EQUINITI

# ANNUAL REPORT 2013

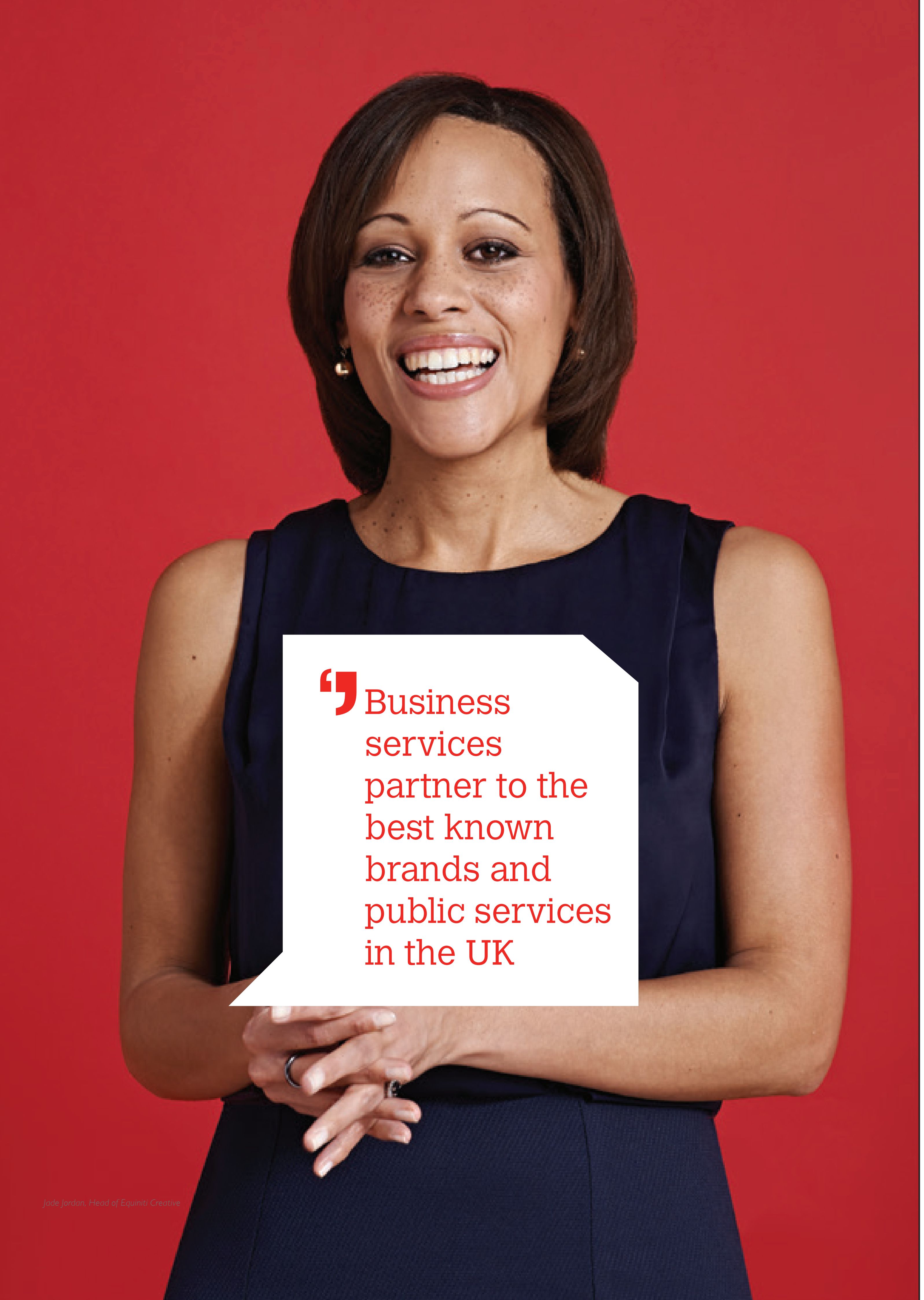
**Extraordinary Business Services Support**

Equiniti Group Limited

Registered Number: 07090427

*Emily Burnell, Senior Pensions Administrator*

equiniti.com





*Jade Jordan, Head of Equiniti Creative*

# Contents

# DELIVERING BUSINESS SERVICES

Operating across
**29 UK locations**

Services delivered by
**2796 colleagues**

↑ **£275m turnover**

Looking after
**1600 clients**

We pay around 20% of pensioners in the uk

supporting
**7.4m pension scheme members**

Registrar for 50% of FTSE100 companies

**18m shareholders supported**

- Other industry
- Retail & consumer
- Energy & utilities
- Financial services and banking
- Health & social services
- Armed forces
- Other public services

# Extraordinary Support

## For a world class performance

**As a trusted partner to the UK's leading companies and public sector institutions, we know what it takes to work in harmony with our clients.**

We specialise in providing complex administration, processing and payment services supported by leading technology to assure delivery to our clients, their employees, pensioners and customers.

We are here with a range of services to help you hit the right note.

- Pension services
- Share registration
- Employee benefits
- Investment services
- IT & software platforms
- Executive dealing
- Company secretarial
- International payments
- HR & payroll
- Case management
- Complaints handling
- Contact management
- Data management
- Medical revalidation
- Insurance administration
- AGMs & voting
- Corporate actions
- Loan servicing

# HIGHLIGHTS

## A platform for success

We delivered 3% revenue growth to £274.7m.

New sales and contract renewals of £112m were secured including significant contract wins with the Prudential, CSC and Easyjet.

In addition to being appointed to support Royal Mail Group for their Initial Public Offering (IPO), we executed high profile projects with great success including with Barclays, Crest Nicholson and BT.

Our focus on One Equiniti led to an increase in the average number of services delivered to larger clients.

## Acquisition

The acquisition of Killik Employee Services - a market leading provider of employee and executive share plan administration, has expanded Equiniti's employee benefits services. With share plans covering 61 countries, this acquisition strengthens Equiniti's global offering.

## Financial stability

Equiniti refinanced its existing bank debts and simplified the Group's corporate structure in order to support growth strategies and investment in service enhancements for clients. In June 2013 Equiniti raised £440m Senior Secured Notes and Floating Rate Notes to replace banking debt and extend maturities by three and a half years due in 2018. At the same time, a revolving credit facility of £75m will be used for selective acquisitions to further enhance the Group's capabilities. The success of the bond offer reflected the strong endorsement from the public market of our strategy and outlook.

## Royal Mail Group

Equiniti won the contract to provide services to support one of the highest-profile IPO's to come to market in recent years, the Royal Mail Group. Equiniti acted as receiving agent, delivered employee benefits, managed the issue and allocation of shares, ran the associated dealing services and acts as the ongoing share registrar. Equiniti managed record volumes of investor queries and trades, including a 90% increase in call volumes and the sale of 14 million shares. The IPO culminated in the creation of a new FTSE 100 business with over 400,000 shareholders. It was a huge success and demonstrated Equiniti's capabilities for complex and demanding projects.

## One Equiniti

Having successfully completed the sale of the Xafinity Consulting business, the retained pension administration and software businesses transferred to One Equiniti - strengthening our market recognition as a leading business process services provider.

## Award winning year

Equiniti won a number of awards across the year. In March we won 'Product of the Year' for our Employer ISA at the Pay and Benefits Awards. Equiniti was crowned Best Shareholder Services Provider at the Shares Awards 2013 for the second year in a row and our commitment to customer service was recognised when we were rated No.1 UK Share Registrar in the annual Capital Analytics 2013 benchmarking survey.

The Contact Centre has achieved the CCA Global Standard award for the fourth year running. Our HR team won the Best Recognition Strategy at the Benefit Excellence Awards.

We also helped clients achieve recognition with Smith & Nephew and Edwards Group winning awards at the Global Equity Organisation's (GEO's) International Conference. Edwards Group, IGas and Pearson won top awards at the Employee Share Ownership (ESOP) Centre Awards and BT and IGas were honoured at 'ifs Proshare Annual Awards'.

# KEY PERFORMANCE INDICATORS

**Revenue**
£274.7m
(2012: £266.5m)

**EBITDA***
£76.3m
(2012: £81.1m)
* Pre exceptional items

**Operating Profit**
£14.8m
(2012: £31.4m)

**Operating Cashflow**
£59.6m
(2012: £92.6m)

**Operating Cash Conversion***
78.1%
(2012: 114%)
* operating cashflow/pre-exeptions EBITDA

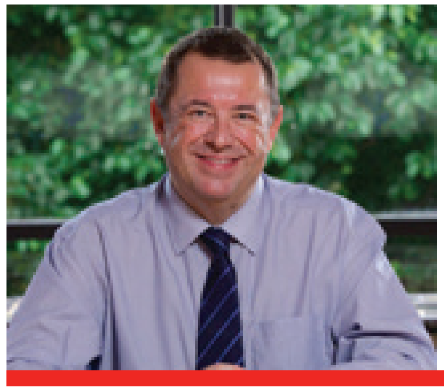
**Capex Ratio***
7%
(2012: £4.7%)
* capital expenditure/revenue

**Client Satisfaction***
91%
(2012: 91%)
* overall satisfaction

**Staff Retention**
87%
(2012: 87%)

Equiniti provides the right support to give you a clear run

# CHAIRMAN'S FOREWORD



Equiniti recorded a robust performance in 2013, refinancing bank debt with the issuance of £440m of senior secured notes, delivering profitable growth and continuing to deliver it's strategy.

**Kevin Beeston**

**Chairman**

As a leading provider of business critical services, Equiniti supports some of the best known brands and public sector organisations in the UK. In 2013 the Group delivered revenues of £274.7m up 3% and an EBITDA before exceptional items of £76.3m down 5.9% on the previous year as a result of a reduction of interest income and the impact of the Lloyds TSB stock broking service contract being in-sourced by Lloyds from June 2013. The Group refinanced its bank borrowings in June issuing £250m senior secured notes and £190m senior secured floating rate notes together with obtaining a £75m revolving credit facility. This is an important milestone for the Group providing it with increased balance sheet capacity and a public debt investor profile. Profit from operating activities dropped to £14.8m reflecting exceptional costs of £25m incurred as part of the refinancing, completion of the management integration programme and termination costs incurred relating to a contract in the UK Pensions business.

Equiniti began to benefit from improved equity market conditions in the second half of 2013, successfully winning contracts to support clients' corporate actions including high profile flotations and rights issues. The business further supported clients in regulated markets in responding to change with customer service, technology and processing solutions. MyCSP, the mutual joint venture with the UK Cabinet Office in which Equiniti is a 40% shareholder, has made significant progress delivering service improvements and efficiency gains for the administration of public sector pensions and also delivered its first dividend.

Equiniti's focus on intelligent solutions for complex administration and payments resulted in significant contract renewals in both the public and private sectors. The business continued to invest in the technology platforms which underpin these solutions implementing Xanite, a platform acquired with the peterevans business, to support share dealing activities. Further new services were launched in 2013 including the UK's first back office outsourcing solution for wealth managers. The Group's range of services was extended through the acquisition of Killik Employee Services in October, a provider of employee and executive global share plan administration. This capability has already been instrumental in winning new registrar contracts.

During the year in which it celebrated its sixth birthday, Equiniti also picked up a range of awards for industry excellence, customer service, product innovation and HR best practice reflecting the hard work of its employees and dedication to delivering an excellent service.

There have been a number of senior management changes. Following the successful refinancing, previous CEO Wayne Story decided to move on from the Group. I am delighted with the appointment of Equiniti's new CEO, Guy Wakeley, who will build on Wayne's legacy and brings with him the energy, experience and focus on sales which will lead Equiniti into its next phase of growth.

John Parker (MD Shareholder Solutions), after 15 years' service in the Registrars business, decided to retire at the end of 2013. He leaves behind a transformed business which has rightly been recognised as the number one registrar in the annual Capital Analytics survey and delivered a strong financial performance in 2013. We are delighted that John has agreed to remain on the Group Board as a Non-executive Director.

Paul Bingham (MD Pensions Solutions) has also decided to seek new challenges after 10 years building the pensions business and left the Group in March 2014.

We look ahead to 2014 and beyond with the Group increasingly well positioned to deliver sustained profitable growth through a combination of targeted structural growth, acquisitive growth and a generally optimistic economic outlook.

Kevin Beeston
Chairman

# MARKET DRIVERS AND OPPORTUNITIES

**With continued market pressure to find efficiencies, companies and public sector institutions are increasingly looking for more effective solutions to non-core processes. Legislative changes are further increasing the administrative burden and complexity for organisations, particularly in the pensions, banking and financial services sectors.**

The Government is sustaining its drive to reform many areas of public spending, with an increasing emphasis on more flexible delivery models. Outsourcing, joint ventures and shared service delivery provide opportunities to deliver increased value for UK citizens and improve service levels.

Equiniti has an unrivalled heritage of delivering complex financial administration and business services in the large corporate, banking, financial services and public services sectors. Our substantial client base includes over 50% of FTSE100 companies as well as some of the largest public service organisations. We maintain a leading share in our core markets including shareholder services, executive and employee share plans, pension administration and pension software.

We work closely with our clients to develop existing products and implement a range of innovative new services and technologies to meet the increased challenges they face. Our clients are increasingly seeking to benefit from this broader range of products, with larger clients now using over 12 separate service lines on average. We will continue to seek, through One Equiniti focus, delivery of this broader range of competencies to our client base.

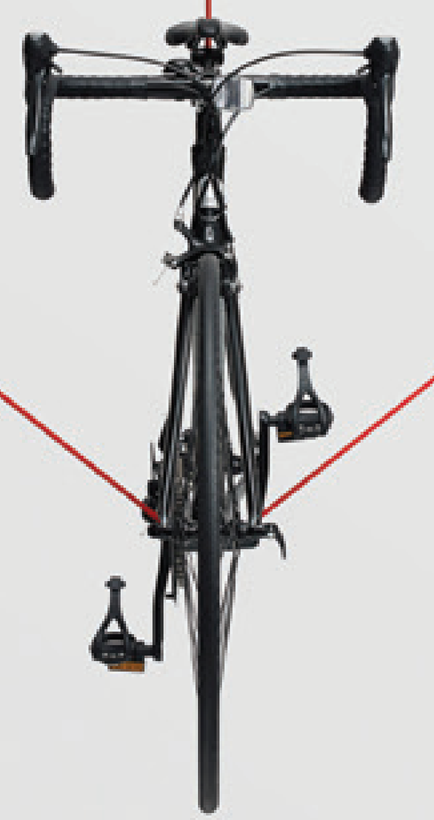
The market's appetite for corporate actions and IPOs grew during the second half of 2013, after several years of low activity. These included the Barclays rights issue and the Royal Mail IPO, the first major flotation by Government in the digital age. We anticipate activity in these markets to continue to rise in 2014 as confidence in the economic recovery returns.

Building from a strong base, we have successfully expanded our employee benefits and executive share dealing offer. The acquisition of Killik Employee Services, renamed Equiniti Premier, has extended our capability in this market while the roll-out of Equiniti's Employee Benefits Portal provides a platform for continued growth. We have also launched a platform to support the broker market, where we see growth opportunities for our specialist back-office services.

The pension administration market continues to be characterised by increased complexity and cost pressures. As a result, demand for outsourced services in this field is expected to grow over the coming years across the public and private sectors.

The strong recurring contracted revenues which underpin our core operations have allowed us to invest in further service improvements, in new products and in value-added acquisitions. We will continue to actively extend our service range and market footprint organically and through strategic acquisitions. We also have a tight focus on cash conversion and on maintaining the quality of our recurring contract revenues.

**Extraordinary Support at every stage**



# BUSINESS MODEL FOR GROWTH

**We are focussed on unlocking the growth potential of the Group.**

### Leveraging existing partnerships

Growing partnerships with Equiniti's existing range of significant public sector and FTSE clients is a key component of our growth strategy. A clear account management framework, strengthened and expanded in 2013, provides a comprehensive platform to cultivate deeper and wider commercial relationships across our clients' organisations. This approach enables us to collaborate more closely with our clients, delivering value by helping them to achieve their objectives. This activity is led by our account teams who have in-depth knowledge of our clients' businesses and the market challenges they face.

### Growing new services and markets

During 2013, we identified a range of new products and services which meet the requirements of existing and new clients and where growth prospects are good. Examples are loan servicing, middle office solutions to the wealth management industry and validation services to central government in areas such as error, fraud and debt. All these services are close to our existing capabilities and leverage our expertise in providing complex administration solutions in regulated or highly controlled environment to FTSE 350 companies and Government.

We have placed resources behind these growth plans and expect to make good progress over the medium term as we help clients respond to market and regulatory challenges. Our aim is to be the partner of choice in complex environments, creating lasting value for clients and improving service outcomes for end-users.

# STRATEGIC REPORT

## CHIEF EXECUTIVE'S STATEMENT

Guy Wakeley, CEO

"Together we can look forward to 2014 with enthusiasm and with optimism."

I took up my position with Equiniti in January 2014 and am delighted to be joining the business at a time of accelerating investment and growth. I am grateful to my colleagues for the warm welcome I have received. I have been impressed with the energy and enthusiasm with which our teams serve their clients and customers, and with the significant potential of Equiniti to do more.

Equiniti's mission is the creation and implementation of intelligent solutions for complex administration tasks in the financial, public and other regulated sectors. We aim to be the partner of choice in complex environments where only the best will do and create significant lasting value for our clients by locking in efficiency and improving service outcomes for clients and end-users. Our client base is broad, covering more than 50% of FTSE100 companies, and in total 1600 organisations including listed companies, Government departments and financial institutions.

Our 2013 performance evidences continuing revenue growth, with revenue of £274.7m (2012 in £266.5m) driven primarily by increased corporate action activity and demand for regulatory and compliance services, new sales and income from new revenue lines including international payments. New sales and contract renewals of £112m were secured with average contract tenures of five years, creating an order-book of £526m in addition to our project and transactional revenues. The pipeline of new business opportunities remains strong at £1.9bn, of which £0.4bn is qualified opportunities. Our group-wide account management functions continue to improve customer satisfaction and fidelity.

EBITDA pre exceptional items for 2013 was £76.3m (2012: £81.1m) reflecting continuing low interest rates and subdued corporate activity especially in the first half of the year. EBITDA pre exceptional items was also impacted by the expected transfer of the Lloyds TSB stock broking contract back to an in-house team. Increased underlying performance in the second half of 2013 has created positive momentum for increased bottom line performance in the year ahead. Operating profit declined to £14.8m reflecting the exceptional costs of £25m incured during the year. Operating cash conversion (Operating cash flow / pre exceptional EBITDA) remained strong at 78.1% (2012: 114.2%). Net cash flow during the year was impacted by the 2013 refinancing, the acquisition of Killik and investment in product development offset by reductions in working capital.

In June Equiniti's debt was refinanced through the placing of £440m of senior secured notes and floating rate notes supplemented by a £75m revolving credit facility. This fundraising has enabled the Group to repay all existing banking facilities and simplify the corporate structure. With a stronger balance sheet the Group is equipped for further investment and growth.

In the year that it celebrated its sixth birthday, Equiniti was once again confirmed as the UK's top registrar in the Capital Analytics Survey. The successful delivery of the Royal Mail Group IPO and Employee Share Scheme – the first Government privatisation of the digital age – firmly establishes our position as the registrar of choice for complex flotations with a retail offering.

