYEE BENEFITS LIMITED

COMPANY INFORMATION

Directors	S L Ring	
	N E Latner	(Appointed 1 April 2017)
	S J S Mayall	(Appointed 11 December 2017)
	T T Brooke	
	A J Bowman	(Appointed on 5 March 2018)
Secretary	Capita Group Secretary Limited	
Company number	02260524	
Registered office	17 Rochester Row London United Kingdom SW1P1QT	
Auditor	KPMG LLP 15 Canada Square London E14 5GL	
Bankers	Barclays Bank PLC 1 Churchill Place London E14 5HP	
Solicitors	Herbert Smith Freehil Exchange House Primrose Street London EC2A 2HS	

CAPITA EMPLOYEE BENEFITS LIMITED

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CAPITA EMPLOYEE BENEFITS 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 (formerly Insurance and Benefits Services division).

The principal activity of the company continued to be that of the provision of actuarial, pension consultancy and administration services. The company is regulated by the Financial Conduct Authority. 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 major changes in the company's activities in the next year.

As shown in the company's Income Statement on page 10, the company's revenue has decreased from £90,177,512 to £87,109,259 in 2017, due to the loss of contracts with the Pension Protection Fund and also reduction from Guaranteed Minimum Pension project work and also due to movements of some contracts from Capita Employee Benefits Limited to Capita Employee Benefits (Consulting) Limited. The operating profit has decreased from £15,614,613 to £5,629,173 over the same period due to assets write off, legal settlements with client's and additional severance cost.

The Balance Sheet on page 11 of the financial statements shows the company's financial position at the year end. Net assets have decreased from £64,077,647 to £53,358,141, as a result of a decrease in cash by £13 million, an increase in trade receivables by £3 million and the capitalization of intangibles of £2 million. Details of amounts owed by/to its parent company and fellow subsidiary undertakings are shown in notes 11 and 13 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 is discussed in the group's annual report which does not form part of this report.

Systems and procedures are in place to identify, assess and mitigate major business risks that could impact the company. Monitoring exposure to risk and uncertainty is an integral part of the company's structured management processes. The principal risks that the company faces are operational risk, contract pricing, competition, regulatory and legislative impacts, recruitment and retention of staff and maintenance of reputation and strong supplier and customer relationships.

Group risks are discussed in the group's annual report which does not form part of this report.

Capital adequacy

Capita Employee Benefits Limited is authorised and regulated by the Financial Conduct Authority and is indirectly owned by Capita plc. The requirements of these regulations apply to Capita Employee Benefits Limited only. These requirements of these regulations do not apply to the consolidated group.

Pillar 3 disclosures are published annually and have been reviewed and approved by the Company's Board.

There are no current or foreseen material, practical or legal impediments to enable the prompt transfer of capital resources, or repayments of liabilities.

Own funds

Equity as per Balance sheet	**£'000's**
Called up share capital	30,116
Retained earnings & reserves	23,242
Own funds	**53,358**

as at 31 December 2017 is set out in the table below:

TIER 1 CAPITAL
Tier 1 Capital is comprised of share capital, share premium, retained earnings, less intangible assets and other regulatory deductions.

TIER 2 CAPITAL
As at 31 December 2017 the Tier 2 capital is £27m, solely relating to a subordinated loan.

OWN FUNDS REQUIREMENTS
The Company's regulatory requirements resulting from the Capital Requirements Directive and Regulation are that it must have a capital ratio of at least 8%, of which defined minima must be Tier 1 capital and Common Equity Tier 1 capital, of total risk exposure amounts which, in the case of the Company are represented by the highest of the following:

- An initial capital requirement of €125,000
- An amount equivalent to one quarter of its annual fixed overheads
- An amount equal to the sum of its credit and market risk weighted exposures

As a limited licence company the capital requirements are the greater of the Fixed Overhead Requirement ("FOR") or the sum of the market and credit risk requirements.

The FOR has been assessed as £19,682k for 2017 (2016: £17,546k). The company has no market risk requirement. Its credit risk requirement is calculated using the standardised approach and is based on 8% of the appropriate risk weighted assets, it has not applied for permission to use an IRB (Internal Ratings Based) approach. The credit risk requirement is assessed as £4,479k. (2016: £5,542) The assets include bank deposits held with Barclays Bank plc as part of a pooling arrangement with other subsidiaries of Capita plc. The credit and liquidity risk associated with these deposits are reviewed on an ongoing basis and are considered by management to be low.

The overall capital requirement is therefore £19,682k (2016: £17,546k), giving a surplus of £40,197k (2016: £54,653k).

The company also assesses its capital requirements based on risks identified as part of the risk management processes detailed below. Where this assessment gives capital requirements in excess of the FOR the company would hold additional capital. After the effect of mitigating controls and since the company does not trade in investments, the management have assessed that the key risk is operational risk, which has been quantified as having a capital requirement below that of its FOR. The management have assessed that there is minimal risk from any other source and no capital is required to cover any other risks.