Work has continued to simplify the corporate structure and strengthen operational resources. Following the 2013 refinancing and the disposal of the Xafinity pension consulting business, all operations have now been unified under a common Equiniti brand including the Equiniti Paymaster pension administration business and Equiniti Claybrook, a provider of pensions software. Elsewhere, our commercial solutions business has broadened its range of solutions provided to Government and our employee share dealing capability has been augmented through the acquisition and successful integration of the Killik Employee Services now renamed Equiniti Premier. Investment has continued in the creation of a common operational platform, with customer contact and bulk mail and print now co-ordinated by a single business-wide function. Further work is underway to support the scaleabilty and resilience required to mobilise significant corporate actions at short notice. These on-shore facilities have been supported by the significant expansion of our IT operations and support functions in Chennai, India, where up to 450 specialist staff are now based in a new custom-built facility. This capability enables testing and development activities to progress over an extended time window and reduces product cycle times and development costs.

The outlook for 2014 is positive. Increased corporate activity is expected to accelerate growth in our core registration market, supported by a strong sales pipeline across the entire service portfolio. We are delighted to complete the acquisition of Pancredit in March 2014 which strengthens our capabilities in loan servicing. Additionally, work is underway to identify and integrate businesses with complementary capabilities and it is anticipated that acquisitions will further support our underlying growth.

A business succeeds through the strength of its people and I offer my thanks and heartfelt appreciation to our talented and dedicated teams who have worked tirelessly to make 2013 a success. Together we can look forward to 2014 with enthusiasm and with optimism.

**Guy Wakeley**
**Chief Executive Officer**

STRATEGIC REPORT

# CASE STUDY: ROYAL MAIL GROUP

> This was the biggest online share offer that we have ever done and great teamwork and dedication ensured its success.
>
> Claire Vaughan, Equiniti

**Equiniti did more than successfully handle the privatisation of Royal Mail. It also opened doors for the future.**

In 2013 one of the most recognisable British brands – the Royal Mail Group – floated. It was one of the highest-profile initial public offerings (IPO) to come to market in recent years and was supported by services from Equiniti.

Equiniti was selected by Royal Mail Group and the Department for Business, Innovation & Skills, following a competitive tender process, to provide services above and beyond share registration in support of the IPO. These covered acting as receiving agent, employee benefits including the allocation of free shares and the Employee Priority Offer, the issue and allocation of shares following the IPO, associated dealing services and ongoing share registration.

**Here are five different Equiniti perspectives on the project and what it meant for them to be involved.**

## Bob Birkhead, Senior Service Delivery Manager, Employee Benefit Solutions

Working on a project as high profile as this was very rewarding. When the project started, a lot of the finer details needed to be established, including around the Employee Priority Offer and exactly how Royal Mail employees would be awarded 10% of the business in shares. So we had to work simultaneously on four different scenarios, until our client, the Government, chose to use the Share Incentive Plan (SIP). Following this, I was the lead on the employee share plan dealing, so I worked closely with different Royal Mail work streams to coordinate the process.

In addition to written communications, we participated in drop-in clinics over a three-week period at 109 Royal Mail sites. To accommodate employees' shift patterns, we worked with Royal Mail representatives to hold these clinics from early in the morning until late in the evening. In total we saw around 8,000 people.

This project went really well and we have had some great feedback from our client. This was the biggest IPO we have worked on in a very long time and the success of it is sure to open doors for us.

## Claire Vaughan, Senior IT Project Manager

The IT team was made up of a number of workstreams to deliver the systems supporting this project. It was vital that milestones were met in each area to provide an integrated system solution for each stage of the offer. This meant working closely with many internal and external workstreams, as well as multiple third-party suppliers to establish timelines, implement infrastructure, coordinate data exchanges and align delivery of various components.

We provided the marketing and application websites, which needed to cater to high volumes of users and surges in demand. As well as the websites that the public and Royal Mail employees used, there was also a great deal of work going on to provide back-end systems. We needed to deliver solutions to scan paper applications received and capture the PDF applications downloaded from the website. We also had to make sure our systems provided the functionality to reconcile the applications and online payments, apply the correct allocations and produce all of the print files for the email notifications, share certificates, refund cheques and welcome packs.

Great teamwork and dedication ensured our success.

**Drop-in clinics were held at 109 Royal Mail sites covering 8,000 employees to support the Employee Priority Offer**

**Answered an additional 140,000 calls in a single month – an increase of nearly 90% on the monthly call level**

# CASE STUDY: ROYAL MAIL GROUP (CONTINUED)

### Darren Charles, Contact Centre Manager

The Contact Centre was involved in the Royal Mail IPO process from tender right through to completion of the project. Given the size of the task, we didn't have a point of reference in the marketplace when planning for potential call volumes. As a result we had to use the expertise we have at Equiniti to build models and work with our client, the Government, to make reasonable assumptions as to what the interest and call volumes would be following the flotation.

This task provided us with the opportunity to implement new ways of customer contact. Royal Mail were keen to have a web chat feature, which was implemented and staffed from 6am until 11pm to accommodate Royal Mail staff's working hours. We also created a social media presence via Twitter, open for eligible employees wanting information on the ESO (employee share offering) and fielded vital enquiries via this channel.

Naturally, our call volumes increased significantly. We normally handle 160,000 calls a month, but when the IPO was in progress, we answered an additional 140,000. Even so we still retained our excellent customer satisfaction rate of 93%. That was a tribute to the commitment of staff across the Contact Centre.

### Neill Sullivan, Senior Manager, Investment Services

On the back of the Royal Mail IPO, we provided a number of different share dealing services for shareholders, one of which was a new facility: an automated telephone instruction (ATI) channel. This service allowed shareholders to sell their shares by placing an instruction through an automated telephone service.

Royal Mail were keen to offer shareholders a range of ways to place their share instructions. We responded with ATI, which as well as helping with the huge volume of calls we anticipated, was also designed to be easy to use, especially for people who had little experience in share dealing services. By the end of the task we had successfully processed over 56,000 sale instructions, selling over 14 million shares.

We are renowned for our customer service. To make sure that our service levels remained high, we reviewed our operational structure and took on additional resource to support us throughout this project. ATI also helped minimise the impact on business as usual activity.

This was a really exciting project and there was a lot of thinking on your feet and responding quickly as the client's requirements evolved. As a team, we were flexible and adaptable and I was very proud of how committed my team was.

**Processed over 56,000 sale instructions, selling over 14 million shares**

**Dynamic web system resulted in thousands of online applications per second with real-time 24/7 application data being available**

### Gavin Lane, Senior Manager, Corporate Actions

After 17 years of working within the Corporate Actions team, it was a fantastic opportunity to be responsible for the operational design and delivery of the Royal Mail IPO. Our team's combined experience of delivering a number of large corporate events over the past five years meant that we had the expertise to successfully manage this project.

With no major online IPO precedence to assist with forecasting application volumes, we needed to take full advantage of our online capabilities to be operationally effective. Our dynamic web system resulted in thousands of online applications per second with real-time 24/7 application data being available. We also applied scanning technology with character recognition software to record new shareholder registration details for all paper applications.

We welcomed a very strong team of individuals from a number of different areas of our business and around 130 agency staff members joined us. This ensured we were adequately resourced to successfully deliver this task.

This IPO culminated in the creation of a new FTSE 100 share register. Being involved in such a large task and seeing the great partnerships formed was incredibly rewarding. The exceptional teamwork and our technology offering were what made this project such a great success.

### A bright future lies ahead

Winning the Royal Mail IPO allowed Equiniti to demonstrate that it could handle a task on such a grand scale. Not only did it meet the demands of a high-profile client, but Equiniti also showed that it could balance a very demanding project and still deliver the levels of service that its customers have come to expect. Teamwork, commitment and Equiniti's expertise has resulted in the Royal Mail IPO being a huge success and will undoubtedly create further opportunities of this scale in the future.

**The exceptional teamwork and our technology offering were what made this project such a great success.**

Gavin Lane, Equiniti

# CASE STUDY: LAND AND PROPERTY SERVICES

**Land and Property Services (LPS) collects rates on 785,000 properties in Northern Ireland and collects cash totalling around £1 billion per annum. It also administers many benefits and reliefs. Equiniti provides rate collection and managed services to LPS.**

> Equiniti has provided LPS with a solution that has proved to be flexible during a time of radical change for the organisation. The fully integrated system replaces several disparate systems allowing LPS to handle the additional business complexity resulting from a substantial programme of rating reforms and significant organisational change. The solution from Equiniti has ensured that we have continued to maintain an operational service in very challenging times.
>
> **Anne Johnston, Programme Manager, LPS**

## Growing efficiencies

Equiniti's solutions addressed the need to update the rating software which was outdated, heavily customised and unable to meet requirements for regulatory reform. Our solution included assessment and collection software, a sophisticated accounts package, workflow, business intelligence software, security administration, disaster recovery and on-going technical and application support. As part of the system, Equiniti also provided a solution to help LPS deal with the task of tracing unpaid debtors.

Equiniti's managed service includes th provision of 400,000 documents per annum with rate bills, reminders and enforcements printed through a secure facility.

## Generating new revenu

As part of the project, LPS needed tc trace a large number of records on it: database for which it had incomplete missing personal information. Equiniti verified and traced 84.5% of accounts with outstanding debt, helping LPS tc generate new rate demands to 27,47ε properties equating to £13.5 million ii additional cash for them.

The project enabled LPS to meet its reduction targets.

## A satisfied customer with a market leading service

This project brought together the capabilities from across the Group – data management, software and managed services to deliver a fantastic solution to a client, which is fit for the future and supports revenue generation and cost savings.

*Oliver Dubeck, Corporate Affairs Analyst*

*Jenny Hodgkins, Project Manager*

# CASE STUDY: THE PRUDENTIAL

**Equiniti announced a 10 year renewal to its contract with Prudential for the administration of pension schemes. Prudential has a longstanding relationship with the Group and is a trusted partner. This partnership cultivates deeper commercial relationships and delivers greater value to both Prudential and Equiniti.**

> Excellence in delivery for our customers has to be as important to our partners as it is to us. Everything we do well builds on the trust our customers place in us so our extension of this partnership is a recognition of Equiniti's technical and administrative expertise.
>
> **Tracy Harris, Customer Service Director at Prudential**

## Addressing legacy issues

As part of the contract, Equiniti took over the operation and administration of legacy Defined Contribution (DC) closed book pension schemes, upgrading the outmoded administration system to achieve operational resilience. This was in addition to providing continuous servicing and settlement of benefits for around 35,000 account holders.

The transition was achieved by 'lifting and shifting' the supporting systems from the legacy platform to Equiniti's modern technology and by introducing a new, highly motivated team of administrators.

Equiniti administers the portfolio of closed book pension schemes using experienced and qualified staff. This is supported by the Compendia platform, which provides the complete range of pensions administration, reporting and communication services to meet the needs of trustees, employers and members.

Equiniti has introduced a technically resilient system capable of supporting change in the future. The switch to a new, modern fund series has helped reduce operating costs and enhances member choice and engagement. This may lead to future business for Prudential as scheme members embark on their retirement journey. By providing great service during the accumulation period, Prudential will be viewed in a positive light by those members seeking to purchase an annuity.

Continuing to evolve to meet a changing market

*Trevor Smith, Director, Strategic Clients*

# DEVELOPMENTS AND ACQUISITIONS

## Discontinuance

Equiniti offers discontinuance services to administer the transfer of legal liability away from pension trustees when a pension scheme is approaching the end of its life. The service is delivered to pension scheme trustees and the UK Government via Equiniti's place on the Pension Protection Funds (PPF) Specialist Administration Services Panel. Combined with project work prior to full scheme wind up, including data quality and Guaranteed Minimum Pension (GMP) record checks, the service has doubled its revenues in 2013.

## MyCSP mutual joint venture

Equiniti is the private sector partner in the first Mutual Joint Venture to be launched by the Government - MyCSP. As a result of this partnership Equiniti's relationship with Government has strengthened along with the knowledge of the public sector market. Only a year in, MyCSP's service levels have improved and employee engagement has grown. The foundations have been set for a future profitable business. The success in creating a commercially focussed business has delivered dividends to Equiniti, in respect of its 40% ownership, of £0.5m in 2013. Further, we have recorded £1.6m in our income statement in 2013 in respect of our 40% share of MyCSP's profit after tax.

## Enhanced offshore IT capabilities

Equiniti opened its Centre of Excellence for IT development and offshore BPO capabilities in Chennai, which became fully operational from March 2014. The centre, which builds on our existing presence in India, will deliver scaleable and cost effective development and testing resource to support the platform development needs of the Group. The aim is to accelerate the speed of new products to market supporting the focus on innovation in 2014.

## Reuniting investors with lost millions

In the last five years Equiniti has reunited half a million investors and shareholders with almost £540m through its asset reunification services delivered through the brands Prosearch and Equiniti Data Services. The three biggest reasons for assets going unclaimed are death, emigration and change of address. During the year we saw a rise in demand for this service as companies take a more proactive stance to "do the right thing" by investors and beneficiaries.

## Killik Employee Services

The acquisition of Killik Employee Services, a market leading provider of employee and executive share plan administration, has expanded Equiniti's employee benefits services. With an international executive share plan and share trading solution with employees covering 61 countries, this acquisition strengthens Equiniti's global offering and will support the growing Global Share Alliance partnership. The 'Centive' software platform enhances our employee benefits technology and a new operational centre of excellence in Ipswich provides the opportunity for synergies. The business rebranded to Equiniti Premier in 2014.

## Pancredit Systems Limited

In March 2014 Equiniti acquired Pancredit Systems Limited, an innovative and fast-growing lending software business which supports banks, intermediaries and price comparison sites with intelligent loan administration and origination services. This strengthens the range of services offered by the Group to the UK's leading financial services and public sector organisations, capitalising on market opportunities.

# OPERATIONAL REVIEW

## PENSION SOLUTIONS

**Our Pension Solutions division provides pensions software, outsourced administration and payment services to 7.3 million scheme members in the UK.**

**£134.6m revenue**

**£22.2m EBITDA**
+ pre exceptional items

The Pension Solutions business delivered increased revenues to £134.6m (£130.0m in 2012). This was driven by a good performance from Hazell Carr which responded to market requirements for specialist complaints handling and placed graduates into contract roles. Our international payments business, Paymaster International Payments grew its client base by 150%. Growing opportunities in the insurance market also contributed to new revenues.

EBITDA pre exceptional items was down to £22.2m (£24.6m in 2012) the result of lower project income, an investment in additional sales capacity and operational costs.

Client retention remains strong with the Armed Forces, Prudential, ITN, HP and Hays all renewing contracts. Our investment in MyCSP and commitment to its game-changing ownership model has seen it go from strength to strength, with the business on track and delivering its first dividend in 2013.

Strong relationships with global organisations such as Citi and Prudential have enabled us to develop these clients across the wider Group, helping to enhance Equiniti's position as a significant force in the Business Process Services sector.

Our continuous improvement programme is delivering results with software and administration more closely aligned. This integrated unit will allow us to deliver larger implementations for our clients, develop market-leading technology solutions and provide greater capacity for winning new business in the future.

## SHAREHOLDER SOLUTIONS

**Our Shareholder Solutions division is a strategic partner to leading businesses, delivering solutions in share registration, employee benefits and investment services.**

**£118.0m revenue**

**£50.9m EBITDA**
+ pre exceptional items

The Shareholder Solutions business delivered increased revenue to £118.0m (£115.8m in 2012). This was driven by higher share dealing activity and increased revenue from corporate actions in the latter part of the year which enabled the business to successfully offset the ongoing impact of lower interest rates.

EBITDA pre exceptional items was down to £50.9m (£54.6m in 2012) the result of lower interest income and the loss of Lloyds TSB stock broking contract.

The Registration Services business, which supports around half of FTSE100 companies, delivered strong growth with £55.9m of revenue in the year (£47.1m in 2012). The business had some notable business wins including Esure, Hellermann Tyton and Crest Nicholson. Equiniti successfully won and supported the majority of large IPOs which came to market during the year, the largest of which was the Royal Mail, the first major Government flotation of the digital age.

Our Employee Benefits and share plan business achieved revenue of £25.4m (£26.3m in 2012) and continues to invest in growth. We acquired Killik Employee Services in October, a market leading provider of discretionary employee and executive share plan administration. Supported by continued developments of our Employee Benefits Portal, Equiniti is enabling employees across the globe to manage shareholdings and benefits easily online.

Our Investment Services business performed well during the year increasing revenue to £31.4m (£27.6m in 2012) and continued to invest in platform and service enhancements. Following the acquisition of peterevans in 2012, we have now integrated their market leading software with our offer to strengthen the products and services delivered to the wealth management market.

Committed to service excellence, we were confirmed as the leading provider in the Capital Analytics Registrars industry benchmarking survey and were named Best Shareholder Service Provider at the Share Awards.

# OPERATIONAL REVIEW (CONTINUED)

**£22.1m revenue**

**£5.7m EBITDA**
+ pre exceptional items

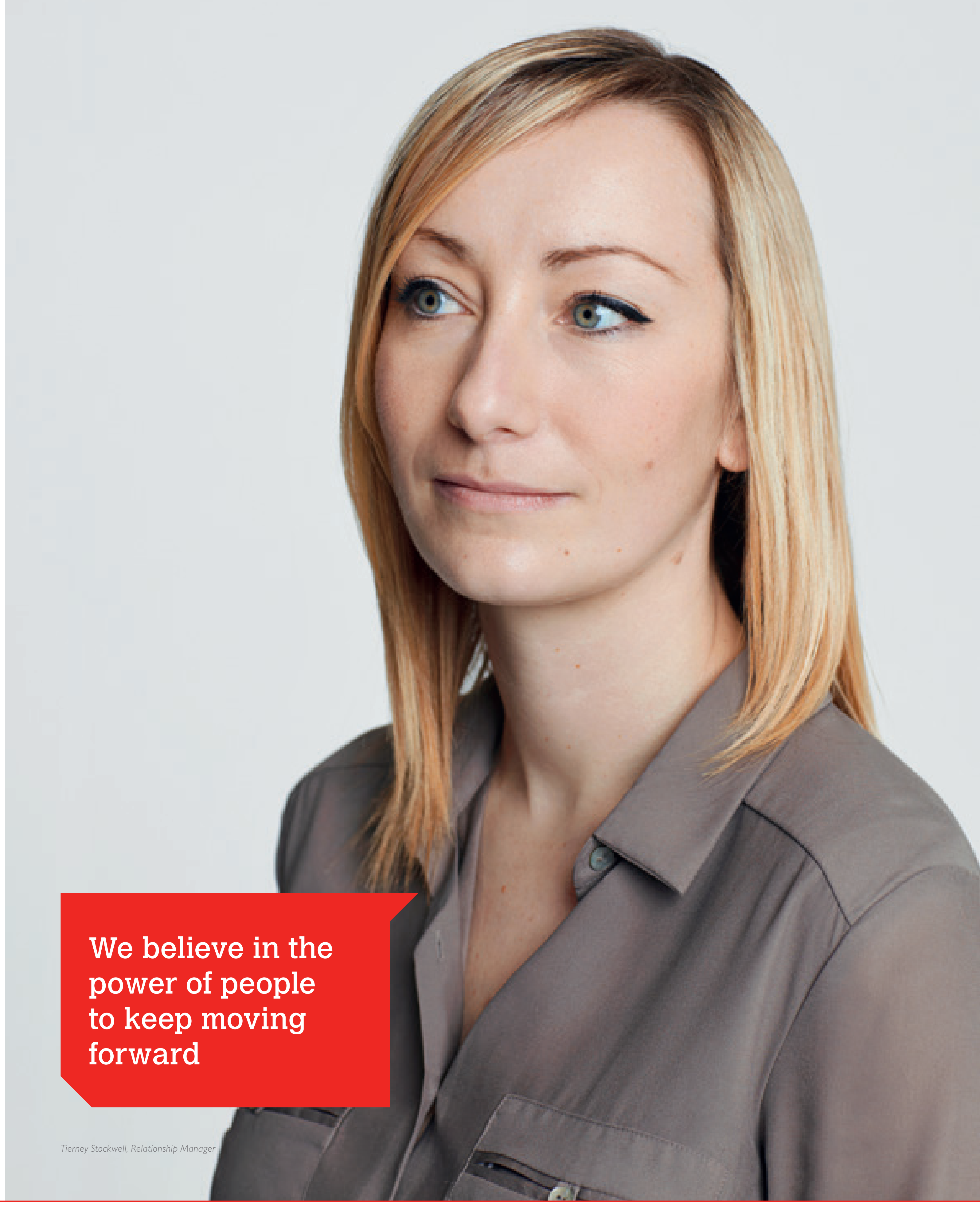
## COMMERCIAL SOLUTIONS

**Our Commercial Solutions division is focused on developing the wider BPS market and is underpinned by a range of IT services and software solutions.**

The Commercial Solutions business delivered increased revenue to £22.1m (£20.7m in 2012) and EBITDA pre exceptional items increased by 21.2% to £5.7m (£4.7m in 2012).

Successful wins in the period for the business included NHS Wales, Civil Aviation Authority, Buckinghamshire NHS Trust and APCOA Parking. Our Equiniti 360 Clinical doctor revalidation software system continues to see strong take-up rates in this growing market. Commercial Solutions also provides a range of solutions including Case Management, HR and Payroll services and bespoke software development.

We have invested in building our IT capabilities, including a substantial expansion of our operation in India which will continue to grow in 2014. The division provided services to the Group as well as to external clients across both the public and private sectors. It is well positioned to take advantage of the market for outsourced IT services.




Tierney Stockwell, Relationship Manager

# FINANCIAL REVIEW

**The audited results for the year are set out from page 48 onward. The detailed overview of the market and operational focus is set out in pages 20 to 23. Disclosures of principal risks and uncertainties affecting the business are set out in the Directors Report on page 44.**

## Income statement

The summarised income statement for the year ended 31 December 2013 is as follows:

| Income statement | 2013 £m | 2012 £m |
|---|---|---|
| Revenue | 274.7 | 266.5 |
| EBITDA pre-exceptional | 76.3 | 81.1 |
| Exceptional items | (25.0) | (11.8) |
| EBITDA | 51.3 | 69.3 |
| Depreciation and amortisation | (36.5) | (37.9) |
| Operating profit | 14.8 | 31.4 |
| Net finance costs (pre-exceptional) | (65.7) | (66.9) |
| Exceptional finance cost | (12.4) | - |
| Share of profit in associate | 1.6 | 0.3 |
| Loss before tax | (61.7) | (35.2) |
| Taxation | 4.3 | 7.0 |
| **Loss from continuing activities** | **(57.4)** | **(28.1)** |

## Revenue

Revenue for the year grew by 3.1% to £274.7m with growth in corporate actions reflecting a general improvement in market conditions, with a significant rights issue and IPO during the year offsetting the loss of a stock broking contract. Excluding the full year impact of the acquisitions of peterevans, Prism Cosec and Killik Employee Services, revenue for the year was £5.1 million (1.9%) higher. Pension Solutions revenue saw strong revenue growth in its actuarial discontinuance business. Commercial Solutions has built on cross selling opportunities to offer solutions to a key banking client.

## EBITDA

EBITDA pre-exceptional items is a key performance indicator. It reflects profit before finance costs, taxation, depreciation and amortisation and exceptional items. In 2013 EBITDA pre-exceptional items was £76.3m, a decrease of £4.8m (5.9%) compared with the prior year (£81.1m). A step down in the interest rate hedges led to a reduction in income received which combined with a loss in revenue from a Lloyds TSB stock broking contract resulted in most of the decline. Additional costs were also incurred to increase service levels within Pension Solutions who also saw a decline in project revenue. These impacts were offset in part by an increase in corporate actions and share dealing transactions in Shareholder Solutions.

## Exceptional items

Exceptional items of £25.0m (2012: £11.8m) include costs incurred in respect of the refinancing of the Group's loans, integration and management restructuring of the business to align the Group, other restructuring and corporate development costs and a provision against a contract to provide the administrative services to support the launch of a new business model for auto-enrolment that is being terminated by mutual agreement given the significant costs incurred in providing these services.

| Exceptional items | 2013 £m | 2012 £m |
|---|---|---|
| Refinancing costs | 10.2 | - |
| Integration project | 10.1 | 4.8 |
| Contract termination costs | 4.4 | 4.2 |
| Other exceptional items | - | 2.8 |
| Acquisition related expenses | 0.3 | - |
| | **25.0** | **11.8** |

## Operating profit

Operating profit remains a key earnings indicator, reflecting profit before finance costs and taxation. In 2013 operating profit was £14.8m, a decrease of £16.6m (52.9%) compared with the prior year (£31.4m). Operating profit before exceptional items was £39.8m (2012: £43.2m). The operating profit has been adversely affected by an increase of £13.2m in one off exceptional costs in the year.

## Net finance costs

Group net finance costs were £78.1m (2012: £66.9m); which included £12.4m (2012: £nil) of exceptional finance costs. Net interest costs of £29.4m (2012: £31.2m) were paid in cash.

Interest costs increased due to the Group refinancing its bank debt issuing £440m of senior secured notes. These notes were initially placed into escrow whilst clearance was sought from the Financial Conduct Authority to restructure the Group, resulting in additional interest costs being incurred for a period of time. In addition there was a one off cost for the break cost of a financial derivative on the existing debt which was no longer required given the reduction in the level of debt paying interest at a variable rate.

Exceptional finance costs are as follows:

| Exceptional finance costs | 2013 £m | 2012 £m |
|---|---|---|
| Write off of amortised fees | 6.6 | - |
| Break cost and interest | 5.8 | - |
| | **12.4** | **-** |

# FINANCIAL REVIEW (CONTINUED)

*Nadia Hussini, PR Executive*

## Share of profit in associate

The Group's investment in MyCSP continues to perform well, adding £1.6m (2012: £0.3m) to Group profits for the year. MyCSP also paid its first dividend to the Group of £0.5m during the year with their employees receiving £0.3m.

## Loss for year

The Group made a loss for the year from continuing operations of £57.4m compared to £28.1m in 2012 due to financing and exceptional costs exceeding the significant EBITDA generated from existing qoperations.

## Cash flow

The Group generated a free cash flow of £51.7m (2012: £82.4m) representing a conversion of EBITDA to free cash flow of 68% (2012: 102%). The main movements in cash flow are summarised below:

| Cash flow summary | 2013 £m | 2012 £m |
|---|---|---|
| EBITDA | 76.3 | 81.1 |
| Working capital movement | (5.3) | 13.8 |
| Capital expenditure | (19.3) | (12.5) |
| Free cash flow | 51.7 | 82.4 |
| Net interest costs | (29.4) | (31.2) |
| Free cash flow after interest | 22.3 | 51.2 |
| Taxes paid | 1.8 | - |
| Exceptional items - refinancing | (16.9) | - |
| Exceptional items - other | (17.2) | (9.9) |
| Loan repayments | (90.7) | (15.6) |
| Investment in MyCSP | (4.0) | (9.1) |
| MyCSP dividend | 0.5 | - |
| Investment in acquisitions | (12.5) | (1.7) |
| Disposal of Xafinitiy Consulting | 74.3 | - |
| Discontinued operations | - | 7.7 |
| **Net cash movement** | **(42.4)** | **22.6** |

The Group focuses on improving working capital through automating the invoice generation and improving payment terms. Capital expenditure has increased since 2012 mainly due to an upgrade of the share dealing platform and investment in the Indian base to create a Centre of Excellence for IT development and offshore BPO capabilities.

## Refinancing

On 11 June 2013 the Group completed a refinancing of its existing bank debt through a £440m issue of senior secured notes via a newly incorporated entity, Equiniti Newco 2 plc. This consisted of £250m secured senior loan notes, maturing in 2018 bearing an interest rate of 7.125%, together with £190m senior secured floating rate loan notes at three-month LIBOR plus 5.75, also maturing in 2018. These notes do not contain any maintenance covenants. The notes were issued to repay existing bank debt. To facilitate the refinancing, the corporate structure of the Group was simplified. A swap was taken out against the floating rates notes to fix three-month LIBOR at 0.9135% until June 2016.

The Group entered into a committed revolving credit facility of £75m at the same time, maturing in 2018. This was not drawn during the year, but was drawn in March 2014 to fund the Pancredit acquisition. It is available to finance working capital and for general corporate purposes. It is anticipated that its primary use will be to finance future acquisitions of the Group.

# FINANCIAL REVIEW (CONTINUED)

The existing "payment in kind" facilities were extended until 2019 with the interest accruing at the current rate of 9.5% over LIBOR until 2017, and then at 12.5% thereafter.

Further detail on the Equiniti Group's borrowing is set out in note 23 of the consolidated financial statements.

The Group complied with its covenants in respect of the old banking facilities during the year.

At the end of December 2013, net debt was £427.1m (2012: £476.2m). Leverage is a key performance indicator and on a proforma basis, adjusting for the acquisition of Killik, stood at 5.5 times adjusted EBITDA at 31 December 2013. In addition, shares classified as debt was £188.9m (2012: £174.9m) and the Payment in Kind facility was £135.0m (2012: £122.3).

| **Net debt** | **2013 £m** | **2012 £m** |
|---|---|---|
| Cash and cash equivalents | (15.4) | (57.8) |
| Senior secured debt | 440.0 | - |
| Senior bank debt | - | 530.2 |
| Finance lease | 1.0 | 1.3 |
| Accrued interest | 1.5 | 2.5 |
| | **427.1** | **476.2** |

## Finance risk mitigation

The Group is exposed to interest rate risk in three main respects.

Firstly, income relating to client balances is generally at floating rates. This risk is currently largely mitigated by an interest rate derivative which runs to October 2016 at 0.7%.

Secondly, interest relating to intermediary fee revenue and ultimately payable to savers at fixed rates is protected by fixed rate income agreements.

Thirdly, interest expense arising on floating rate borrowings is mitigated via interest rate derivatives. An existing swap was settled in June 2013 as part of refinancing at a market cost of £5.1m with a new swap being entered into against the £190m floating rate bond issued against three-month LIBOR.

During 2013 the Group also put in place forward foreign exchange derivatives against 2014 expected project and operational exposures in India as a result of the establishment of its share service centre in Chennai. These derivatives are equivalent to £2.6m of spend in 2014.

## Retirement benefits

The Group's defined benefit schemes are the Paymaster Pension Scheme and the ICS Pension Scheme.

The amended IAS 19 standard, which came into effect on 1 January 2013, changed the method of calculating the net interest related to the defined benefit pension schemes from one which uses the expected return on scheme assets to one based on the discount rate. The full year 2012 figures have been restated to reflect the change resulting in an increase in finance costs of £21,000.

The movements in the pension scheme liability is shown below:

| **Defined benefit liability** | **2013 £m** | **2012 £m** |
|---|---|---|
| At 1 January | 6.3 | 4.0 |
| Current service cost | 0.8 | 0.9 |
| Contributions received | (1.1) | (1.3) |
| Interest | 0.3 | 0.2 |
| Change in actuarial assumptions | 3.8 | 2.5 |
| **At 31 December** | **10.1** | **6.3** |

## Going concern

The Directors are confident that, on the basis of current financial projections and the availability of the £75m revolving credit facility, we have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason we continue to adopt the going concern basis in preparing the financial statements.

## Acquisitions and disposals

In February 2013 the Group completed the disposal of the Xafinity pension consulting business. Consideration received from disposal of businesses amounted to £74.3m and was used to repay outstanding bank debt.

On 1 October 2013 the Group acquired the trade and assets of Killik Employee Share Services Limited and part of the trade and assets of Killik & Co LLP, a market leading provider of discretionary employee and global executive share plan administration.

Subsequent to the balance sheet date, the Group purchased the entire issued share capital of Pancredit Systems Limited for £14.5m, with £12.0m payable in cash on completion and the balance one year later. The business is expected to have net assets of £2.6m on that date with cash balances of £3.2m. In the last full year prior to acquisition, the business generated revenues of £4.6m and an operating profit of £1.3m. The business sells and supports software to manage unsecured loan administration. The acquisition has been funded by drawing on the revolving credit facility.

The strategic report is approved by the Board.
On behalf of the Board.

**Martyn Hindley**
**Chief Financial Officer**

26 March 2014

## OUR PEOPLE

Our people are at the heart of the quality of service and market innovations we deliver.

**2,796** colleagues

**29** UK locations

**87%** staff retention

Our people are central to our success. We share common values which underpin the focus on delivering excellent customer service and driving growth. Equiniti is a special place to work as demonstrated by high levels of employee retention and strong and increasing engagement scores. We continue to invest in training and personal development at all levels.

The approach to our people is to embed in a culture of "Customers Come First". We have done this by ensuring that our people understand how important the services we provide are to the millions of people whose lives we touch.

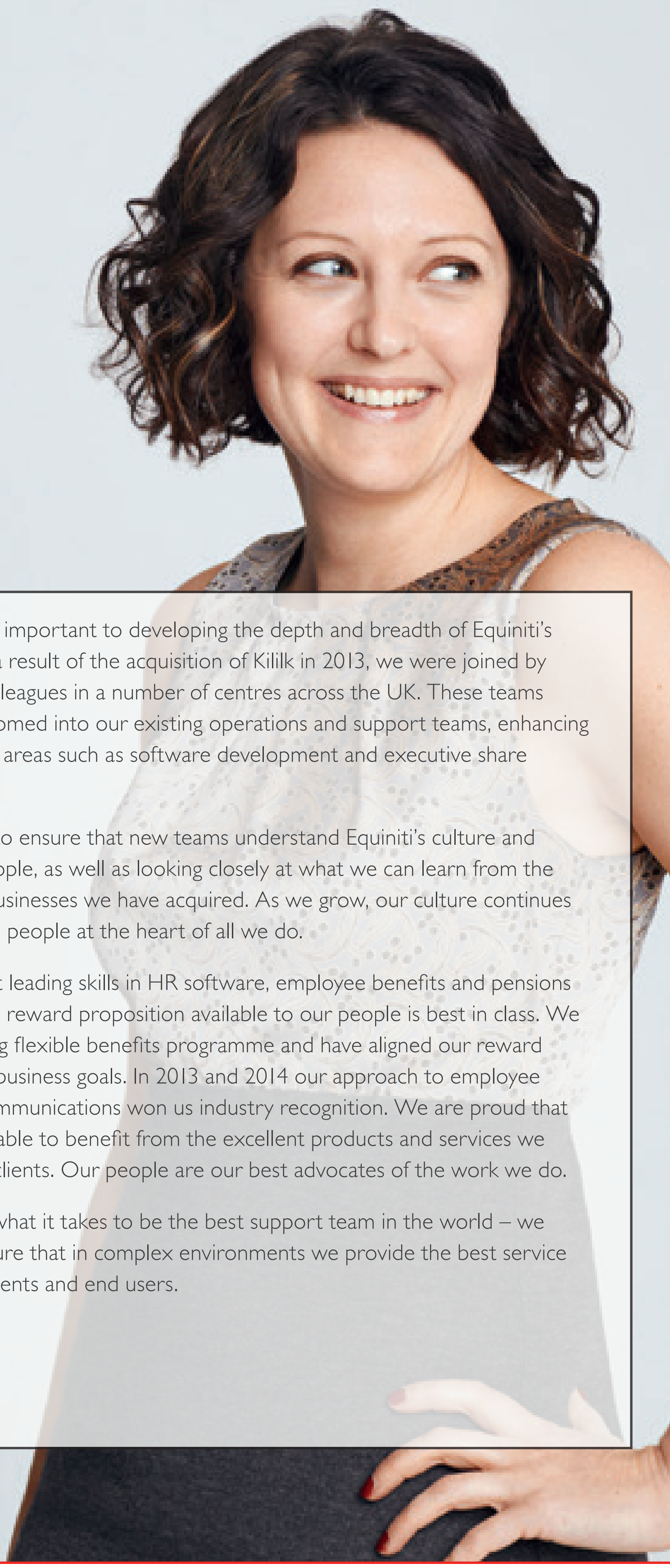
The work we have done in recent years to ensure that our people are well supported, are able to develop, and understand the importance of their roles in the future success of our clients and Equiniti, means that we are proud of our people proposition. And our people tell us they are proud too.

- "I am proud to work at Equiniti because no day is ever the same. Each day I am presented with new challenges and situations, which really helps me to stay focused and interested."
- "I am proud to work at Equiniti because the culture is great. The environment is incredibly empowering and the core values of the firm align with mine."
- "I am proud to work at Equiniti because it's a dynamic business founded on excellent relationships internally and with clients."
- "I am proud to work at Equiniti because of the people I work with, they are hard-working and dedicated, and respect one another. It's great working with a team of talented people who genuinely enjoy what they do."

**I am proud to work at Equiniti because...**

**of the fantastic people I work with every day.**

*Vijay Sidhaparg, MI Analyst*



Acquisitions are important to developing the depth and breadth of Equiniti's capabilities. As a result of the acquisition of Kililk in 2013, we were joined by over 50 new colleagues in a number of centres across the UK. These teams have been welcomed into our existing operations and support teams, enhancing expertise in key areas such as software development and executive share programmes.

We work hard to ensure that new teams understand Equiniti's culture and approach to people, as well as looking closely at what we can learn from the culture of the businesses we have acquired. As we grow, our culture continues to evolve – with people at the heart of all we do.

Equiniti's market leading skills in HR software, employee benefits and pensions ensures that the reward proposition available to our people is best in class. We offer an engaging flexible benefits programme and have aligned our reward mechanisms to business goals. In 2013 and 2014 our approach to employee benefits and communications won us industry recognition. We are proud that our people are able to benefit from the excellent products and services we provide to our clients. Our people are our best advocates of the work we do.

Equiniti knows what it takes to be the best support team in the world – we are here to ensure that in complex environments we provide the best service outcomes for clients and end users.

## OUR VALUES

### Trust
We act with integrity and openness in our dealings with others

### Excellence
We work hard to get it right first time and keep our promises and commitments to others

### Client focus
We add value and build true partnerships

### Belief
We have passion and belief in what we do and who we are

### People
We are positive, enthusiastic and supportive of one another

*Carly Mures, Personal Assistant*

# CORPORATE RESPONSIBILITY

**Equiniti is committed to being a responsible Group and is supportive of the communities in which it operates. We align our behaviour with the expectations and needs of our customers and investors, employees, suppliers, communities, regulators, special interest groups and society as a whole. A core part of our approach as a business is how we impact on the world and people around us – and the work of our CSR committee and champions is something we are passionate about.**

At Equiniti we are continually developing our approach and framework for CSR. Equiniti is based on sound business ethics and our CSR approach is the same. We define our responsibilities around four pillars, each supported by our business policies, and each one active in every area of our operation.