Capita Employee Benefits Limited Board is ultimately responsible for the risk management regime, as well as ensuring that the governance and culture of the firm starts at the Board. It is satisfied that the risk systems are adequate for Capita Employee Benefits Limited's profile and strategy.

Systems and procedures are in place to identify, assess and mitigate major business risks that could impact Capita Employee Benefits Limited. Monitoring exposure to risk and uncertainty is an integral part of the Company's structured management processes and is focused through the Risk and Compliance Committee, which itself is a subcommittee of the Board. The Risk and Compliance Committee meets at least three times per year and receives formal reports from a range of functions within the business.

The Company does not deal on its own account. The Company is of moderate size and is not complex. It does not anticipate significant changes in its activities or organisational arrangements over the forthcoming year.

Capita Employee Benefits operates a Capital and Risk Committee, a Nominations Committee and a Remuneration Committee to enable it to manage its obligations and risks as a significant IFPRU firm. All three committees are chaired by a non – Executive Director and all members are non – Executives.

Capita Employee Benefits Limited is not risk averse, but seeks to actively manage material risk to the business. Operational risk is the main category of risk faced by the Company. Whilst accepting that data security and fraud risks are inherent within business operations, Capita Employee Benefits Limited has a zero tolerance for fraudulent or corrupt behaviour, with controls designed accordingly.

Whilst risk appetite is strategic and linked to business objectives, risk tolerance is operational and expressed in such a way that it can be linked to the same risk measures implemented by operational teams throughout Capita Employee Benefits Limited's business. The Capita Employee Benefits Limited Risk & Compliance team, who are independent of the business, provide ongoing challenge for the risk management process, as well as ensuring consistency with other parts of Capita.

The Company follows Capita plc policies in relation to the recruitment of members of the management body, including in respect of diversity. The number of directorships held by members of the management body as at 31st December 2017, together with their knowledge, skills and experience was as follows:

Director name	Number of directorships held
Susan Ring	18
Simon Mayall	6
Timothy Brooke	8
Nicholas Latner	4
Nicolas Bedford	1

The Directors all have numerous years of experience in order to manage the business effectively; not solely, but skills and experience include leadership, market, industry, strategic planning, risk management, governance, Information Technology, resource management and financial.

The risks faced by the Company can be summarised as follows:

Operational risk
Operational risk encapsulates a range of subsidiary risks including processing, outsourcing, IT systems, HR and fraud. For the purposes of the ICAAP, financial reporting, regulatory and legal risks are also included under the operational risk heading. These risks are identified, assessed, monitored and reported by business managers through the Company's risk management process.

Credit and residual risk
Credit risk is not considered to be significant for the Company. Credit exposure is limited to routine working capital related balances primarily with its key commercial partners.

The Company does not employ credit risk mitigation techniques. Residual risk does not therefore apply.

Market and securitisation risk
Capita Employee Benefits Limited is not authorised to trade as principal and has no trading book. The Company has no foreign exchange risk. Securitisation risk is not applicable to the Company.

Liquidity risk
The Company has developed a Liquidity Management Framework to formalise the monitoring and control processes in place to ensure Capita Employee Benefits Limited has sufficient liquid resources to meet its liabilities as they come due. This risk is therefore considered to be minimal.

Insurance risk
This is not applicable as the Company does not underwrite insurance.

Interest rate risk
Capita Employee Benefits Limited has no material exposure to interest rate risk.

CAPITA EMPLOYEE BENEFITS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

Business risk
Business risk, or procyclicality (the risk of deterioration in business or economic conditions requiring a firm to raise capital), is not believed to be significant in Capita Employee Benefits Limited due to the type of activities it is engaged in.

The stress tests conducted on key economic indicators demonstrate a limited sensitivity to economic factors.

A large part of Capita Employee Benefits Limited 's expenses are of a variable nature and therefore, if there is a negative impact on the expected business volumes, the cost base would be capable of adjustment.

Pension Obligation Risk
Capita Employee Benefits Limited participates in a number of defined contribution schemes and is also a participating employer in defined benefit pension schemes operated by the Capita group. In the unlikely event of the other participating employers being insolvent, Capita Employee Benefits Limited could be liable to settle the deficit on the fund. The directors consider this risk to be remote. Note 17 of the financial statements provides additional information.

Concentration risk
Capita Employee Benefits Limited is not reliant on any single external commercial relationship and therefore we do not believe the exposure to be material.

Group risk
It is not considered that there are any significant risks to the Company of being part of Capita Plc.

Leverage risk
The Company currently has no borrowings.

On behalf of the board

N. Lt

N E Latner

Director

25 April 2018

CAPITA EMPLOYEE BENEFITS 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 10.

An ordinary dividend of £15,000,000 was paid during the year (2016: £10,000,000).

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

S L Ring	
J D Vincent	(Resigned on 16 May 2017)
N J Mccallum	(Appointed on 10 May 2017 & resigned on 15 September 2017)
A J Bowman	(Resigned on 10 February 2017 & reappointed on 5 March 2018)
S E Hall	(Resigned on 10 February 2017)
S J S Mayall	(Appointed on 11 December 2017)
T T Brooke	
N E Latner	(Appointed on 1 April 2017)
N N Bedford	(Appointed on 9 February 2017 & resigned on 1 February 2018)

Political Donations
The Company made no political donations and incurred no political expenditure during the year. (2016: 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's continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of the other employees.

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 communications initiatives enable employees to share information within and between the 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.

Remuneration Code
Capita Employee Benefits Limited follows the prescribed FCA guidelines and is classified as a level 3 firm from proportionality within SYSC 19A Remuneration Code with regard to remuneration policies and its disclosures relative to the size of the Company.

Remuneration is designed to ensure that the firm does not encourage excessive risk taking and staff interests are aligned with those of the clients.

The Board is responsible for the overall remuneration policy which is reviewed annually. The Company does not employ external remuneration advisers. Variable remuneration is adjusted in line with capital and liquidity requirements as well as the firm's performance. The Board will review the remuneration strategy on an annual basis. Capita Employee Benefits Limited ensures that its remuneration structure promotes effective risk management and balances the fixed and variable remuneration components for all Code and Non-Code staff. Total Remuneration is based on balancing both financial and non-financial indicators together with the performance of the firm and the staff member's business unit. The firm will monitor the fixed to variable compensation to ensure SYSC 19 is adhered to with respect to Total Compensation where applicable.

The Remuneration Policy for CEBL is set by the CEBL Nominations & Remunerations Committee which also oversees remuneration matters. The Nominations & Remunerations meet at least annually and at such other times as requested by the chairperson. The members of the Nominations & Remuneration Committee are CEBL's Non – Executive Directors, with the other Directors in attendance. External consultants are not used to determine the remuneration policy. Information and guidance is provided to the Committee by the Divisional Risk & Compliance Director with the final decisions made by the members of the Committee.

Pay reviews are based on the achievement of personal objectives. Personal performance is measured by Capita's performance management process and competency framework. Payment of bonus is based on Group objectives, divisional measurements; and also individual objectives (measured using Capita's performance management process).

In addition to basic salary, Capita Employee Benefits Limited operates the following reward schemes:

- A discretionary annual bonus linked to performance but subject to profitability and cash reserves as well as linked to performance of the firm and the individual.

- A discretionary share option scheme where vesting cannot occur until after 3 years.

Code Staff Remuneration
Senior management and members of staff whose actions have a material impact on the risk profile of Capita Employee Benefits Limited are classified as Code Staff. No staff have aggregate remuneration over £675,000 p.a.

The total fixed and variable remuneration, together with the number of beneficiaries, for the year ended 31 December 2017 was as follows:

	Executive and Board	**Senior Management**	**Other code staff**	**Total code staff**
Number of Staff	7	15	7	29
Fixed remuneration – cash	1,037,973	1,792,416	723,914	3,554,303
Variable remuneration – cash	332,275	34,095	28,195	394,565
Variable remuneration - shares				
Total remuneration	**1,370,248**	**1,826,511**	**752,109**	**3,948,868**

There were no Capita Employee Benefits Limited individual receiving remuneration comprising salary and bonus of more than EUR 1 million.

Most members of the code staff provide services to other group companies. The remuneration disclosed includes their total remuneration and not that which is solely attributable to their services for Capita Employee Benefits Limited.

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 with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 101 Reduced Disclosure Framework.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- 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 that 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. 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.

On behalf of the board

N. Lt

N E Latner

Director

25 April 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CAPITA EMPLOYEE BENEFITS LIMITED

We have audited the financial statements of Capita Employee Benefits 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 LIMITED

Directors' responsibilities

As explained more fully in their statement set out on pages 6 to 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.

Simon Weaver

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 LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £	2016 £
Revenue	3	87,109,259	90,177,512
Cost of sales		(66,862,944)	(61,820,441)
Gross profit		20,246,315	28,357,071
Administrative expenses		(14,617,142)	(12,742,458)
Operating profit	4	5,629,173	15,614,613
Net finance costs	5	(65)	(106)
Profit before tax		5,629,108	15,614,507
Income tax expense	6	(1,348,614)	(3,075,057)
Total comprehensive income for the year		**4,280,494**	**12,539,450**

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 13 to 32 form an integral part of the financial statements.