The four pillars are:

**People**
**Environment**
**Charity**
**Communities**

The CSR Committee is chaired by Clancy Murphy, our People and Change Director. Clancy has been actively involved in both establishing and supporting all CSR activity at Equiniti for the past five years. Working with an active and substantial steering committee, with representation from across the Group in all pillars, there is a clear CSR agenda to ensure we maintain our focus as a business on this important activity. Our commitment to CSR is now a clear part of our culture, and we encourage all our people to act on our promises and build CSR activities into the day to day operations.

## Environment

Equiniti recognises the importance of protecting the environment and the impact of commerce on environmental issues. It is an area which requires a sustainable and proactive strategy to ensure we protect the environment for future generations and we are committed to continual improvement in energy efficiency and avoidance of waste.

Equiniti continually assesses its premises needs and these have been optimised by a series of measures, including space planning, upgrading to more efficient plant where required, continual review of run-times as part of our drive to reduce energy consumption, installation of energy saving control systems and a comprehensive planned maintenance programme on all of our plant and machinery. Space planning has enabled us to maximise the use of buildings across the portfolio and has led to significantly reduced square footage and co-location of operations, where possible and appropriate. We are registered with the Carbon Reduction Commitment and have featured strongly in the published league tables for the first two years of that initiative. In 2013 we attained the Carbon Trust Standard across our entire portfolio, a significant endorsement of our carbon management programme.

Equiniti uses state of the art printers which duplex print and use environmentally friendly paper and toner. This has halved the quantity of paper used and further reduced our environmental impact. We recycle all toner cartridges. We also run a recycling programme and have implemented a policy of removing waste bins at each desk and installing recycling bins in our premises, helping to ensure that our people sort and recycle right across the business. Through the use of modern video conferencing technology, we have reduced the number of business miles travelled and thereby reduced our carbon footprint by an impressive 14.7% in 2013.

*Ian Leak, Relationship Director*

# CORPORATE RESPONSIBILITY (CONTINUED)

## Charity

ABF The Soldiers Charity is a lifetime support to serving and retired soldiers and their families and Equiniti has raised over £45,000 for ABF during the three years we have supported them. After a three year relationship as our national charity partner, we took the step of asking our people to vote for who they would like to support from 2014. From 1 January 2014 we have chosen Winstons Wish as our national charity partner.

To support our culture of team working we have signed up to the UK Challenge. The UK Challenge is one of the UK's leading corporate team building events, offering an "epic, adrenalin-fuelled adventure that challenges teams intellectually, strategically and physically". From 3-6 July we'll be taking 18 volunteers to Snowdonia to compete against 67 other corporate teams. The Challenge combines physical adventure with strategic decision-making and problem solving where Equiniti staff will learn new skills whilst developing new relationships with people from across the business, outside the usual workplace environment. All money raised will go to our national charity partner Winstons Wish.

BBC Children in Need is a cause that is well recognised by our colleagues and clients. Its aim is to make a positive difference to children and young people, so that every child in the UK has a safe, happy and secure childhood and the chance to reach their potential.

Thanks to our colleagues we are able to help make a difference to the lives of children across the UK and 2013 saw Equiniti raise over £17,000.

As well as supporting national charity partnerships, our people also raise money for a wide range of organisations that have personal relevance to them or their communities. Efforts from staff include internal events such as cake sales, raffles, competitions, sponsored sporting events and dress down days saw our UK-based offices raise over £15,000 for their local charities.

> Thanks to our colleagues we are able to help make a difference to the lives of children across the UK

## Community

We are active in supporting local community projects and initiatives, including supporting a number of local schools.

2013 saw management staff from Equiniti going to local schools to introduce profession and career choices to students and give them opportunities to reflect on what they might become.

We are continually committed to working with young people to engage in business principles and functional expertise, with a focus on developing and investing in young talent, such as Young Enterprise.

We have provided work experience placements to a number of young people at our site in Worthing through our links with local schools and colleges, and have a growing apprenticeships programme across Equiniti, drawing on links with local colleges.

Working together on joint projects outside of work is a great way to encourage team working. A number of teams across our locations have taken time out in 2013 to work together to provide practical support to local charities and support groups – with work ranging from painting to gardening. These initiatives are close to the heart of our people in local offices as well as providing vital support to some very worthy causes. We are looking at extending this programme in 2014.

# THE OUTLOOK FOR 2014

**The Equiniti Group is in a good position to deliver continued profitable growth into 2014 and beyond.**

**The outlook for 2014 is positive.**

We anticipate increased market opportunities for our specialist business processing services in both the public and private sectors. Continued market pressure to find efficiencies mean businesses and public sectors institutions are increasingly looking for more effective solutions to non-core processes. Legislative changes are further increasing the administrative burden and complexity for organisations, particularly in the pensions, banking and financial services sectors.

Our core businesses remain leaders in their markets and have robust levels of recurring contracted income, allowing us to invest in new service developments and growing our capability. With 1,600 clients and a high retention rate, we pride ourselves on the relationship we have with our existing customers.

We continue to invest both in our business and in our people to support a strong focus on sales growth. We anticipate the market's appetite for corporate actions and IPOs will continue to grow in 2014 as confidence in the economic recovery returns. Equiniti is well placed to meet the markets requirements. In the public sector, our work with MyCSP puts us in an ideal position to support further opportunities in this space and the broader BPS market.

Tight control on costs remains a priority for the Group. Our drive to integrate our operations effectively will ensure we maximise the benefits for our clients and for the business.

The world is changing – and Equiniti is poised to take advantage of the opportunities which lie ahead, building on the foundations of our fantastic business to make 2014 the most successful yet.

**Guy Wakeley, Chief Executive**

*Ghalib Supple, Senior Relationship Manager*

*Robert Hemming, Head of Relationship and Business Development - Investor Analyst*

# BOARD OF DIRECTORS

The board comprises two executive and five non-executive directors

## EXECUTIVE DIRECTORS

### Guy Wakeley

**Chief Executive Officer**

Guy joined the Equiniti Board as Chief Executive Officer in January 2014.

Guy joins from Morrison plc. the property services provider to the public and private sector, where he was CEO for 5 years. During his tenure he transformed the level of client service and innovation, grew the business rapidly and delivered consistent strong cash generation.

Prior to this Guy was Managing Director of the Built Environment division at Amey, the infrastructure services provider to the public and private sector. Guy previously worked for The Berkeley Group, General Electric and Rolls-Royce. He holds an MA in Engineering Science from the University of Cambridge, a PhD in applications of artificial intelligence, and is a Chartered Engineer.

### Martyn Hindley

**Chief Financial Officer**

Martyn Hindley is the Chief Financial Officer of the Equiniti Group, a role he was appointed to in December 2012. He joined the Equiniti Group from Emap where he held the position of CFO. Emap is a private equity owned international business to business media group. His sector experience also includes publishing, marketing, business support services, supply chain and logistics.

Prior to this Martyn held senior positions with PwC, Blenheim Group PLC, and Northcliffe Media. In his previous roles, Martyn was involved in driving transformational change and leading complex transactions including M&A activity.

## NON-EXECUTIVE DIRECTORS

### Kevin Beeston

**Chairman**

Kevin joined the Equiniti Board as Chairman in September 2011. He was the Chairman of Serco Group plc from 2002 to 2010, having previously served as Serco Group's Chief Executive and Finance Director. An accountant by training, Kevin joined Serco in 1985 and contributed to the company developing from a small UK technical services business to a leading FTSE100 international outsourcer.

Kevin holds a number of non-executive roles and is Chairman of UK developer and homebuilder Taylor Wimpey plc, Chairman of warranty services provider Domestic and General, Chairman of the independent provider of secure mental health services, Partnerships in Care Limited.

From 2006-2009 Kevin chaired the CBI's Public Services Strategy Board, which promotes the role of business in transforming UK public services, and he was also a Commissioner for the TUC's Commission on Vulnerable Employment.

Kevin is Chairman of the Nomination Committee, a member of the Remuneration and Audit Committees.

### Sir Rodney Aldridge, OBE

**Non-Executive Director**

Sir Rod was the founder and Chairman of the Capita Group until his retirement in 2006. During his tenure he led the Group from its formation in 1984 within the Chartered Institute of Public Finance and Accountancy (CIPFA) to being a FTSE 100 Company. Sir Rod was Chairman of the CBI's Public Services Strategy Board from its inception in 2003 until 2006. Prior to Capita, Sir Rod worked in local government for ten years, where he qualified as a chartered public accountant.

He joined CIPFA in 1974, ultimately becoming its Technical Director. In 2006, Sir Rod established the Aldridge Foundation to continue with his work on public service reform and to focus on his charitable activities involving educational underachievement and social exclusion.

Sir Rod is a Patron of the Prince's Trust and Chair of 'v', a charity launched in May 2006 which aims to inspire and engage over one million new youth volunteers. He is also Chairman of The Lowry, a theatre and arts venue in Salford and a member of the Lab Board at NESTA. Sir Rod is a member of the Audit Committee.

### Oliver Niedermaier, PhD

**Non-Executive Director**

Oliver is currently Chairman and CEO of Tau Investment Management, an investment firm he founded in 2012 focusing on turnaround and growth equity investments in the transformation of global supply chains. Prior to that he was a member of the Computershare Global Executive Board and a founder and CEO of King Worldwide and earlier in his career of Pepper Technologies (acquired by Computershare).

Oliver graduated from Ludwig-Maximilians-University, Munich, Germany with a PhD in Strategic Management (magna cum laude). In 2010 he was honoured by the World Economic Forum as Young Global Leader and he serves on several non-profit boards including the World Policy Institute and the National Museum of the American Indian in New York. Oliver is a member of the Nomination and Remuneration Committees.

### James Brocklebank

**Non-Executive Director**
**(Investor Representative)**

James joined Advent in 1997, moving from the London office of investment bank Baring Brothers where he advised clients on various international mergers and acquisitions. James led or has participated in a number of Advent's investments including Equiniti, WorldPay, Monext, Tertio Limited and MACH, and is head of Advent's European business and financial services sector team.

James has an MA in geography, specialising in economic and political geography, from Cambridge University. James is Chairman of the Remuneration Committee and is a member of the Nomination Committee. James is also NED of WorldPay.

### Haris Kyriakopoulos

**Non-Executive Director**
**(Investor Representative)**

Haris Kyriakopoulos joined Advent International in August 2008. Prior to joining Advent, Haris worked in investment banking in London with Goldman Sachs' UK Mergers and Acquisition team, in strategy consulting in New York with First Manhattan Consulting Group, and at a startup in Athens with Tellas, the fixed line telecom startup that was subsequently acquired by Wind Hellas.

Haris holds a BSc with honours in Electrical Engineering from the University of Pennsylvania, and an MBA with honours from the Wharton School.

### Nick Rose

**Non-Executive Director**
**(Investor Representative)**

Nick joined Advent in 2005 from Bain and Company where he worked in their private equity practice on both pre and post acquisition work. Nick's sector focus at Advent is on business and financial services, with a particular emphasis on specialty finance, insurance, and outsourcing companies. During his time at Advent he has been involved in the sale of Financial Dynamics and, in addition to Equiniti, investments in Domestic and General, WorldPay and the Towergate Partnership plc. Nick is also an NED of the Towergate Partnership plc. He has an MA in philosophy, politics and economics from Oxford University. Nick is Chairman of the Audit Committee.

### John Parker

**Non-Executive Director**

John was Managing Director of Equiniti Shareholder Solutions, having been at the forefront of the businesses transformation. John worked at Lloyds TSB Group for 30 years, holding a range of management roles in retail. He is a fellow of the Chartered Institute of Bankers.

# ADVENT INTERNATIONAL

**Equiniti Group Limited is a company owned by funds managed by Advent International Corporation.**

Founded in 1984, Advent International is one of the largest and most experienced global investors dedicated solely to private equity. Since inception, the firm has invested in more than 290 buyout transactions in 39 countries, and today has $32.2 billion in assets under management. With offices on four continents, Advent has established a globally integrated team of over 170 investment professionals across North America, Europe, Latin America and Asia. The firm focuses on growth and traditional buyout and strategic repositioning transactions across five core sectors, including business and financial services; healthcare; industrial; retail, consumer and leisure; and technology, media and telecoms. After 30 years dedicated to international investing, Advent remains committed to partnering with management teams to deliver sustained revenue and earnings growth for portfolio companies.

James Brocklebank, Haris Kyriakopoulos and Nick Rose are the Advent executives with oversight of the Equiniti Group and serve as Board Directors.



# DIRECTORS' REPORT

**The Directors present their Directors' report and financial statements for the year ended 31 December 2013. The performance of the Group for the year is discussed in the strategic report on pages 4 to 35.**

## Principal activities of the Group

Equiniti Group Limited is a parent company with subsidiaries and an associated undertaking. The principal activities of the Group comprise the provision of complex administration, processing and payment services supported by leading technology to assure delivery to the Group's clients, their employees, pensioners and customers.

## Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

| | |
|---|---|
| Sir Rodney Aldridge | |
| Kevin Beeston | |
| James Brocklebank | |
| Martyn Hindley | |
| Oliver Niedermaier | |
| Nick Rose | |
| Haris Kyriakopoulos | Appointed 3 September 2013 |
| Wayne Story | Resigned 31 October 2013 |
| John Parker | Appointed 1 January 2014 |
| Guy Wakeley | Appointed 20 January 2014 |

The Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Group also purchased and maintained throughout the financial year Directors and Officers' liability insurance in respect of itself and its Directors and Officers.

## Proposed dividend

The directors do not recommend the payment of a dividend on ordinary shares but there are amounts accruing on preference shares included in finance expenses.

## Employees

The Equiniti Group is committed to providing an environment which fosters involvement by all our employees. Regular briefings through meetings and publications keep all employees up to date with employment practices, health and safety as well as the business objectives of the Equiniti Group. The Equiniti Group gives full and fair consideration to employment applications from disabled persons, having regard to their particular aptitude and abilities. Where existing employees become disabled, it is the Equiniti Group's policy to provide continuing employment under normal terms and conditions wherever practicable, providing training, career development and promotion to disabled employees where appropriate.

## Going concern

The directors are satisfied that the Equiniti Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in preparing the accounts.

## Political donations

The Equiniti Group did not make any political donations or incur any political expenditure during the year.

## Future developments

The Group is expected to increase its market share through organic growth in the pensions solutions, shareholder solutions and commercial solutions markets, and through acquisitions to enter new markets and to improve the Group's existing presence in these markets.

## Risk management

Various aspects of the Equiniti Group's activities are regulated directly or indirectly. As such, the Equiniti Group's risk management systems are longstanding, standardised and robust. The Equiniti Group has a strong risk management framework where it utilises a "three lines of defence" model, namely: operational management's application of systems and controls, the development and deployment of business conduct rules and regulatory policies, and the independent assessment of these two defences by the Equiniti Group's independent Internal Audit and Compliance Monitoring functions. The business assesses its risk and risk profile using an enterprise wide risk management model which covers strategy, change, customer treatment, financial soundness, market and credit exposure, legal and regulatory compliance, internal and external fraud exposure, change and operations. It is a combination of these risk assessments that support the formulation of the Equiniti Group's risk assessment.

In addition, the Equiniti Group has a well established business continuity management (BCM) framework which determines how business critical each activity is to clients, customers, other external stakeholders and the Equiniti Group. Once assessed and independently challenged, each business unit is required to apply a range of business continuity tests which increase in line with the level of critical activity undertaken. The Equiniti Group actively tracks its compliance with its BCM testing programme.

## Financial risk management

The Equiniti Group has established risk management policies and the Equiniti Group Audit Committee oversees how management monitors compliance. With these policies and procedures we review the adequacy of the risk management framework in relation to the risks faced by the Equiniti Group. The CEO and CFO form part of the Group's first line of defence and attend Audit Committee meetings in order to respond to relevant matters that arise. They are responsible for taking forward actions that are delegated to them by the Committee and the Compliance & Risk Director provides oversight on the closure of these actions. The Equiniti Group Audit Committee is assisted in its oversight role by Internal Audit and Compliance Monitoring functions. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures whilst Compliance Monitoring undertakes themed regulatory reviews the results of which are reported to the Group Audit Committee.

The Equiniti Group's operations expose it to a variety of financial risks, including credit risk, liquidity risk and the effects of changes in interest rates on debt. The Equiniti Group has established a risk management programme that seeks to limit the adverse effects on the financial performance of the business by monitoring levels of debt finance and the related finance costs.

The Equiniti Group's principal financial instruments comprise sterling cash and bank deposits, bank loan and overdrafts, other loans together with trade debtors and trade creditors that arise directly from its operations.

### Cash flow interest rate risk

The Equiniti Group is exposed to interest rate risk in three main respects. Firstly, floating rates are generally earned on client and corporate balances, which are mitigated by an interest rate derivative which runs to October 2016. Secondly, expense relating to the UK Sharesave (SAYE) product and ultimately payable to savers at fixed rates is protected by fixed rate income agreements. Thirdly, interest expense arising on the floating rate notes is mitigated via interest rate derivative which runs to October 2018.

### Credit risk

The Equiniti Group's principal financial assets are bank balances, cash and trade debtors, which represent the maximum exposure to credit risk in relation to financial assets.

The Equiniti Group has strict controls around and regularly monitors the credit ratings of institutions with which it enters into transactions on its own behalf and for its clients. The Equiniti Group is not exposed to significant customer credit risk due to the risk being spread across a large and diverse client base.

Credit risk is the risk of financial loss to the Equiniti Group if a customer or counterparty, including brokers, to a financial instrument, fails to meet its contractual obligations, and arises principally from the Equiniti Group's receivables from customers. Losses have occurred infrequently over previous years. Due to the nature of the business the majority of the trade receivables are with FTSE 350 companies and public sector organisations. The amounts presented in the consolidated statement of financial position are net of allowances for doubtful debts, estimated by management based on prior experience and an assessment of the current economic environment.

### Foreign currency risk

The Equiniti Group is exposed to foreign currency risk, primarily arising from its IT business partnering arrangement. It is our policy to hedge against material currency fluctuations where this is felt to be advantageous.

### Price risk

Price risks are the changes in market prices such as interest rates, foreign exchange rates and equity dealing prices which impact the Equiniti Group's income or the value of its financial instruments.

The Equiniti Group's financial instruments are mainly in sterling; hence foreign exchange movements do not have a material effect on the Equiniti Group's performance. The Equiniti Group does not hold its own position in traded securities, being involved in receiving and transmitting transactions on behalf of its clients.

The Equiniti Group earns income in relation to client and investor deposits as well as interest on its own deposits. The Equiniti Group's senior debt and PIK loan rates are linked to Libor.

The Equiniti Group is exposed to movements in the interest rate in both its intermediary fee revenue and net finance costs. Intermediary fee revenue is linked to bank base rate, whilst both the senior debt and the PIK loan rates of the Group are linked to Libor.

In 2011 the company hedged at existing market rates the monthly intermediary fee income by receiving a fixed rate against base rate that continues until 2016. This was against an underlying level of £400m of assets reducing by £80m over the term.

Also in 2011, a swap, fixing monthly interest payable rates against LIBOR on the Group's levels of external borrowings was taken out until 2016. This was settled at refinancing in 2013 and a new swap taken out matching the terms of the new £190m floating rate notes.

The Equiniti Group continually reviews these risks and will identify suitable instruments where applicable.

### Capital risk management

The Equiniti Group's objectives when managing capital is to maximise shareholder value while safeguarding the Equiniti Group's ability to continue as a going concern. We will continue to proactively manage our capital structure whilst maintaining flexibility to take advantage of opportunities which arise to grow our business. One element of our strategy is to make targeted, value-enhancing acquisitions. The availability of suitable acquisitions, at acceptable prices is, however, unpredictable.