CAPITA EMPLOYEE BENEFITS LIMITED
BALANCE SHEET
AS AT DECEMBER 2017

	Notes	2017	2016
		£	£
Non-current assets			
Property, plant and equipment	7	4,305,113	4,756,566
Intangible assets	8	20,479,011	18,879,162
Investments in subsidiaries	10	15,968,582	15,968,582
Trade and other receivables	11	953,139	338,208
Deferred tax	6	705,231	747,562
		42,411,076	**40,690,080**
Current assets			
Work in progress	9	11,512,117	9,429,107
Trade and other receivables	11	35,129,483	32,190,160
Cash	12	14,859,475	29,201,758
		61,501,075	**70,821,025**
Total assets		**103,912,151**	**111,511,105**
Current liabilities			
Trade and other payables	13	48,044,914	43,521,593
Provisions	14	1,057,791	-
Income tax payable		1,251,754	2,225,222
Total current liabilities		**50,354,459**	**45,746,815**
Non-current liabilities			
Trade and other payables	13	199,551	307,642
Provisions	14	-	1,379,000
Total non-current liabilities		**199,551**	**1,686,642**
Total liabilities		**50,554,010**	**47,433,457**
Net assets		**53,358,141**	**64,077,647**
Capital and reserves			
Issued share capital	15	30,115,625	30,115,625
Share premium		190,322	190,322
Capital redemption reserve		142,719	142,719
Retained earnings		22,909,475	33,628,981
Total equity		**53,358,141**	**64,077,647**

The notes on pages 13 to 32 form an integral part of the financial statements.

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

N. Latner

N E Latner
Director

Company Registration No. 02260524

CAPITA EMPLOYEE BENEFITS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital	Share premium account	Capital redemption reserve	Retained earnings	Total equity
	£	£	£	£	£
At 1 January 2016	30,115,625	190,322	142,719	31,089,531	61,538,197
Total comprehensive income for the year	-	-	-	12,539,450	12,539,450
Equity dividends paid	-	-	-	(10,000,000)	(10,000,000)
Contribution in respect of share based payment charge	-	-	-	(44,826)	(44,826)
Settlement of share based payment charged by intercompany	-	-	-	44,826	44,826
At 31 December 2016	**30,115,625**	**190,322**	**142,719**	**33,628,981**	**64,077,647**
Total comprehensive income for the year	-	-	-	4,280,494	4,280,494
Equity dividends paid	-	-	-	(15,000,000)	(15,000,000)
Contribution in respect of share based payment charge	-	-	-	(42,265)	(42,265)
Settlement of share based payment charged by intercompany	-	-	-	42,265	42,265
At 31 December 2017	30,115,625	190,322	142,719	22,909,475	53,358,141

Share capital – The balance classified as share capital is the nominal proceeds on issue of the Company's equity share capital, comprising 30,115,625 ordinary shares.

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

Capital redemption reserve – The Company can redeem shares by repaying the market value to the shareholder, whereupon the shares are cancelled. Redemption must be from distributable profits. The capital redemption reserve represents the nominal value of the shares redeemed.

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 13 to 32 form an integral part of the financial statements

1. Accounting policies

1.1 Basis of preparation

Capita Employee Benefits 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.

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 10 to 32.

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 a Note 23 for a reconciliation between IAS presentation and presentation 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 & 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;
- An additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy;
- 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;

1. Accounting policies (continued)

1.2 Compliance with accounting standards (continued)

- 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
- 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 Goodwill

Goodwill is stated at cost less any accumulated impairment losses. It is not amortised but is tested annually for impairment. This is not in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 which requires that all goodwill be amortised. The directors consider that this would fail to give a true and fair view of the profit for the year and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. It is not practicable to quantify the effect on the financial statements of this departure.

On adoption of FRS 101, the company restated business combinations that took place between 1 January 2004 and 31 December 2014. The company, therefore, restated its opening balances in 2014 to reflect the position had IFRS 3 'Business Combinations' been in effect since 1 January 2007.

1.5 Intangible assets

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the assets may be impaired.

1. Accounting policies (continued)

1.6 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:

Land and buildings Leasehold	5 Years
Fixtures, fittings & equipment	4 - 5 years
Plant and machinery	3 - 5 years

1.7 Leasing

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

1.8 Investments

Investments are initially recorded at their cost. Subsequently they are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

1.9 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.

1.10 Pensions

The company participates in a number of defined contribution schemes and contributions are charged to the income statement account 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 is also a participating employer in the following defined benefit pension schemes operated by the group: The Capita Pension & Life Assurance Scheme (the "Capita DB Scheme") and the Capita Section of the Water Associated Employers Pension Scheme.

For each of these schemes, 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.

In the case of the Capita DB Scheme the contributions payable by the participating entities are determined on the following basis:

1. Accounting policies (continued)

1.10 Pensions (continued)

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 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.