In common with other private equity portfolio companies, the Equiniti Group carries a high level of net debt compared to equity. Total capital is calculated as total equity as shown in the consolidated statement of financial position, plus net debt. Net debt is calculated as the total of "other interest bearing loans and borrowings" as shown in the consolidated statement of financial position, less its cash and cash equivalents.

### Prudential Capital Risk

Two entities within the Equiniti Group are subject FCA regulatory capital requirements where each is required as set against its regulated trading permissions to maintain minimum levels of capital in order to manage its affairs. Equiniti Financial Services Limited (EFSL) is categorised as a P2 prudentially significant firm where its disorderly failure would have a significant impact on the functioning of the market in which it operates. Paymaster (1836) Limited (P(1836)L) is categorised as a P3 prudentially non-significant firm where its failure, even if disorderly, is unlikely to have a significant impact.

As an IFPRU MiFID qualifying firm EFSL is required to comply with the Capital Requirements Directive and does so under the FCA framework consisting of its there "Pillars" approach where EFSL assesses its minimum capital requirement for its credit, market and operational risk and whether its minimum capital is adequate to meet its risks, and discloses specific information relating to underlying risk management controls, capital position and remuneration at www.equiniti.com.

P(1836)L as a MiFID exempt firm is not required to comply with the Capital Requirements Directive. The firm does however undertake an assessment of its capital requirements and is subject to the Equiniti Group's EWRM and three lines of defence model.

# DIRECTORS' REPORT (CONT'D)

## Liquidity risk and going concern

Liquidity risk is the risk that the Equiniti Group will not be able to meet its financial obligations as they fall due. The Equiniti Group's approach to managing liquidity is to ensure, as far as is possible, that the Equiniti Group will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

The Equiniti Group's three year business plan has been used as the basis for projecting cash flows, and measured resulting outcomes on cash availability and bank covenant test points. The Equiniti Group has a very high level of client retention giving a high degree of comfort on certainty of revenue income.

The principal uncertainties which the Equiniti Group faces relate to certain revenue activities that are more difficult to predict, such as corporate action income. These are dependent on the specific activities of corporate clients which may in turn be influenced by underlying market conditions.

During this period the Equiniti Group is not forecast to require drawing down the revolving credit facility and we expect to remain compliant with all covenants. As such, the Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in the preparation of these accounts.

## Principal risks and uncertainties

### Legislative risks

The Equiniti Group trades within regulated sectors of the UK economy and is required to comply with all relevant regulations, which it manages through ongoing regulatory assessment, robust systems and controls, qualified staff and independent compliance personnel. The Equiniti Group complies with its FCA ICAAP and CASS obligations.

### Operational risks

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems, or from external events arising from day-to-day operating activities. The Equiniti Group has put in place and tested mitigation plans to minimise the impact of these risks crystallising. It has invested in training and implemented processes and procedures to reduce the likelihood of occurrence. Coupled with this, the Equiniti Group maintains a comprehensive insurance programme tailored to the demands of the business.

### Contractual arrangements

The Equiniti Group has contractual arrangements with all of its clients. These contracts range between one and five years, and are essential to the business. However, the details of these contracts are also commercially confidential, and consequently have not been reported in this review. The Equiniti Group continues to develop key supplier partnerships to support the long term aims of its customers and the business. The Equiniti Group's policy is to establish trading arrangements which are made following an open non-discriminatory competitive bidding process.

### Other risks and uncertainties

The nature of the company's services means that occasionally a claim for professional service shortcomings can arise which could result in compensation payable. To mitigate this risk the company maintains professional indemnity insurance, which is in place across the Equiniti Group.

## Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Equiniti Group's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Equiniti Group's auditors are aware of that information.

## 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 prepared the Group and parent financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 Group and the company and of the profit or loss of the Group 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 IFRSs as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB), have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group or company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

***Martyn Hindley***
***Chief Financial Officer***
26 March 2014

Registered Number: 07090427

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EQUINITI GROUP LIMITED

## REPORT ON THE FINANCIAL STATEMENTS

### Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the group's affairs as at 31 December 2013 and of the group's loss and the group's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

### What we have audited

The group financial statements (the "financial statements"), which are prepared by Equiniti Group Limited, comprise:

- the consolidated statement of comprehensive income for the year ended 31 December 2013;
- the consolidated statement of financial position as at 31 December 2013;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

### What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

### Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit.

We have no exceptions to report arising from this responsibility.

### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

## RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

### Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Graham Lambert (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick
26th March 2014

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2013

| | Note | 2013 £m | *2012 £m* |
|---|---|---|---|
| Continuing operations | | | |
| Revenue | 5.7 | 274.7 | *266.5* |
| Operating costs before exceptional costs, depreciation and amortisation | | (198.4) | *(185.4)* |
| Earnings before interest, tax, depreciation and amortisation (EBITDA) prior to exceptional items | 7 | 76.3 | *81.1* |
| Operating costs - exceptional items | 6 | (25.0) | *(11.8)* |
| Earnings before interest, tax, depreciation and amortisation (EBITDA) | | 51.3 | *69.3* |
| Depreciation of property, plant and equipment | 14 | (4.0) | *(3.5)* |
| Amortisation of intangible assets | 15 | (32.5) | *(34.4)* |
| Total operating costs | 8 | (259.9) | *(235.1)* |
| Profit from operating activities | | 14.8 | *31.4* |
| Finance income | 11 | 1.0 | *1.0* |
| Finance costs - before exceptional items | 11 | (66.7) | *(67.9)* |
| Finance costs - exceptional items | 11 | (12.4) | *-* |
| Net finance costs | | (78.1) | *(66.9)* |
| Share of profit of associates | 12 | 1.6 | *0.3* |
| Loss before income tax | | (61.7) | *(35.2)* |
| Income tax credit | 13 | 4.3 | *7.1* |
| Loss for the year from continuing operations | | (57.4) | *(28.1)* |
| Discontinued operations | | | |
| Profit for the year from discontinued operations (attributable to owners of the parent) | 22 | 3.7 | *9.7* |
| Loss for the year attributable to owners of the parent | | (53.7) | *(18.4)* |
| Other comprehensive income | | | |
| Items that may be subsequently reclassified to profit or loss | | | |
| Fair value movement through hedging reserve | | 1.7 | *(2.7)* |
| Share of other comprehensive income of associates | | (0.2) | *-* |
| | | 1.5 | *(2.7)* |
| Items that will not be reclassified to profit or loss | | | |
| Defined benefit plan actuarial loss | 25 | (3.8) | *(2.5)* |
| Deferred tax credit on other comprehensive income | | 0.8 | *0.6* |
| | | (3.0) | *(1.9)* |
| Total comprehensive income for the year attributable to owners of the parent | | (55.2) | *(23.0)* |

The notes on pages 52 to 90 form part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2013

| | Note | 2013 £'000 | *2012 £'000* |
|---|---|---|---|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 14 | 10.7 | *10.8* |
| Intangible assets | 15 | 605.7 | *611.7* |
| Investments in associates | 12 | 14.3 | *9.4* |
| Other financial assets | 17 | 6.1 | *6.1* |
| | | 636.8 | *638.0* |
| Current assets | | | |
| Tax receivable | | - | *1.8* |
| Trade and other receivables | 20 | 64.9 | *55.8* |
| Cash and cash equivalents | 21 | 15.4 | *57.8* |
| | | 80.3 | *115.5* |
| Assets of disposal group classified as held for sale | 22 | - | *85.6* |
| Total assets | | 717.1 | *839.1* |
| Equity and liabilities | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | 27 | 5.0 | *5.0* |
| Share premium | 27 | 3.5 | *3.5* |
| Hedging reserve | | (1.7) | *(3.4)* |
| Accumulated deficit | | (190.8) | *(134.0)* |
| Total equity | | (184.0) | *(128.9)* |
| Liabilities | | | |
| Non-current liabilities | | | |
| Interest-bearing loans and borrowings | 23 | 816.3 | *853.5* |
| Employee benefits | 25 | 10.1 | *6.3* |
| Provisions for other liabilities and charges | 26 | 7.0 | *8.8* |
| Other financial liabilities | 18 | 0.6 | *0.9* |
| Deferred income tax liabilities | 19 | 3.5 | *8.6* |
| | | 837.5 | *878.0* |
| Current liabilities | | | |
| Interest-bearing loans and borrowings | 23 | - | *29.4* |
| Trade and other payables | 24 | 57.2 | *39.0* |
| Employee benefits | 25 | 0.4 | *0.4* |
| Provisions for other liabilities and charges | 26 | 3.9 | *3.4* |
| Other financial liabilities | 18 | 2.1 | *4.1* |
| | | 63.6 | *76.3* |
| Liabilities of disposal group classified as held for sale | 22 | - | *13.7* |
| Total liabilities | | 901.1 | *968.0* |
| Total equity and liabilities | | 717.1 | *839.1* |

The notes on pages 52 to 90 form part of these financial statements.
The financial statements on pages 48 to 90 were approved by the Board of directors on 26 March 2014 and were signed on its behalf by:

Martyn Hindley
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## for the year ended 31 December 2013

| | Share capital £'000 | Share premium £'000 | Hedging reserve £'000 | Accumulated deficit £'000 | Total equity £'000 |
|---|---|---|---|---|---|
| Balance at 1 January 2012 | 5.0 | 3.5 | *(0.7)* | *(113.6)* | *(105.8)* |
| Comprehensive income | | | | | |
| Loss for the year per the statement of comprehensive income | - | - | - | *(18.4)* | *(18.4)* |
| Other comprehensive income | | | | | |
| Changes in fair value of cash flow hedges | - | - | *(2.7)* | - | *(2.7)* |
| Actuarial losses on defined benefit pension plans | - | - | - | *(2.5)* | *(2.5)* |
| Deferred tax on defined benefit pension plans | - | - | - | *0.6* | *0.6* |
| Total comprehensive income | - | - | *(2.7)* | *(20.3)* | *(23.0)* |
| Balance at 31 December 2012 | 5.0 | 3.5 | *(3.4)* | *(133.9)* | *(128.8)* |
| Balance at 1 January 2013 | 5.0 | 3.5 | (3.4) | (133.9) | (128.8) |
| Comprehensive income | | | | | |
| Loss for the year per the statement of comprehensive income | - | - | - | (53.7) | (53.7) |
| Other comprehensive income | | | | | |
| Changes in fair value of cash flow hedges | - | - | 1.7 | - | 1.7 |
| Share of other comprehensive income of associates | - | - | - | (0.2) | (0.2) |
| Actuarial losses on defined benefit pension plans | - | - | - | (3.8) | (3.8) |
| Deferred tax on defined benefit pension plans | - | - | - | 0.8 | 0.8 |
| Total comprehensive income | - | - | 1.7 | (56.9) | (55.2) |
| Balance at 31 December 2013 | 5.0 | 3.5 | (1.7) | (190.8) | (184.0) |

The notes on pages 52 to 90 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

## for the year ended 31 December 2013

| | Note | 2013 £'000 | *2012 £'000* |
|---|---|---|---|
| *Cash flows from operating activities* | | | |
| Cash generated from operations | 33 | 59.6 | *92.6* |
| Net cash inflow from operating activities | | 59.6 | *92.6* |
| *Cash flows from investing activities* | | | |
| Interest received | | 0.6 | *0.5* |
| Dividends from investment | | 0.4 | *-* |
| Dividends from associate | | 0.5 | *-* |
| Business acquisitions net of cash acquired | 4 | (10.9) | *(0.9)* |
| Business acquisitions net of cash acquired and held for sale | | - | *(0.6)* |
| Proceeds from disposal of a division | | 74.3 | *-* |
| Acquisition of an associate | 12 | (4.0) | *(9.1)* |
| Payment relating to prior year acquisition | | (1.6) | *(0.1)* |
| Acquisition of property, plant and equipment | | (3.9) | *(3.0)* |
| Acquisition of software | | (15.4) | *(9.5)* |
| Net cash inflow / (outflow) from investing activities | | 40.0 | *(22.7)* |
| *Cash flows from financing activities* | | | |
| Repayment of loans | | (530.7) | *(15.0)* |
| Increase in borrowings | | 440.0 | *-* |
| Interest paid | | (30.5) | *(31.7)* |
| Loan fees paid and other finance costs | | (5.8) | (0.6) |
| Refinancing fees paid | | (15.0) | *-* |
| Net cash outflow from financing activities | | (142.0) | *(47.3)* |
| Net (decrease) / increase in cash and cash equivalents | | (42.4) | *22.6* |
| Cash and cash equivalents at 1 January | | 57.8 | *46.8* |
| Cash and cash equivalents at 31 December | | 15.4 | *69.4* |
| *Represented by:* | | | |
| *Included in cash and cash equivalents per the statement of financial position* | *21* | *15.4* | *57.8* |
| *Included in the assets of the disposal group* | *22* | *-* | *11.6* |
| *Cash and cash equivalents at 31 December* | | *15.4* | *69.4* |

The notes on pages 52 to 90 form part of these financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

### *1 Accounting policies*

Equiniti Group Limited (the "Company") is a limited company incorporated and domiciled in the UK. The principal activity of the Company is that of a holding company. The registered office is Sutherland House, Russell Way, Crawley, West Sussex, RH10 1UH. The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group").

*Basis of preparation*
These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRS - IC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the going concern basis.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this section.

Accounting policies have been consistently applied, except where new policies have been adopted and disclosed in the financial statements.

The presentation of the consolidated financial statements has been changed to round results to the nearest £0.1m whereas previously they were rounded to the nearest £1,000. This change has required the 2012 figures to be restated and as a result there are some immaterial inconsistencies between the restated rounded 2012 figures in the 2013 financial statements compared to the same figures disclosed to the nearest £1,000 in the 2012 financial statements. In addition there may be immaterial rounding inconsistencies between the notes to the financial statements and the primary statements for the 2012 figures.

*Measurement convention*
The financial statements are prepared on the historical cost basis except that liabilities for cash-settled share based payment arrangements and hedging agreements are stated at their fair value.

*Basis of consolidation*
Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

*Going Concern*
The Group refinanced its bank facilities in June 2013 following the sale of Xafinity Consulting Limited for £74.3m, issuing £440m of fixed and floating rate notes repayable in 2018. This removed all maintenance covenants and extended the repayment date on the Group's debt. The Group also raised a £75m revolving credit facility which remained undrawn at the year end date.

Whilst a total comprehensive loss of £55.2m arose increasing net liabilities to £184.0m during the course of the year, the Group traded strongly, generating £59.6m of cash inflow from operating activities in the year. This current level of cash generation, combined with the three year business plan assessment provides the Directors with the comfort and expectation that the Group will be able to meet all of its commitments as they fall due both during the year and in the three year business plan and, as such, allow the financial statements to be presented on a going concern basis.

The Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in preparing the financial statements.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

### *1 Accounting policies (continued)*

*Classification of financial instruments issued by the Group*
Under IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

(b) where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability.

Finance payments associated with financial liabilities are dealt with as part of finance expenses. Finance payments associated with financial instruments that are classified in equity are treated as distributions and are recorded directly in equity.

*Derivative financial instruments and hedging*

*Derivative financial instruments*
Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the instruments at the statement of financial position date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

Third party valuations are used to fair value the Group derivatives. The valuation techniques use inputs such as interest rate yield curves and currency prices/yields, volatilities of underlying instruments and correlations between inputs.

*Cash flow hedges*
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income within finance costs.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the statement of comprehensive income within finance costs. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity until the hedged item occurs.

*Investments in subsidiaries*
Investments in subsidiaries are carried at cost less any provisions for impairment.

*Property, plant and equipment*
Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. For items acquired as part of a business combination, cost comprises the deemed fair value of those items at the date of acquisition. Depreciation on those items is charged over their estimated remaining useful lives from that date.

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

| | |
|---|---|
| ■ Leasehold improvements | 2 – 50 years |
| ■ Office equipment | 3 – 10 years |
| ■ Fixtures and fittings | 3 – 20 years |

## 1 Accounting policies (continued)

*Intangible assets and goodwill*

IFRS 3 (revised), 'Business combinations' is effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

Goodwill represents amounts arising on acquisition, being the difference between the cost of the acquisition and the net fair value of the identifiable assets and liabilities acquired. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units for the purposes of impairment testing and is not amortised. It is tested annually for impairment.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Software is valued based on replacement costs valuations where identifiable or where this has not been ascertainable, using relief from royalty valuation over the estimated useful life.

Customer relationships are valued based on the net present value of the excess earnings generated by the revenue streams over their estimated useful lives.

Order books are valued based on expected revenue generation and brand valuation is based on net present value of estimated royalty returns.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Amortisation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

| | |
|---|---|
| Shareholder registration system | 15 years |
| Other software | 3 – 10 years |
| Customer relationships | 4 – 20 years |
| Order book | 1 year |
| Brand | 5 - 10 years |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2013

1 Accounting policies (continued)

*Impairment of non-financial assets*

Assets that have an indefinite useful life, for example goodwill or intangible assets not ready for use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

*Other financial assets*

Other financial assets include loans and receivables, derivatives and investment in shares. Derivatives are explained above. Loans and receivables are non-derivative financial assets with fixed or determinable payments, that are not quoted in an active market. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment and are included in non-current assets as their maturity is greater than 12 months after the end of the reporting period. Investment in shares are non-derivative available for sale financial assets recognised initially at fair value with any subsequent changes in fair value being recognised through other comprehensive income. They are included in non-current assets as management do not intend to dispose of them within 12 months of the end of the reporting date.

*Trade receivables*

Trade receivables are stated initially at fair value then measured at amortised cost less provisions for impairment. Provisions for impairment are recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The impairment recorded is the difference between the carrying value of the receivables and the estimated future cash flows discounted where appropriate. Any impairment required is recorded in the statement of comprehensive income within operating costs.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of financial position and the statement of cash flows.

*Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of the borrowings on an effective interest basis. On borrowings extinguished, any difference between the cash paid and the carrying value is recognised in the statement of comprehensive income.

*Trade payables*

Trade payables represent liabilities for goods and services received by the Group prior to the end of financial year which are unpaid. The amounts within trade payables are unsecured.

*Employee benefits*

*Defined contribution plans*

Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income as incurred

*Defined benefit plans*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The liability discount rate is the yield at the statement of financial position date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan, reductions in future contributions to the plan or on settlement of the plan and takes into account the adverse effect of any minimum funding requirements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

***1 Accounting policies (continued)***

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income.

*Short-term benefits*
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

*Share-based payment transactions*
The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in statement of comprehensive income.

*Provisions*
A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected, risk adjusted, future cash flows at a pre-tax risk-free rate.

Dilapidations provisions relate to estimated cost to put leased premises back to required condition expected under the terms of the lease. These include provisions for wear and tear along with provisions where leasehold improvements have been made that would require reinstatement back to original status on exit. These are uncertain in timing as leases may be terminated early or extended. To the extent that exits of premises are expected within 12 months of the end of the year they are shown as current.

*Share capital*
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

*Revenue*
Revenue, which excludes value added tax, represents the invoiced value of services and software supplied and is almost entirely attributable to the United Kingdom. The Group is one of the largest providers of outsourced financial services in the UK, covering pension administration, pensions payroll, annuity services, complaints handling and resourcing services. Professional services revenue is recognised when earned.

Hardware sales and software licences are recognised when goods and licences are delivered. Technical support revenues are recognised rateably over the term of the maintenance agreement.

Amounts recognised as revenue but not yet billed are reflected in the statement of financial position as accrued income. Amounts billed in advance of work performed are deferred in the statement of financial position as deferred income.

In the case of long term contracts, revenue is recognised proportionately as the contract is performed. Total costs incurred under contracts in progress net of amounts transferred to the statement of comprehensive income, are stated less foreseeable losses and payments on account. The statement of comprehensive income reflects the proportion of the work carried out at the accounting date.

Revenues also comprise fixed periodic administration fees, transaction processing fees, fees for managing corporate actions, fees for professional and IT services and fees earned on the administration of client funds and are stated net of value added tax.

Periodic administration fees are recognised evenly over the contract period. Transaction based fees are recognised at the time of processing the related transactions. Revenues from corporate actions are recognised in line with the stage of completion and fees in relation to administration of client funds are recognised as they accrue.

Revenues includes variable margin fee income earned on funds under administration of the Group.

Out of pocket expenses recharged to clients are recognised in revenue when they are recoverable from the client, net of the related expense.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

***1 Accounting policies (continued)***

*Segment reporting*
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's Board of Directors.

*Government grants*
Grants that compensate the Group for expenses incurred are recognised in profit or loss in the statement of comprehensive income in the same periods in which the expenses are recognised. Grants relating to employment are recognised in profit and loss in the statement of comprehensive income as they are earned. Grants relating to intangible assets are netted against the related expenditure prior to capitalisation and amortisation over the useful life of the asset.

*Expenses*
*Operating lease payments*
Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of comprehensive income as an integral part of the total lease expense.

*Exceptional items*
Exceptional items are items which due to their size, incidence and non-recurring nature have been classified separately in order to draw them to the attention of the reader of the financial statements and, in management's judgement, to show more accurately the underlying profits of the group. Such items are included within the statement of comprehensive income caption to which they relate, and are separately disclosed either in the notes to the consolidated financial statements or on the face of the consolidated statement of comprehensive income. This includes costs in relation to business integration / reorganisation as well as potential and aborted acquisitions and includes all costs incurred against investigated and completed acquisitions.

*Net finance costs*
Net finance costs comprise interest payable, interest receivable on own funds, dividend income and foreign exchange gains and losses that are recognised in the statement of comprehensive income and the interest cost of defined pension scheme liabilities net of the expected return on plan assets.

Interest income and interest payable is recognised in the statement of comprehensive income as it accrues, using the effective interest method. Dividend income is recognised in the statement of comprehensive income on the date the entity's right to receive payment is established.

*Taxation*
Tax on the loss for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

*New standards and interpretations not yet adopted*
a) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning 1 January 2013 and have a material impact on the Group:

Amendments to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

### *1 Accounting policies (continued)*

IAS 19, 'Employee benefits', was amended in June 2011. The changes on the Group's accounting policies has been as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability.

IFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. The standard is not mandatory for the Group until 1 January 2014; however the Group has decided to early adopt the standard as of 1 January 2013.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Group.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The group is yet to assess IFRS 9's full impact. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

There are no other IFRSs or IFRS - IC interpretations that are not yet effective that would be expected to have a material impact on the Group.

*Accounting estimates and judgements*
*Cash-settled share based payments*
Measured as the higher of amount subscribed plus the attributable share or the fair value of the business on an exit event, over the expected vesting period. The valuation at the date of grant and the probability of an exit event are therefore key judgements.

The value is based on an estimate of a multiple of adjusted EBITDA, based on an equivalent market value for a "debt free" private company.

*Fair values of intangible assets*
Fair values of intangibles have been calculated by estimating the net present value of future revenues generated by the assets over their estimated useful lives.

Third party valuations are used to fair value the Group's derivatives. The valuation techniques use inputs such as interest rate yield curves and currency prices / yields, volatilities of underlying instruments and correlations between inputs.

*Deferred tax*
Under IAS 12 "Income taxes" deferred tax assets are recognised to the extent that taxable profits will be available against which the deductible temporary differences can be utilised. As at the year end the directors consider that the IAS 12 recognition criteria are satisfied.

*Pension assumptions*
Assumptions used in calculating the net defined benefit pension obligation are set out in note 25, Employee benefits. The calculation of the defined benefit obligation is sensitive to the mortality assumptions set out in that note. As the actuarial estimates of mortality continue to be refined, an increase of one year in the lives shown in note 25 is considered possible in the next financial year. The effect of this change would be to increase the employee benefit liability by £1.5m (2012: £1.0). A 0.5% decrease in the discount rate used would increase the employee benefit liability by £4.1m (2012: £4.1m).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

### *1 Accounting policies (continued)*

*Provisions*
Dilapidations provisions have been made for properties which the Group currently lease based upon the cost to make good the property in accordance with lease terms where applicable, if we were to vacate at 31 December 2013 as assessed by a chartered surveyor with reference to current market rates.

The constructive compliance provision is management's best estimate of the cost of meeting the change in requirement of payment systems of which the Group is contractually required. The exact requirements are uncertain as to the timing and so could require additional or less cost.

Provisions for deferred consideration has been made in relation to acquisitions the Group has made. There are various criteria that need to be satisfied in order for a payment to be made, the Group have made provisions as appropriate based on the relevant accounting standards and management's best estimate of the criteria for settlement being fulfilled.

Provisions for contract costs have been made for the exceptional irrecoverable costs associated with a complex long-term contract that has been terminated by mutual agreement.

*Exceptional items*
Exceptional items are recognised to the extent that they meet the definition outlined in the accounting policy above. This requires a certain amount of judgement that is applied consistently by management.

### *2 Financial risk management*

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

Risk management policies are established for the Equiniti Group Limited group of companies (the "Group") and the Group Audit Committee oversees how management monitors compliance with these policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit and Compliance Monitoring. Internal Audit and Compliance Monitoring undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Group Audit Committee.

*Credit risk*
Credit risk is the risk of financial loss to the Group if a customer or counterparty, including brokers, to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Due to the nature of the business the majority of the trade receivables are with large institutions, including many FTSE 350 companies and losses have occurred infrequently over previous years.

*Liquidity risk*
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that the Group will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

*Market risk*
Market risk is the risk that changes in market prices such as interest rates, foreign exchange rates and equity prices will effect the Group's income or the value of its financial instruments.

The Group's financial instruments are currently in sterling, hence foreign exchange movements do not have a material effect on the Group's performance.

The Group does not hold its own position in trading securities, being involved only in arranging transactions on behalf of its clients.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2013

***2 Financial risk management (continued)***

The Group is exposed to movements in interest rate in both its intermediary fee revenue and its net finance costs. Intermediary fee revenue is linked to Bank Base Rate, whilst both the senior variable loan notes and the PIK loan rates are linked to Libor. The Group also earns fee income in relation to client and shareholder deposits as well as interest income on its own deposits.

Exposure to interest rate fluctuations are partly managed through the use of interest rate swaps. Objectives are established by the board so as to seek to reduce the impact of variations in interest rates on the group's profit and cash flow.

A movement in interest rates which negatively affects the net finance costs, would have a positive effect on revenue, and vice versa.

During the year a significant proportion of the Group's bank debt was covered by fixed interest rates for varying periods up to three years, achieved by way of a financial instrument (interest rate swap). The balance of bank debt interest is at current market rates.

The Group does not engage in holding speculative financial instruments or derivatives. Further quantitative disclosures are included throughout these consolidated financial statements.

***3 Capital risk management***

The Group is focused on delivering value for its shareholders whilst ensuring the Group is able to continue effectively as a going concern. Value adding opportunities to grow the business are continually assessed, although strict and careful criteria are applied.

As is common with many other private equity portfolio companies, the Group carries a high level of net debt to total equity; total capital comprises total equity plus net debt, as shown in the consolidated statement of financial positions. Net debt equates to the total of other interest bearing loans, less cash and cash equivalents, as shown in the consolidated statement of financial position.

The policies for managing capital are to increase shareholder value by maximising profits and cash. The policy is to set budgets and forecasts in to the short and medium term that the Group ensures are achievable. The process for managing capital are regular reviews of financial data to ensure that the Group is tracking the targets set and to reforecast as necessary based on the most up to date information whilst checking that future covenant test points are met.

The borrowing facilities require the Group to comply with certain covenants, which place limits on annual capital expenditure, the maintenance of certain minimum ratios of earnings before interest, taxes, depreciation and amortisation on both net interest payable and net debt and a requirement for net operating cash flows to be no less than the Group's cash cost of funding the bank debt. These facilities were re-paid in June 2013 and the covenants, which had been met, removed. The loan notes issued at the time do not contain any maintenance covenants.

***4 Acquisitions of businesses***

On 1 October 2013, the Group acquired the trade and assets of Killik Employee Share Services Limited and part of the trade and assets of Killik & Co LLP (together referred to as Killik).

| Recognised amounts of identifiable assets acquired and liabilities assumed | £m |
|---|---|
| Property, plant and equipment | 0.1 |
| Intangible assets | 2.6 |
| Net identifiable assets and liabilities | 2.7 |
| Goodwill on acquisition | 8.2 |
| Total consideration | 10.9 |
| Net cash outflow in the year | 10.9 |

Provisionally, on acquisition intangible assets have been recognised relating to customer contracts and related relationships as well as software with a combined attributable value of £2.6m. Due to the timing of the transaction the value relating to the other intangible assets is provisional and subject to further review.





***4 Acquisitions of businesses (continued)***

The value of goodwill reflects amounts in relation to the benefit of the expectation of the ability to generate new streams of revenue, expected synergies, future market development and the assembled workforce of Killik. The revenue included in the consolidated statement of comprehensive income since the acquisition date was £1.0m. The associated profit was £0.4m.

Had Killik been consolidated from 1 January 2013, the consolidated statement of income would show pro-forma revenue of £277.7m and loss for the year of £56.2m.

***5 Revenue***

Included in the loss for the year are the following:

| | 2013 £m | *2012 £m* |
|---|---|---|
| Revenue from continuing operations: | | |
| Rendering of services | 274.7 | *266.5* |
| Revenue from discontinued operations | 3.2 | *43.0* |
| Total revenue | 277.9 | *309.5* |

***6 Exceptional items***

Included in the loss for year are the following:

| | 2013 £m | *2012 £m* |
|---|---|---|
| Refinancing costs | 10.2 | *-* |
| Integration project costs | 10.1 | *4.8* |
| Contract costs | 4.4 | *4.2* |
| Acquisition related expenses | 0.3 | *2.8* |
| Total exceptional costs | 25.0 | *11.8* |

Refinancing costs are expenses incurred in connection with the Group's refinancing exercise that completed in June 2013, and subsequent legal entity restructuring. These include incremental staff costs and advisor fees that were not capitalised or treated as finance costs.

Integration project includes costs incurred by the Group relating to resources applied in a major programme of Group integration activities between the Equiniti and Xafinity businesses. These principally comprise consulting, property and IT rationalisation and severance costs, together with rationalisation and transition of off-shore activities to an in-house service.

A complex long-term contract to provide new services in the UK pensions market has been terminated by mutual agreement and a provision has been made for the exceptional irrecoverable costs associated with that contract.

Acquisition related expenses represent fees paid to third party advisors and transaction fees in respect of acquisitions completed in the year, as well as costs incurred of further potential acquisitions and disposals not completed. The movement in the year also included the release of contingent consideration for acquisitions where certain requirements were not met.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2013

### *7 Operating segments*

In accordance with IFRS 8 'Operating Segments', an operating segment is defined as a business activity whose operating results are reviewed by the chief operating decision maker ('CODM') and for which discrete information is available. The Group's CODM is the Board of Directors.
The Group's operating segments have been identified as Pension Solution, Shareholder Solutions, Commercial Solutions and Central. Central costs principally includes corporate overheads. The EBITDA of each segment is reported after charging relevant corporate costs based on the business segments' usage of corporate facilities and services.

Revenue

| 31 December 2013 | Total segment revenue £m | Inter-segment revenue £m | Revenue from external customers £m |
|---|---|---|---|
| Pension solutions | 144.9 | 10.3 | 134.6 |
| Shareholder solutions | 119.6 | 1.6 | 118.0 |
| Commercial solutions | 24.2 | 2.1 | 22.1 |
| | 288.7 | 14.0 | 274.7 |

| 31 December 2012 | Total segment revenue £m | Inter-segment revenue £m | Revenue from external customers £m |
|---|---|---|---|
| Pension solutions | 139.8 | 9.8 | 130.0 |
| Shareholder solutions | 118.6 | 2.8 | 115.8 |
| Commercial solutions | 21.9 | 1.2 | 20.7 |
| | 280.3 | 13.8 | 266.5 |

Pre-Exceptional EBITDA

| | 2013 £m | *2012 £m* |
|---|---|---|
| Pension solutions | 22.2 | *24.6* |
| Shareholder solutions | 50.9 | *54.6* |
| Commercial solutions | 5.7 | *4.7* |
| Central | (2.5) | *(2.8)* |
| Pre-Exceptional EBITDA | 76.3 | *81.1* |

Reconciliation to loss before tax and discontinued operations

| | 2013 £m | *2012 £m* |
|---|---|---|
| Pre-Exceptional EBITDA | 76.3 | *81.1* |
| Exceptional items | (25.0) | *(11.8)* |
| EBITDA | 51.3 | *69.3* |
| Depreciation | (4.0) | *(3.5)* |
| Amortisation | (32.5) | *(34.4)* |
| Finance costs - net | (78.1) | *(66.9)* |
| Share of profits from associates | 1.6 | *0.3* |
| Loss before tax and discontinued operations | (61.7) | *(35.2)* |





### *7 Operating segments (continued)*

| Segmental assets and liabilities | 31 December 2013 Assets £m | 31 December 2013 Liabilities £m | *31 December 2012 Assets £m* | *31 December 2012 Liabilities £m* |
|---|---|---|---|---|
| Pension solutions | 58.2 | (29.5) | *49.8* | *(22.9)* |
| Shareholder solutions | 228.4 | (31.3) | *150.5* | *(24.2)* |
| Commercial solutions | 14.3 | (5.0) | *13.5* | *(5.8)* |
| Central | 416.2 | (835.3) | *539.7* | *(901.4)* |
| Held for sale | - | - | *85.6* | *(13.7)* |
| Total | 717.1 | (901.1) | *839.1* | *(968.0)* |

Other profit and loss disclosures

31 December 2013

| | Depreciation and amortisation £m | Exceptional items £m | Share of profit on associates £m | Capital expenditure £m |
|---|---|---|---|---|
| Pension solutions | 4.7 | (5.9) | 1.6 | 6.5 |
| Shareholder solutions | 21.3 | (4.5) | - | 10.6 |
| Commercial solutions | 1.2 | (0.6) | - | 2.1 |
| Central | 9.3 | (14.0) | - | 0.4 |
| Total | 36.5 | (25.0) | 1.6 | 19.6 |

*31 December 2012*

| | *Depreciation and amortisation £m* | *Exceptional items £m* | *Share of profit on associates £m* | *Capital expenditure £m* |
|---|---|---|---|---|
| *Pension solutions* | *3.5* | *(4.2)* | *0.3* | *3.9* |
| *Shareholder solutions* | *21.0* | *(0.7)* | | *6.6* |
| *Commercial solutions* | *0.8* | *-* | | *1.9* |
| *Central* | *12.6* | *(6.9)* | | *0.1* |
| *Total* | *37.9* | *(11.8)* | *0.3* | *12.5* |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

***8 Summary results and operating costs***

Included in the loss for year are the following:

| Expenses by nature | 2013 £m | *2012 £m* |
|---|---|---|
| Employee benefit expense (note 9) | 98.7 | *96.6* |
| Depreciation and amortisation (notes 13 and 15) | 36.5 | *37.9* |
| Direct costs | 42.5 | *37.8* |
| Bought in services | 17.1 | *16.6* |
| Premises costs | 12.3 | *11.8* |
| Other general business costs | 27.8 | *22.7* |
| Exceptional items (note 6) | 25.0 | *11.8* |
| Total operating costs for continuing operations | 259.9 | *235.1* |

Auditors' remuneration

Services provided by the Company's auditor
During the year the Group obtained the following services from the Company's auditor:

| | 2013 £m | *2012 £m* |
|---|---|---|
| Fees payable to Company's auditor and its associates for other services: | | |
| - Audit of Company's subsidiaries | 0.3 | *0.2* |
| - Tax advisory and compliance services | 0.3 | *0.1* |
| - Other services | 0.7 | *0.2* |
| | 1.3 | *0.6* |

Other services include work undertaken in relation to acquisitions and disposals of £nil (2012: £0.2m) and work undertaken as part of the Group's refinancing programme of £0.7m (2012: £nil) which has been included in exceptional costs.

***9 Staff numbers and costs***

The average monthly number of persons employed by the Group (including directors) during the year was 2,736 (2012: 2,665).

| | Group Number of employees | |
|---|---|---|
| By function *: | 2013 | *2012* |
| Operations | 2,396 | *2,351* |
| Administration | 281 | *258* |
| Sales and marketing | 59 | *56* |
| | 2,736 | *2,665* |

| | Group Number of employees | |
|---|---|---|
| By business type *: | 2013 | *2012* |
| Shareholder Solutions | 1,184 | *1,131* |
| Pensions Solutions | 1,043 | *957* |
| Commercial Solutions | 324 | *386* |
| Central | 185 | *191* |
| | 2,736 | *2,665* |

* The number of colleagues quoted in the Strategic Report section of the annual report are the number of employees as at 31 December 2013, as stated, the figures above are the monthly average.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

***9 Staff numbers and costs (continued)***

The aggregate payroll costs of these persons were as follows:

| | 2013 £m | *2012 £m* |
|---|---|---|
| Wages and salaries | 85.2 | *83.3* |
| Social security costs | 8.8 | *8.3* |
| Other pension costs | 4.7 | *5.1* |
| | 98.7 | *96.6* |

In addition to the prior year, there were 372 employees employed by Xafinity Consulting, the business that the Group sold in February 2013. The associated costs for the year, not included above, were £21.2m.

***10 Directors' remuneration***

The following costs are either paid by the subsidiary Equiniti Limited or Equiniti Services Limited:

| | 2013 £m | *2012 £m* |
|---|---|---|
| Directors' emoluments (including compensation for loss of office) | 4.0 | *1.4* |
| Company contributions to money purchase pension plans | 0.1 | *-* |

Retirement benefits are accrued under money purchase schemes to 2 of the directors (2012: 2 of the directors).
The emoluments of the highest paid director was £2.2m (2012: £0.7m). Company contributions to defined contribution pension schemes for the highest paid director amounted to £0.1m (2012: £nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2013

***11 Finance income and costs***

| | 2013 £m | *2012 £m* |
|---|---|---|
| Interest income | 0.6 | *0.5* |
| Dividend income | 0.4 | - |
| Income from interest rate swap against financial liabilities | - | *0.5* |
| Finance income | 1.0 | *1.0* |
| | | |
| Amortised fees | 3.1 | *3.8* |
| Other fees and interest | 0.8 | *1.0* |
| Interest cost on loans from related parties | 5.2 | *4.8* |
| Interest cost on senior secured loan notes | 16.4 | - |
| Interest cost on senior secured borrowings | 10.3 | *27.0* |
| Interest cost on payment in kind ("PIK") loan | 13.3 | *11.8* |
| Interest on preference shares classified as liabilities | 14.0 | *13.0* |
| Finance cost relating to pension scheme | 0.2 | *0.2* |
| Unwinding of discounted amount in provisions | 0.4 | - |
| Cost of interest rate swap against financial liabilities | 3.0 | *6.3* |
| Finance costs - ordinary | 66.7 | *67.9* |
| | | |
| Exceptional finance costs | | |
| Write off of unamortised fees of previous finance arrangement | 6.6 | - |
| Other fees and interest | 5.3 | - |
| Interest cost on senior secured borrowings | 0.5 | - |
| Finance costs - exceptional | 12.4 | - |
| | | |
| Finance costs - total | 79.1 | *67.9* |

Refinancing costs are expenses incurred in connection with the Group's refinancing exercise that completed in June 2013. The charge for the year includes the write off of unamortised fees under the previous finance arrangement plus non-capitalised fees and interest associated with the set up of the new finance arrangement.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2013

***12 Investments in associates***

| | 2013 £m | *2012 £m* |
|---|---|---|
| At 1 January | 9.4 | - |
| Additions | 4.0 | *9.1* |
| Share of profit | 1.6 | *0.3* |
| Other comprehensive income | (0.2) | - |
| Dividend received | (0.5) | - |
| At 31 December | 14.3 | *9.4* |

Associate investments are initially recorded at cost which is the fair value of the consideration paid.