The Capita DB Scheme closed to future accrual of benefit on 30 November 2017 for the majority of employees accruing benefits, these employees joined the group's principal defined contribution scheme. However, there remain a number of employees accruing benefits on a defined benefit basis.

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.

Following the most recent funding assessment of the Capita DB Scheme which was carried out as at 31 March 2014, the Group entered into an agreement to make additional contributions to the Capita DB Scheme over a period of time until 2027. The next scheme funding assessment will be carried out with an effective date of 31 March 2017.

Similar methods have been adopted for the other scheme.

Further a small number of employees are members of the Capita SSO section of the West Sussex County Council Pension Fund. This is a Local Government Pension Scheme providing defined benefit pensions. There are contractual protections in place to limit the financial risk of this scheme and as such is reported on a defined contribution basis recognising a cost equal to its contribution payable for the period.

1.11 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.

1. Accounting policies (continued)

1.11 Taxation (continued)

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

- 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.

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.

1.12 Share-based payments

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

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

No expense is recognised for awards that do not ultimately vest, 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

1. Accounting policies (continued)

1.12 Share-based payments (continued)

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 credit to equity has been eliminated, rather reflecting a credit to inter-company which better describes the underlying nature of the transaction.

1.13 Group accounts

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

1.14 Provisions

A provision is recognised in the balance sheet when the company has a present obligation legal or constructive as a result of a past event that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.15 Work in progress

Work in progress is valued at the lower of cost and net realisable value.

1.16 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 of translation. All differences are taken to income statement.

2. Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity 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 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 these 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 and impairment of goodwill, provisions and investments. The company determines whether goodwill is impaired on an annual basis and thus requires an estimation of the value in use of the cash generating units to which the intangibles assets are allocated. This involves estimation of future cash flows and choosing a suitable discount rate. The measurement of provision reflects management's assessment of the probable outflow of economic benefits resulting from an existing obligation. Provisions are calculated on a case by case basis and involve judgement as regards the final timing and quantum of any financial outlay. The company determines whether investments are impaired based on any impairment indicators. This involves estimation of the enterprise value of the investee which is determined based on the greater of discounted future cash flows at a suitable discount rate or through the recoverable value of investments held by the investee company.

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. Profit for the year

	2017	2016
	£	£
Operating profit for the year is stated after charging:		
Net foreign exchange (gains)/losses	(1,770)	960
Depreciation of property, plant and equipment	742,099	804,679
Amortisation of intangible assets	-	1,256,000
Impairment of land & buildings**	1,005,167	-
Operating lease rentals - plant and machinery	314,038	264,212
Operating lease rentals - other assets*	2,645,822	2,704,907

*The company does not hold title to the lease on all of the other assets. Rather the company is recharged these costs by the leaseholder. Therefore as per note 16, the entity has fewer lease commitments.

Audit fees are borne by the ultimate parent undertaking, Capita plc. The audit fee for the current period was £ 18,900 (2016: £18,000). 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.

**In 2017, an impairment charge of £1,005,167 has been recognised against land & buildings. The land & buildings were disposed of in 2014 but the impairment was identified during the 2017 financial close. The prior year numbers have not been restated as the Directors consider that the balance sheet as at 31 December 2017 is correct and the impact on the current year income statement is not material.

5. Net finance costs

	2017	2016
	£	£
Bank overdrafts and loans	65	106
Total net finance costs	**65**	**106**

6. Income tax

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

	2017 £	2016 £
Current income tax		
Current income tax charge	1,279,664	3,228,829
Adjustment in respect of prior years	26,618	(49,668)
	1,306,282	3,179,161
Deferred income tax		
Origination and reversal of temporary differences	(57,914)	(124)
Adjustment in respect of prior years	100,246	(103,980)
	42,332	**(104,104)**
Total Tax Expense	**1,348,614**	**3,075,057**

The reconciliation between tax expense and the product of accounting profit multiplied by the UK corporation tax rate for the years ended 31 December 2017 and 2016 is as follows:

	2017 £	2016 £
Profit before tax	5,629,108	15,614,507
Notional charge at UK corporation tax rate of 19.25% (2016: 20%)	1,083,604	3,122,901
Taxation impact of factors affecting tax charge:		
Expenses not deductable in determining taxable profits	130,481	56,930
Impact of changes in statutory rates	7,665	48,874
Adjustments in respect of current income tax of prior years	26,618	(49,668)
Adjustments in respect of deferred Income tax of prior years	100,246	(103,980)
At the effective tax rate of 21.93% (2016: 19.69%)	**1,348,614**	**3,075,057**
Total tax expense reported in the income statement	**1,348,614**	**3,075,057**

	Balance sheet		Income statement	
	2017 £	2016 £	2017 £	2016 £
Deferred tax assets				
Accelerated capital allowances	705,231	746,223	40,993	(122,225)
Other temporary diffrences		1,339	1,339	18,121
Net deferred tax asset	**705,231**	**747,562**		
Deferred income tax expense /(credit)			**42,332**	**(104,104)**

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.

7. Property, plant and equipment

	Land and buildings leasehold	Fixtures, fittings & equipment	Plant and machinery	Total
	£	£	£	£
Cost				
At 1 January 2017	4,185,088	397,744	2,708,245	7,291,077
Additions	60,847	-	1,234,966	1,295,813
Asset retirement	(113,621)	(4,538)	(177,568)	(295,727)
At 31 December 2017	4,132,314	393,206	3,765,643	8,291,163
Depreciation				
At 1 January 2017	763,105	107,327	1,664,079	2,534,511
Impairment	1,005,167	-	-	1,005,167
Depreciation	317,156	37,860	387,083	742,099
Asset retirement	(113,621)	(4,538)	(177,568)	(295,727)
At 31 December 2017	1,971,807	140,649	1,873,594	3,986,050
Net book value				
At 31 December 2016	3,421,983	290,417	1,044,166	4,756,566
At 31 December 2017	2,160,507	252,557	1,892,049	4,305,113

8. Intangible fixed assets

	Client lists & relationships	Goodwill	Capitalised software	Total
	£	£	£	£
Cost				
At 1 January 2017	10,619,000	18,879,162	-	29,498,162
Additions	-	-	1,599,849	1,599,849
At 31 December 2017	10,619,000	18,879,162	1,599,849	31,098,011
Amortisation				
At 1 January 2017	10,619,000	-	-	10,619,000
At 31 December 2017	10,619,000	-	-	10,619,000
Net book value				
At 31 December 2016	-	18,879,162	-	18,879,162
At 31 December 2017	-	18,879,162	1,599,849	20,479,011

9. Work in progress	**2017**	**2016**
	£	**£**
Work in progress	11,512,117	9,429,107

10. Investments in subsidiaries

	Shares in Subsidiary undertakings
Cost	
At 31 December 2016 & 31 December 2017	15,968,582
Provision for diminution in value	
At 31 December 2016	-
At 31 December 2017	-
Net book value	
At 31 December 2017	15,968,582
At 31 December 2016	15,968,582

Details of the company's direct subsidiaries at 31 December 2017 are as follows:

Company	**County of registration or incorporation/Address**	**Ordinary shares held (%)**	**Nature of business**
Atlas Master Trust Trustee Limited	17 Rochester Row, London,United Kingdom, SW1P1QT	100	Dormant
Capita Hartshead Benefit Consultants Limited	17 Rochester Row, London,United Kingdom, SW1P1QT	100	Dormant
Capita Hartshead Consultancy Services Limited	17 Rochester Row, London,United Kingdom, SW1P1QT	100	Dormant
Capita Hartshead Pensions Limited	1 More London Place, London, SE12AF	100	Dormant
Capita Hartshead Solutions Limited	1 More London Place, London, SE12AF	100	Dormant
Capita Hartshead Tracing Solutions Limited	1 More London Place, London, SE12AF	100	Dormant

11. Trade and other receivables

Current	**2017**	**2016**
	£	**£**
Trade receivables	10,616,993	9,013,711
Other receivables	1,028,619	257,935
Prepayments	2,644,773	1,943,764
Amount due from parent and fellow subsidiary undertaking	20,839,098	20,974,750
Total	**35,129,483**	**32,190,160**

Non-current	**2017**	**2016**
	£	**£**
Prepayments	953,139	338,208
Total	**953,139**	**338,208**

12. Cash

	2017	2016
	£	£
Cash at bank and in hand	14,859,475	29,201,758
Total	**14,859,475**	**29,201,758**

13. Trade and other payables

	2017	2016
Current	£	£
Trade payables	1,314,842	1,012,971
Other payables	567,669	12,852
Other taxes and social security	3,220,720	3,234,232
Accruals and deferred income	3,236,102	3,513,111
Amount due to parent and fellow subsidiary undertaking	39,352,287	35,345,837
Provisions	353,294	402,590
Total	**48,044,914**	**43,521,593**
Non-current		
Trade payables	199,551	-
Accruals and deferred income	-	307,642
Total	**199,551**	**307,642**

14. Provisions

Non- current	**Compensation**	**Total**
As at 1 January 2017	**1,379,000**	**1,379,000**
Additions	-	-
Utilisation	(1,379,000)	(1,379,000)
As at 31 December 2017	-	-

Current

	Restructuring	**Compensation**	**Total**
As at 1 January 2017	-	-	-
Additions	879,100	967,000	1,846,100
Utilisation	(788,309)	-	(788,309)
As at 31 December 2017	**90,791**	**967,000**	**1,057,791**

Compensation provision represents compensation and cost payable arising from the mis-selling of pension and endowment policies. The provision is expected to be settled within one year.