The Group's share of the results of its associate and its aggregated assets and liabilities, are as follows:

| Name | % interest held | Assets £m | Liabilities £m | Revenues £m | Profit after tax £m |
|---|---|---|---|---|---|
| 31 December 2013 | | | | | |
| MyCSP Limited | 40% | 9.7 | (2.4) | 15.7 | 1.6 |
| | | 9.7 | (2.4) | 15.7 | 1.6 |
| *31 December 2012* | | | | | |
| *MyCSP Limited* | *40%* | *7.8* | *(1.3)* | *9.2* | *0.3* |
| | | *7.8* | *(1.3)* | *9.2* | *0.3* |

MyCSP Limited is incorporated in England & Wales. The Group acquired its interest in MyCSP Limited in May 2012.

The Group holds more than 20% of the equity shares of MyCSP Limited and exercises significant influence by virtue of its contractual right to appoint directors to the board of Directors and has the power to participate in the financial and operating policy decisions of MyCSP Limited.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

***13 Income tax credit***

Recognised in the statement of comprehensive income

| | Note | 2013 £m | *2012 £m* |
|---|---|---|---|
| Current tax charge for the Group | | | |
| Current year | | - | *0.1* |
| Deferred tax credit | | | |
| Origination and reversal of temporary differences | | (4.0) | *(3.6)* |
| Adjustment for prior years | | (0.3) | *(0.3)* |
| Total income tax credit | 19 | (4.3) | *(3.8)* |

Represented by:

| | Note | 2013 £m | *2012 £m* |
|---|---|---|---|
| Continuing operations per the statement of comprehensive income | | (4.3) | *(7.1)* |
| Disposals and discontinued operations | 22 | - | *3.3* |
| | | (4.3) | *(3.8)* |

Reconciliation of effective tax rate

| | 2013 £m | *2012 £m* |
|---|---|---|
| Loss for the year | (53.7) | *(18.4)* |
| Total tax credit | (4.3) | *(3.8)* |
| Loss excluding taxation | (58.0) | *(22.2)* |
| Tax using the UK corporation tax rate of 23.25% (2012: 24.5%) | (13.5) | *(5.4)* |
| Non-deductible expenses | 2.0 | *4.2* |
| Unrecognised tax assets | 8.1 | *(0.9)* |
| Adjustment for prior years | (0.3) | *(0.3)* |
| Difference in overseas tax rates | - | *(0.1)* |
| Effect of tax rate change | (0.6) | *(1.3)* |
| Total income tax credit | (4.3) | *(3.8)* |

The standard rate of Corporation tax in the UK changed from 24% to 23% with effect from 1 April 2013. Accordingly the Group's profits for this accounting year are taxed at an effective rate of 23.25%.

Factors affecting future tax charges

During the year, as a result of the changes in the UK corporation tax rate to 21% from 1 April 2014 and to 20% from 1 April 2015, which were substantially enacted on 2 July 2013, the relevant deferred tax balances have been remeasured.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

***14 Property, plant and equipment***

| Group | Leasehold improvements £m | Office equipment £m | Fixtures & fittings £m | Total £m |
|---|---|---|---|---|
| Cost | | | | |
| Balance at 1 January 2012 | 4.8 | 16.3 | 4.8 | 25.9 |
| Acquisition of business | - | 0.2 | - | 0.2 |
| Additions | 0.3 | 2.1 | 0.6 | 3.0 |
| Disposals | - | (0.1) | (0.7) | (0.8) |
| Assets of disposal group classified as held for sale | - | (0.5) | (0.5) | (1.0) |
| Balance at 31 December 2012 | 5.1 | 18.0 | 4.2 | 27.3 |
| Balance at 1 January 2013 | 5.1 | 18.0 | 4.2 | 27.3 |
| Acquisition of business | - | - | 0.1 | 0.1 |
| Additions | 0.3 | 3.4 | 0.2 | 3.9 |
| Balance at 31 December 2013 | 5.4 | 21.4 | 4.5 | 31.3 |
| Accumulated depreciation | | | | |
| Balance at 1 January 2012 | 1.8 | 10.3 | 2.2 | 14.3 |
| Depreciation charge for the year | 0.5 | 2.6 | 0.5 | 3.6 |
| Disposals | - | (0.1) | (0.6) | (0.7) |
| Assets of disposal group classified as held for sale | - | (0.3) | (0.3) | (0.6) |
| Balance at 31 December 2012 | 2.3 | 12.5 | 1.8 | 16.6 |
| Balance at 1 January 2013 | 2.3 | 12.5 | 1.8 | 16.6 |
| Depreciation charge for the year | 0.6 | 2.8 | 0.6 | 4.0 |
| Balance at 31 December 2013 | 2.9 | 15.3 | 2.4 | 20.6 |
| Net book value | | | | |
| Balance at 31 December 2012 | 2.8 | 5.6 | 2.4 | 10.8 |
| Balance at 31 December 2013 | 2.5 | 6.1 | 2.1 | 10.7 |

Included within office equipment are assets held under finance lease with a cost of £1.8m (2012: £1.8m). As at the year end these assets had a net book value of £0.5m (2012: £1.0m).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

### *15 Intangible assets*

| Group | Goodwill | Software development | Other intangible assets | Total |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| Cost | | | | |
| Balance at 1 January 2012 | 396.2 | 118.6 | 284.1 | 798.9 |
| Acquisition of business | 1.5 | - | 1.2 | 2.7 |
| Additions | - | 9.5 | - | 9.5 |
| Assets of disposal group classified as held for sale | (42.9) | (0.5) | (32.1) | (75.5) |
| Balance at 31 December 2012 | 354.8 | 127.6 | 253.2 | 735.6 |
| Balance at 1 January 2013 | 354.8 | 127.6 | 253.2 | 735.6 |
| Acquisition of business | 8.2 | - | 2.6 | 10.8 |
| Additions | - | 15.7 | - | 15.7 |
| Balance at 31 December 2013 | 363.0 | 143.3 | 255.8 | 762.1 |
| Accumulated amortisation | | | | |
| Balance at 1 January 2012 | - | 36.8 | 64.0 | 100.8 |
| Amortisation for the year | - | 13.4 | 22.2 | 35.6 |
| Assets of disposal group classified as held for sale | - | (0.5) | (12.0) | (12.5) |
| Balance at 31 December 2012 | - | 49.7 | 74.2 | 123.9 |
| Balance at 1 January 2013 | - | 49.7 | 74.2 | 123.9 |
| Amortisation for the year | - | 14.7 | 17.8 | 32.5 |
| Balance at 31 December 2013 | - | 64.4 | 92.0 | 156.4 |
| Net book value | | | | |
| Balance at 31 December 2012 | 354.8 | 77.9 | 179.0 | 611.7 |
| Balance at 31 December 2013 | 363.0 | 78.9 | 163.8 | 605.7 |

Other intangible assets relates to the fair value of assets acquired including customer relationships and order books as well as brands. The amortisation charge is shown as a separate line item in the statement of comprehensive income.

**Impairment testing**

Goodwill arose on the acquisitions of the Lloyds TSB Registrars business, Prosearch Asset Solutions Limited, David Venus & Company Limited, ICS Computing Limited, 360 Clinical Limited, Peter Evans Limited, Peter Evans & Associates Limited, Prism Communication & Management Limited and NatWest Stockbrokers in prior years. For goodwill on the acquisition of Killik Employee Share Services and Killik & CO LLP, see note 4. Goodwill is tested annually for impairment, the recoverable amount of cash-generating units for the above periods has been determined in accordance with IAS 36 "Intangible assets". This is determined by assessing the present value of net cash flows generated by the business over the period over which the management expects to benefit from the acquired business.

The recoverable amounts of the cash generating units ("CGUs") are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding discount rates and growth rates. The Group derives cash flows from its most recent business plans over a three year period. The projected cash flows are discounted using a weighted average cost of capital, reflecting current market assessments on debt/equity ratios of similar businesses and risks specific in the CGUs.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

### *15 Intangible assets (continued)*

The outcome of the impairment assessment has been that the directors do not consider that the goodwill has been impaired, given that the fair value less costs to sell is greater than the carrying value of goodwill.

| | 2013 | *2012* |
|---|---|---|
| Period on which management approved forecasts are based | 3 years | *3 years* |
| Growth rate applied beyond approved forecast period | 3.0% | *3.0%* |
| Discount rate pre tax | 9.0% | *9.0%* |

In the opinion of the Directors there are no reasonably possible changes to key assumptions which would cause the carrying value to exceed the recoverable amounts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

***16 Investments in subsidiaries***

The directors consider the value of the investments to be supported by their underlying assets. The Group has the following investments in subsidiaries:

| Name of controlled entity | Country of Incorporation | Class of shares held | Principal activities | Ownership 2013 % | *2012 %* |
|---|---|---|---|---|---|
| Direct Investments | | | | | |
| Equiniti Enterprises Limited | UK | Ordinary | Holding company | 100 | *100* |
| *Equiniti X2 Enterprises Limited | UK | Ordinary | Holding company | 100 | *100* |
| Indirect Investments | | | | | |
| *Equiniti X2 Mezz Cleanco Limited | UK | Ordinary | Holding company | 100 | *100* |
| *Equiniti X2 Mezzco Limited | UK | Ordinary | Holding company | 100 | *100* |
| *Equiniti X2 Cleanco Limited | UK | Ordinary | Holding company | 100 | *100* |
| *Equiniti X2 Inv Limited | UK | Ordinary | Holding company | 100 | *100* |
| *Equiniti X2 Holdings Limited | UK | Ordinary | Holding company | 100 | *100* |
| Equiniti PIK Cleanco Limited | UK | Ordinary | Holding company | 100 | *100* |
| Equiniti PIKco Limited | UK | Ordinary | Holding company | 100 | *100* |
| Equiniti Cleanco Limited | UK | Ordinary | Holding company | 100 | *100* |
| Equiniti Debtco Limited | UK | Ordinary | Holding company | 100 | *100* |
| Equiniti Holdings Limited | UK | Ordinary | Holding company | 100 | *100* |
| Equiniti Limited | UK | Ordinary | Registrars | 100 | *100* |
| Equiniti Financial Services Limited | UK | Ordinary | Financial services | 100 | *100* |
| Equiniti Jersey Limited | Channel Islands | Ordinary | Registrars | 100 | *100* |
| Prosearch Asset Solutions Limited | UK | Ordinary | Asset recovery | 100 | *100* |
| Equiniti Share Plan Trustees Limited | UK | Ordinary | Trustee company | 100 | *100* |
| Equiniti David Venus Limited | UK | Ordinary | Company secretarial | 100 | *100* |
| Equiniti ICS Limited | UK | Ordinary | Business process outsourcing | 100 | *100* |
| Equiniti ICS India (Private) Limited | India | Ordinary | Information technology enabled services | 100 | *100* |
| Equiniti 360 Clinical Limited | UK | Ordinary | Business process outsourcing | 100 | *100* |
| CES 2011 Limited | UK | Ordinary | Non trading | 100 | *100* |
| Equiniti Registrars Nominees Limited | UK | Ordinary | Non trading | 100 | *100* |
| Trust Research Services Limited | UK | Ordinary | Non trading | 100 | *100* |
| Indirect Investments | | | | | |
| Equiniti ISA Nominees Limited | UK | Ordinary | Non trading | 100 | *100* |
| Equiniti Nominees Limited | UK | Ordinary | Non trading | 100 | *100* |
| Equiniti Savings Nominees Limited | UK | Ordinary | Non trading | 100 | *100* |
| Equiniti Corporate Nominees Limited | UK | Ordinary | Non trading | 100 | *100* |
| Wealth Nominees Limited | UK | Ordinary | Non trading | 100 | *100* |
| LR Nominees Limited | UK | Ordinary | Non trading | 100 | *100* |
| Equiniti Shareview Limited | UK | Ordinary | Non trading | 100 | *100* |
| SLC Registrars Limited | UK | Ordinary | Non trading | 100 | *100* |
| SLC Corporate Services Limited | UK | Ordinary | Non trading | 100 | *100* |
| Connaught Secretaries Limited | UK | Ordinary | Non trading | 100 | *100* |
| Peter Evans Limited | UK | Ordinary | Holding company | 100 | *100* |
| Peter Evans & Associates Limited | UK | Ordinary | Business process outsourcing | 100 | *100* |
| Prism Communications & Management Limited | UK | Ordinary | Company secretarial | 100 | *100* |
| Prism Cosec Limited | UK | Ordinary | Non trading | 100 | *100* |



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

***16 Investments in subsidiaries (continued)***

| Name of controlled entity | Country of Incorporation | Class of shares held | Principal activities | Ownership 2013 % | *2012 %* |
|---|---|---|---|---|---|
| David Venus (Health & Safety) Limited | UK | Ordinary | Non trading | 100 | *100* |
| *Equiniti X2 Limited | UK | Ordinary | Holding company | 100 | *100* |
| *Equiniti X2 Solutions Limited | UK | Ordinary | Holding company | 100 | *100* |
| *Equiniti X2 Cap Limited | UK | Ordinary | Holding company | 100 | *100* |
| *Equiniti X2 Services Limited | UK | Ordinary | Holding company | 100 | *100* |
| *Equiniti Services Limited | UK | Ordinary | Holding company | 100 | *100* |
| Paymaster (1836) Limited | UK | Ordinary | Pensions administration | 100 | *100* |
| Claybrook Computing (Holdings) Limited | UK | Ordinary | Holding company | 100 | *100* |
| Claybrook Computing Limited | UK | Ordinary | Computer software consultancy | 100 | *100* |
| *Equiniti Software Limited | UK | Ordinary | Dormant | 100 | *100* |
| *Equiniti Solutions Limited | UK | Ordinary | Pensions administration | 100 | *100* |
| Hazell Carr Software Services Limited | UK | Ordinary | Dormant | 100 | *100* |
| InformationLog.com Limited | UK | Ordinary | Dormant | 100 | *100* |
| Equiniti Global Incentive Solutions Limited | UK | Ordinary | Non trading | 100 | - |
| Killik Employee Services (PTY) Limited | South Africa | Ordinary | Computer software development | 100 | - |
| Custodian Nominees Limited | UK | Ordinary | Holding company | 100 | - |
| Equiniti NewCo 2 Plc | UK | Ordinary | Holding company | 100 | - |
| >Xafinity Consulting Limited | UK | Ordinary | Employee benefit consultancy | 0 | *100* |
| >HR Trustees Limited | UK | Ordinary | Corporate trustee | 0 | *100* |
| >XPT Limited | UK | Ordinary | Corporate trustee | 0 | *100* |
| >Entegria Limited | UK | Ordinary | Dormant | 0 | *100* |
| >Xafinity Pensions Consulting Limited | UK | Ordinary | Pensions consulting | 0 | *100* |
| >Xafinity Trustees Limited | UK | Ordinary | Dormant | 0 | *100* |
| >Xafinity SIPP Services Limited | Scotland | Ordinary | Pensions administration | 0 | *100* |
| >Hazell Carr (PN) Services Limited | UK | Ordinary | Dormant | 0 | *100* |
| >Xafinity Pension Trustees Limited | UK | Ordinary | Dormant | 0 | *100* |
| >Hazell Carr (ES) Services Limited | UK | Ordinary | Dormant | 0 | *100* |
| >Hazell Carr (SA) Services Limited | Scotland | Ordinary | Dormant | 0 | *100* |
| >Hazell Carr (SG) Services Limited | UK | Ordinary | Dormant | 0 | *100* |
| >Hazell Carr (AT) Services Limited | Scotland | Ordinary | Pensions administration | 0 | *100* |

> In February 2013 these companies were disposed of as part of the sale of the Xafinity Consulting group.

* These companies changed their name in February 2013 when the Xafinity Consulting group was sold.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

### 17 Other financial assets

| | 2013 | 2012 |
|---|---|---|
| Non-current | £m | £m |
| Shares held in Euroclear plc | 6.1 | 6.1 |
| | 6.1 | 6.1 |

The investment in Euroclear plc is recorded at cost as Euroclear plc is unquoted and a fair value cannot be reliably determined. The directors consider that there are no impairment indications in relation to the investment.

### 18 Other financial liabilities

| | 2013 £m | 2012 £m |
|---|---|---|
| Non-current | | |
| Finance lease liabilities | 0.6 | 0.9 |
| | 0.6 | 0.9 |
| Current | | |
| Derivatives | 1.7 | 3.7 |
| Finance lease liabilities | 0.4 | 0.4 |
| | 2.1 | 4.1 |

### 19 Deferred income tax assets and liabilities

Recognised liabilities

Deferred income tax liabilities are attributable to the following:

| | Liabilities 2013 £m | Liabilities 2012 £m |
|---|---|---|
| Intangible assets | 21.8 | 25.8 |
| Tax liabilities | 21.8 | 25.8 |
| Net of tax assets | (18.3) | (17.2) |
| Net tax liabilities | 3.5 | 8.6 |

Recognised assets
Deferred income tax assets are attributable to the following:

| | Assets 2013 £m | Assets 2012 £m |
|---|---|---|
| Property, plant and equipment | 8.1 | 6.3 |
| Employee benefits | 2.0 | 1.4 |
| Tax value of loss carry-forwards | 8.2 | 9.5 |
| Tax assets | 18.3 | 17.2 |
| Net of tax liabilities | (18.3) | (17.2) |
| Net tax assets | - | - |



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

### 19 Deferred income tax assets and liabilities (continued)

Deferred income tax assets amounting to £18.8m (2012: £11.7m) arising on temporary timing differences of £93.9m (2012: £50.9m) in respect of unrecognised deferred tax assets have not been recognised as their future economic benefit is uncertain.

| *31 December 2012* | *1 January 2012 £m* | *Acquisitions / disposals £m* | *Recognised in income £m* | *Recognised in equity £m* | *31 December 2012 £m* |
|---|---|---|---|---|---|
| *Property, plant and equipment* | *7.3* | *(0.1)* | *(0.9)* | *-* | *6.3* |
| *Intangible assets* | *(30.6)* | *2.7* | *2.1* | *-* | *(25.8)* |
| *Rollover relief in respect of a gain* | *(3.1)* | *2.9* | *0.2* | *-* | *-* |
| *Employee benefits* | *1.2* | *-* | *(0.4)* | *0.6* | *1.4* |
| *Provisions* | *0.1* | *-* | *(0.1)* | *-* | *-* |
| *Tax value of loss carry-forwards* | *6.7* | *-* | *2.8* | *-* | *9.5* |
| | *(18.4)* | *5.5* | *3.7* | *0.6* | *(8.6)* |

| 31 December 2013 | 1 January 2013 £m | Acquisitions / disposals £m | Recognised in income £m | Recognised in equity £m | 31 December 2013 £m |
|---|---|---|---|---|---|
| Property, plant and equipment | 6.3 | - | 1.9 | - | 8.2 |
| Intangible assets | (25.8) | - | 4.0 | - | (21.8) |
| Employee benefits | 1.4 | - | (0.3) | 0.8 | 1.9 |
| Tax value of loss carry-forwards | 9.5 | - | (1.3) | - | 8.2 |
| | (8.6) | - | 4.3 | 0.8 | (3.5) |

### 20 Trade and other receivables

| | 2013 £m | 2012 £m |
|---|---|---|
| Trade receivables | 24.3 | 24.3 |
| Receivables due from related parties | - | 0.4 |
| Receivable balances from brokers | 7.0 | - |
| Balances owed by customers who are purchasing shares | 1.2 | - |
| Other receivables and prepayments | 32.4 | 31.1 |
| | 64.9 | 55.8 |

At 31 December 2013 trade receivables are shown net of an allowance for doubtful debts of £0.3m (2012: £0.6m). The impairment loss recognised in the year was £0.2m (2012: £0.5m).