The restructuring provision is in respect of the cost of the restructuring activities undertaken by the company commencing in the first quarter of 2017. It represents the cost of reducing role count where there is a constructive obligation created through communication to affected employees which has crystallised a valid expectation that roles are at risk.

15. Issued share capital

	2017	2016	2017	2016
Ordinary share capital	**Numbers**	**Numbers**	**£**	**£**
allotted, called up and fully paid				
Ordinary shares of £1 each				
At 1 January	30,115,625	30,115,625	30,115,625	30,115,625
As at 31 December	**30,115,625**	**30,115,625**	**30,115,625**	**30,115,625**

16. 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	
		(restated)		(restated)
	2017	2016	2017	2016
	£	£	£	£
Within one year	790,372	898,813	147,225	108,129
Between two and five years	2,975,900	3,065,900	163,647	100,696
In over five years	1,325,327	2,016,802	-	-
Total	**5,091,599**	**5,981,515**	**310,872**	**208,825**

The Group's project to prepare for adopting IFRS 16 Leases has initiated a comprehensive review of all lease arrangements across the Group and how these should be disclosed within our lease commitment note.

The IFRS 16 review has included a wide-ranging search of all leases across the Group and this has highlighted certain leases that were omitted from the disclosed commitments in the prior year. The comparatives have been restated accordingly.

The effect of the restatement on the previously reported disclosures is as follows:

	Land and buildings	Others
	£	£
2016 reported lease commitments		
Within one year	898,813	122,527
Between two and five years	3,065,900	113,690
In over five years	2,189,671	-
	6,154,384	**236,217**
Understatement of lease commitments		
Within one year	-	(14,398)
Between two and five years	-	(12,994)
In over five years	(172,869)	-
	(172,869)	**(27,392)**
2016 restated lease commitments		
Within one year	898,813	108,129
Between two and five years	3,065,900	100,696
In over five years	2,016,802	-
	5,981,515	**208,825**

This restatement of the 2016 disclosure has had no impact on the balance sheet, profit and loss or cash flows of the Company.

17. 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 £2,963,170 (2016: £2,604,246).

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 scheme.

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.

The Capita DB Scheme closed to future accrual of benefit on 30 November 2017 for the majority of employees accruing benefits, these employees joined the group's principal defined contribution scheme. However, there remain a number of employees accruing benefits on a defined benefit basis.

The most recent funding assessment of the Capita DB Scheme was carried out as at 31 March 2014 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).

The next scheduled scheme funding assessment will be carried out with an effective date of 31 March 2017 and 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 £1,219,658 (2016 £1,114,339). The average employer contribution rate during 2017 across all group companies to defined benefit pension arrangements in the UK and Ireland was approximately 31.2% pa (2016: 27.4% pa) of pensionable salaries including employee contributions made as a part of salary sacrifice arrangement.

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

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/debts - £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: £1,038m).

The actuarially assessed value of Capita DB Scheme liabilities at 31 December 2017 was £1,493.4 (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.

The company has current and former employees who are members of the Water Associated Employers Pension Scheme and West sussex Pension Fund (under an admitted body agreement).

Further a small number of employees are members of the Capita SSO section of the West Sussex County Council Pension Fund. This is a Local Government Pension Scheme providing defined benefit pensions. There are contractual protections in place to limit the financial risk of this scheme and as such is reported on a defined contribution basis recognising a cost equal to its contribution payable for the period.

18. Employees

The average monthly number of employees (including non-executive directors) were:

	2017 Number	2016 Number
Operations	1425	1,365
Sales	39	69
Administration	20	27
	1,484	**1,461**

Their aggregate remuneration comprised:

Employment costs	**2017 £**	**2016 £**
Wages and salaries	44,986,473	44,236,006
Social security costs	4,731,217	4,330,235
Pension costs	4,182,828	3,718,585
Share based payments	42,265	(44,826)
	53,942,783	**52,240,000**

19. Related party transactions

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
Purchase of Goods/ Services			**£**	**£**
	Urban Vision Partnership Limited	December 31, 2017	-	-
		December 31, 2016	3,000	3,000
	Total	**December 31, 2017**	**-**	**-**
		December 31, 2016	**3,000**	**3,000**
Trade payable				
	Urban Vision Partnership Limited	December 31, 2017	-	-
		December 31, 2016	3,000	3,000
	Total	**December 31, 2017**	**-**	**-**
		December 31, 2016	**3,000**	**3,000**

Terms and conditions of transactions with related parties
All transactions were undertaken at normal market prices

20. Directors' Remuneration

	2017 £	2016 £
Remuneration for qualifying services	431,275	261,729
Company pension contributions to defined contribution schemes	22,916	27,941
	454,191	**289,670**

Three Directors were paid by the company. The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2016: 2). The number of directors who exercised share options during the year was nil (2016 : 4).

Remunaration disclosed above include the following amounts paid to the highest paid director:-

Remuneration for qualifying services	266,220	191,573
Company pension contributions to defined contribution schemes	18,914	18,544

21. Controlling party

The company's immediate parent undertaking is Capita Life & Pension Regulated Services, a company registered in England & Wales, and the ultimate parent campany is Capita plc The financial statemnents of Capita plc are available from the registered office at 71 Victoria Street, London, SW1H 0XA.

22. Post balance sheet event

The Company holds an investment in Capita Hartshead Consultancy Limited of £12,953,574 and has an intercompany payable to Capita Hartshead Consultancy Limited of £12,953,574. Capita Hartshead Consultancy Limited has cancelled 2,511,999 shares of £1 each amounting to £2,511,999 & share premium of £9,990,150 via special resolution passed on 6 March 2018. This is a non-adjusting post balance sheet event.

The Company holds an investment in Capita Hartshead Benefit Consultants Limited of £3,015,001 and has an intercompany payable to Capita Hartshead Benefits Consultants Limited of £3,015,001. Capita Hartshead Benefit Consultants Limited has cancelled 2,349,999 shares of £1 each amounting to £2,349,999 via special resolution passed on 6 March 2018. This is a non-adjusting post balance sheet event.

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

23. Reconciliation of 2016

Income statement reconciliation for the year ended 31 December 2016

FRS Format	**Footnote**	**2016**	**Reclass from**	**(IAS Format)**	**2016**
		£	**FRS to IAS**		**£**
Turnover		90,177,512		Revenue	90,177,512
Cost of sales		(61,820,441)		Cost of sales	(61,820,441)
Gross profit		**28,357,071**		**Gross profit**	**28,357,071**
Administrative expenses		(12,741,498)	(960)	Administrative expenses	(12,742,458)
Other operating income	A	(960)	960		
Operating profit		**15,614,613**		**Operating profit/(loss)**	**15,614,613**
Interest payable and similar expenses		(106)		Net finance cost	(106)
Profit before taxation		15,614,507		**Profit/loss before tax**	15,614,507
Tax on (loss)/profit		(3,075,057)		Income tax expense	(3,075,057)
Profit and comprehensive loss/income for the financial year		12,539,450		**Total comprehensive income for the year**	12,539,450

Foot note A: The other operating income has been reclassified and recognised with administrative expenses.

23. Reconciliation of 2016

Balance sheet reconciliation as at 31 December 2016

FRS Format	Footnotes	2016 £	Reclass from FRS to IAS	IAS format	2016 £
Fixed assets				**Non-current assets**	
Tangible fixed assets		4,756,566	-	Property plant and equipment	4,756,566
Intangible fixed assets		18,879,162	-	Intangible assets	18,879,162
Investments		15,968,582	-	Investments in subsidiaries	15,968,582
	A		338,208	Trade and other receivables	338,208
	A		747,562	Deferred tax	747,562
		39,604,310	1,085,770		40,690,080
Current assets				**Current assets**	
Work in progress		9,429,107	-	Work in progress	9,429,107
Debtors	A	33,275,930	(1,085,770)	Trade and other receivables	32,190,160
Cash at Bank		29,201,758	-	Cash	29,201,758
Total assets		71,906,795	(1,085,770)		70,821,025
		111,511,105		**Total assets**	111,511,105
				Current liabilities	
Creditors: amounts falling due within one year	B	(45,746,815)	(2,225,222)	Trade and other payables	43,521,593
	B	-	2,225,222	Income tax payable	2,225,222
Current liabilities		(45,746,815)			45,746,815
Total assets less current liabilities		65,764,290			65,764,290
				Non-current liabilities	
Creditors: amounts falling due after more than one year		(307,642)	-	Trade and other payables	307,642
Other Provisions		(1,379,000)	-	Provisions	1,379,000
Total liabilities		(1,686,642)	-		1,686,642
				Total liabilities	47,433,457
Net assets		64,077,648	-	Net assets	64,077,648
Capital and Reserves				**Capital and reserves**	
Called up share capital		30,115,625	-	Issued share capital	30,115,625
Share premium account		190,322	-	Share premium	190,322
Capital redemption reserve		142,719	-	Capital redemption reserve	142,719
Profit and loss account		33,628,981	-	Retained earnings	33,628,981
Shareholders' funds		64,077,647		**Total equity**	64,077,647

Footnote:

Note A : Deferred tax asset which was previously classified under "Debtors" is now shown separately on the face of the balance sheet. Debtors expected to be received within a year are classified under Current-Trade and other receivables and debtors expected to be received after more than one year are classified as Non-current trade and other receivables.

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