In the prior year, trade and other receivables of £10.0m were transferred to held for sale (see note 22).

### 21 Cash and cash equivalents

| | 2013 £m | 2012 £m |
|---|---|---|
| Cash and cash equivalents per statement of financial position | 15.4 | 57.8 |
| Cash and cash equivalents per statement of cash flows | 15.4 | 57.8 |

The Group holds certain balances with banks in a number of segregated accounts. These balances are appropriately not included in the Group's consolidated balance sheet. The number of accounts and balances held vary significantly throughout the year.
In the prior year, cash and cash equivalents of £11.6m were transferred to held for sale (see note 22).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2013

**22 Disposals and discontinued operations**

| | *Xafinity Consulting 2012 £m* |
|---|---|
| Current assets | *85.5* |
| Current liabilities | *(13.7)* |
| Total net assets disposed | *71.8* |
| | |
| Total consideration | *78.4* |
| Net assets disposed | *(71.8)* |
| Disposal costs | *(2.8)* |
| Profit on disposal before taxation | *3.8* |

Total consideration included £2.5m of contingent consideration. The proceeds received in the cash flow statement are stated as total consideration less unpaid contingent consideration and disposal costs. The contingent consideration is split in to two parts. The first part, £1.0m was paid in May 2013 and was based on a successful segregation of discrete support activities being provided to Xafinity Consulting. The second part, £1.5m, will be paid to the Group if no warranty claims are made by May 2014, and will be due for payment in May 2014.

| Group | 2013 £m | *2012 £m* |
|---|---|---|
| Operating cash flows | - | *9.0* |
| Investing cash flows | - | *(0.6)* |
| Total cash flows | - | *8.4* |

a) Assets of disposal group classified as held for sale

| | 2013 £m | *2012 £m* |
|---|---|---|
| Property, plant and equipment | - | *0.3* |
| Goodwill | - | *43.0* |
| Intangible assets | - | *20.6* |
| Other current assets | - | *10.0* |
| Cash and cash equivalents | - | *11.6* |
| Total | - | *85.5* |

Included in the figures above for 2012 is £0.1m in goodwill and £0.6m in intangible assets relating Xafinity SIPP Services Limited's acquisition of Hazell Carr (AT) Services Limited during 2012.

b) Liabilities of disposal group classified as held for sale

| | 2013 £m | *2012 £m* |
|---|---|---|
| Provisions | - | *0.5* |
| Deferred income tax liabilities | - | *5.9* |
| Current income tax liabilities | - | *1.9* |
| Trade and other payables | - | *5.4* |
| Total | - | *13.7* |

Analysis of the result of discontinued operations, and the result recognised on the re-measurement of assets or disposal group is as follows:





**22 Disposals and discontinued operations (continued)**

| | 2013 £m | *2012 £m* |
|---|---|---|
| Revenue | 3.2 | *43.0* |
| Expenses | (2.8) | *(30.0)* |
| Profit before tax of discontinued operations | 0.4 | *13.0* |
| Tax | - | *(3.3)* |
| Profit after tax of discontinued operations | 0.4 | *9.7* |
| | | |
| Profit on disposal of Group companies | 3.3 | *-* |
| Profit for the year from discontinued operations | 3.7 | *9.7* |

**23 Interest-bearing loans and borrowings**

| | 2013 £m | *2012 £m* |
|---|---|---|
| Non-current liabilities | | |
| Senior secured notes | 440.0 | *-* |
| Secured bank loans | - | *497.3* |
| Equiniti Enterprises payment in kind ("PIK") facility | 135.0 | *122.3* |
| Unamortised cost of raising finance | (17.8) | *(6.0)* |
| Shares classified as debt | 188.9 | *174.9* |
| Non secured loan from related party | 68.3 | *63.2* |
| Non secured loan | 1.9 | *1.8* |
| | 816.3 | *853.5* |

Costs of raising finance are being amortised over a period between 5 and 6 years. In the year £9.7m (2012: £3.8m) has been recognised in finance expenses - amortised fees, of which £6.6m is exceptional, per note 11

| | 2013 £m | *2012 £m* |
|---|---|---|
| Current liabilities | | |
| Secured bank loans | - | *32.9* |
| Unamortised cost of raising finance | - | *(3.4)* |
| | - | *29.5* |

| Terms and debt repayment schedule | Amount £m | Currency | Nominal interest rate | Year of maturity |
|---|---|---|---|---|
| Senior Secured Notes | 250.0 | Sterling | 7.125% | 2018 |
| Senior Secured Floating Rate Notes | 190.0 | Sterling | Libor + 5.75% | 2018 |
| Equiniti Enterprises payment in kind ("PIK") facility | 135.0 | Sterling | Libor + 10.4% | 2019 |
| Shares classified as debt | 188.9 | Sterling | 8.0% | - |
| Non secured loan from related party | 68.3 | Sterling | 8.0% | 2020 |
| Non secured loan | 1.9 | Sterling | 8.0% | 2020 |
| | 834.1 | | | |

The Group also has available to it a revolving credit facility of £75m which is available to be drawn until 2018 but had not been drawn at the balance sheet date.

## 24 Trade and other payables

| | 2013 £m | 2012 £m |
|---|---|---|
| Trade payables | 2.8 | 3.6 |
| Accruals and deferred income | 38.1 | 30.4 |
| Amounts owed to customers who have sold shares | 8.2 | - |
| Other payables | 8.1 | 5.0 |
| | 57.2 | 39.0 |

In the prior year, other current liabilities of £5.4m were transferred to held for sale (see note 22).

## 25 Employee benefits

Employee co-investment plan

Prior to October 2007 all employees in Equiniti Enterprises Limited had the opportunity to purchase units under the co-investment plan. A unit was defined as a notional unit share equal in proportion to the ordinary share and preference shares held by Advent International Corporation.

The units will only vest on the occurrence of a return of capital to the entire business and the value of each unit will be determined in relation to the value of the ordinary shares and preference shares at that time. The proportion of ordinary shares and preference shares is 5% and 95% respectively. Unpaid dividends on preference shares accrue at 8% per annum and compounded annually.

A unit shall lapse on the earlier of the tenth anniversary of the scheme, an exit, the cessation of a persons employment, a participants bankruptcy or on notice of a voluntary winding up of the Company. Unless there has been an occurrence of a return of capital and the value of a unit has been determined to have increased, the repayment will be the grant price.

| | No of units 2013 In millions | Carrying amount 2013 £m | No of units 2012 In millions | Carrying amount 2012 £m |
|---|---|---|---|---|
| As at 1 January | 0.4 | 0.4 | 0.5 | 0.5 |
| Repayments to participants at the grant price | - | - | (0.1) | (0.1) |
| As at 31 December | 0.4 | 0.4 | 0.4 | 0.4 |

At the balance sheet date the units have been valued at £1 which, in the opinion of the Directors, is the higher of the subscription amount and the fair value of the units.

Management share scheme

A number of the Group's senior management are entitled to subscribe for a combination of B, C, D and E ordinary shares. Since the inception of the scheme a total of 250,910 B ordinary shares have been issued at a price of £1.43, 15,738 C ordinary shares at price of £3.33, 144,943 D ordinary shares at a price of £3.33 and £1.00 and 155,005 E ordinary shares at a price of £3.33. In total at 31 December 2013 566,596 shares had been issued for a consideration of £1,271,000.

The terms of the investment define "Good" and "Bad" leavers. A Bad leaver is an employee leaving the Group by dismissal. A Good leaver receives the value of the market value or subscription price.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2013

## 25 Employee benefits (continued)

During the year 45,040 E ordinary shares (2012: 58,070), 22,537 D ordinary shares (2012: 8,598), 5,348 C ordinary shares (2012: 926) and 52,500 B ordinary shares (2012: nil) were disposed of by leavers at the subscription amount of £0.3m (2012: £0.2), and acquired by Appleby Trust Jersey Limited. This company holds shares temporarily pending their purchase by authorised senior management. At 31 December 2013 the Appleby Trust held approximately 52,000 B ordinary shares, 6,000 C ordinary shares, 67,000 D ordinary shares and 92,000 E Ordinary shares at a consideration of £0.7m.

During the year 12,000 shares were acquired (2012: nil) by senior management, for a consideration of £nil (2012: £nil), from shares held by the Appleby Trust.

At the balance sheet date all shares were carried at an amount which, in the opinion of the Directors, is the higher of the subscription amount and the fair value of the shares.

The charge relating to the arrangement in the year and the prior year is not material and as such no charge has been recognised in the period, nor the prior year.

Defined contribution plans

The Group operates a number of defined contribution pension plans. The total expense relating to these plans in the year was £4.7m (2012: £5.1m).

Defined benefit plan - Summary of schemes

| | 2013 £m | 2012 £m |
|---|---|---|
| Equiniti ICS Limited | 0.9 | 1.1 |
| Paymaster (1836) Limited | 9.2 | 5.2 |
| Total of defined benefit plans liability as at 31 December | 10.1 | 6.3 |

Defined benefit plan - Equiniti ICS Limited

The Group operates a defined benefit pension plan in the UK in its subsidiary Equiniti ICS Limited. A full actuarial valuation was carried out at 30 November 2012 and updated to 31 December 2013 by a qualified independent actuary.

| | 2013 £m | 2012 £m |
|---|---|---|
| Present value of obligations (funded) | (9.9) | (8.7) |
| Fair value of plan assets | 9.0 | 7.6 |
| Recognised liability for defined benefit obligations | (0.9) | (1.1) |

Plan assets

The weighted average asset allocations at year end were as follows:

| | 2013 | 2012 |
|---|---|---|
| Equities | 85% | 85% |
| Corporate bonds | 8% | 8% |
| Cash | 7% | 7% |
| | 100% | 100% |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

***25 Employee benefits (continued)***

| | 2013 £m | 2012 £m |
|---|---|---|
| Actual return on plan assets | 1.3 | 0.7 |

To develop the expected long term rate of return on assets assumption, the Company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with other asset classes in which the portfolio is invested and the expectations of future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long term rate of return on assets assumption for the portfolio. This resulted in the selection of a 5.87% assumption for the overall expected rate of return on assets.

Movement in present value of defined benefit obligation

| | 2013 £m | 2012 £m |
|---|---|---|
| Defined benefit obligation at 1 January | 8.7 | 8.3 |
| Current service cost | 0.1 | 0.1 |
| Interest expense | 0.4 | 0.4 |
| Plan participants' contributions | 0.1 | 0.1 |
| Actuarial loss / (gain) | 0.8 | (0.1) |
| Benefits paid | (0.2) | (0.1) |
| Defined benefit obligation at 31 December | 9.9 | 8.7 |

Movement in fair value of plan assets

| | 2013 £m | 2012 restated £m |
|---|---|---|
| Fair value of plan assets at 1 January | 7.6 | 6.7 |
| Interest income | 0.3 | 0.3 |
| Actuarial gain | 1.0 | 0.4 |
| Employer contribution | 0.2 | 0.2 |
| Member contributions | 0.1 | 0.1 |
| Benefits paid | (0.2) | (0.1) |
| Fair value of plan assets at 31 December | 9.0 | 7.6 |

Expense recognised in statement of comprehensive income

| | 2013 £m | 2012 £m |
|---|---|---|
| Current service cost | 0.1 | 0.1 |
| Interest cost | 0.4 | 0.4 |
| Interest income | (0.3) | (0.3) |
| | 0.2 | 0.2 |

The current service cost is recognised in administrative expenses in the statement of comprehensive income. Interest costs and interest income are recognised in other finance charges in the statement of comprehensive income.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

***25 Employee benefits (continued)***

Actuarial gains and losses recognised in other comprehensive income

| | 2013 £m | 2012 £m |
|---|---|---|
| Cumulative loss at beginning of the year | (2.5) | (3.0) |
| Actuarial gains recognised in other comprehensive income | 0.2 | 0.5 |
| Cumulative loss at end of the year | (2.3) | (2.5) |

| Weighted average assumptions used to determine benefit obligations at: | 2013 | 2012 |
|---|---|---|
| Discount rate | 4.55% | 4.60% |
| Rate of compensation increase | 4.30% | 3.90% |
| Rate of increase in payment of currently accruing pensions (Post 6.4.06) | 2.20% | 2.10% |
| Rate of increase in payment of currently accruing pensions (Pre 6.4.06) | 3.20% | 2.90% |
| Rate of increase in pensions in deferment | 2.50% | 2.20% |
| Inflation | 3.30% | 2.90% |

Weighted average life expectancy for mortality tables used to determine benefit obligations at 31 December 2013:

| | Male | Female |
|---|---|---|
| Member age 65 (current life expectancy) | 86.6 | 89.2 |
| Member age 45 (life expectancy at 65) | 88.5 | 91.0 |

Contributions

Equiniti ICS Limited expects to contribute £0.2m to its pension plan in 2013.

Defined benefit plan - Paymaster (1836) Limited

The Group operates a defined benefit pension plan in the UK in its subsidiary Paymaster (1836) Limited. A full actuarial valuation was carried out at 6 April 2012 and updated to 31 December 2013 by a qualified independent actuary.

| | 2013 £m | 2012 £m |
|---|---|---|
| Present value of obligations | (40.6) | (35.2) |
| Fair value of plan assets | 31.4 | 30.0 |
| Recognised liability for defined benefit obligations | (9.2) | (5.2) |

Plan assets

The weighted average asset allocations at year end were as follows:

| | 2013 | 2012 |
|---|---|---|
| Equities | 63% | 63% |
| Corporate bonds | 26% | 26% |
| Cash | 11% | 11% |
| | 100% | 100% |

| | 2013 £m | 2012 £m |
|---|---|---|
| Actual return on plan assets | 1.5 | 1.7 |

### *25 Employee benefits (continued)*

To develop the expected long term rate of return on assets assumption, the Group considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with other asset classes in which the portfolio is invested and the expectations of future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long term rate of return on assets assumption for the portfolio. At 31 December 2013 the equity out performance allowance has remained the same as the previous year at 3.25%. This reflects the fact that gilt yields are at record lows, partly due to the effects of quantitative easing inflating gilt prices. As the long term outlook for equities will not be so effected it is believed that an increased allowance for extra return is justified and 3.25% is such a reasonable allowance. This has resulted in the selection of a 4.69% (2012: 4.69%) assumption for the overall expected rate of return on assets.

Movement in present value of defined benefit obligation

| | 2013 £m | *2012 £m* |
|---|---|---|
| Defined benefit obligation at 1 January | 35.2 | *30.5* |
| Current service cost | 0.7 | *0.8* |
| Interest expense | 1.6 | *1.5* |
| Plan participants' contributions | - | *0.1* |
| Benefits paid | (1.0) | *(1.1)* |
| Actuarial loss - experience losses | 0.1 | *1.5* |
| Actuarial loss - change in financial assumptions | 4.0 | *1.9* |
| Defined benefit obligation at 31 December | 40.6 | *35.2* |

Movement in fair value of plan assets

| | 2013 £m | *2012 £m* |
|---|---|---|
| Fair value of plan assets at 1 January | 30.0 | *28.2* |
| Interest income | 1.4 | *1.4* |
| Actuarial gain - return on plan assets | 0.1 | *0.3* |
| Employer contribution | 0.9 | *1.1* |
| Members' contributions | - | *0.1* |
| Benefits paid | (1.0) | *(1.1)* |
| Fair value of plan assets at 31 December | 31.4 | *30.0* |

Expense recognised in statement of comprehensive income

| | 2013 £m | *2012 £m* |
|---|---|---|
| Current service cost | 0.7 | *0.8* |
| Interest cost | 1.6 | *1.5* |
| Interest income | (1.4) | *(1.4)* |
| | 0.9 | *0.9* |

The current service cost is recognised within operating costs in the statement of comprehensive income. Interest costs and interest income are recognised in other finance charges in the statement of comprehensive income.

Actuarial gains and losses recognised in other comprehensive income




# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2013


### *25 Employee benefits (continued)*

| | 2013 £m | *2012 £m* |
|---|---|---|
| Cumulative loss at the beginning of the year | (6.2) | *(3.2)* |
| Actuarial loss recognised in other comprehensive income | (4.0) | *(3.0)* |
| Cumulative loss at the end of the year | (10.2) | *(6.2)* |

Weighted average assumptions used to determine benefit obligations at:

| | 2013 | *2012* |
|---|---|---|
| Discount rate | 4.60% | *4.60%* |
| Rate of compensation increase | 1.75% | *1.75%* |
| Rate of increase in payment of currently accruing pensions | 3.40% | *2.90%* |
| Rate of increase in pensions in deferment (Pre 6.4.09 service) | 3.40% | *2.50%* |
| Rate of increase in pensions in deferment (Post 6.4.09 service) | 3.40% | *2.90%* |
| Inflation assumption | 3.40% | *2.90%* |

Weighted average life expectancy for mortality tables (101% SAPS S1PMA, 88% SAPS S1PFA, 1% long term trend) used to determine benefit obligations at 31 December 2013 (PMA92, PFA92, Medium Cohort at 31 December 2012):

| | Male | Female |
|---|---|---|
| Member age 60 (current life expectancy) | 86.6 | 90.3 |
| Member age 45 (life expectancy at 65) | 88.2 | 91.9 |

Contributions
Paymaster (1836) Limited expects to contribute £1.2m to its pension plan in 2014.

### *26 Provisions for other liabilities and charges*

| | Contingent consideration £m | Other provisions £m | Total provisions £m |
|---|---|---|---|
| Balance at 1 January 2013 | 5.1 | 7.1 | 12.2 |
| Provisions made during the year | 0.6 | 2.2 | 2.8 |
| Provisions used during the year | (1.8) | (1.0) | (2.8) |
| Provisions reversed during the year | (1.7) | - | (1.7) |
| Unwinding of discounted amount | 0.4 | - | 0.4 |
| Balance at 31 December 2013 | 2.6 | 8.3 | 10.9 |
| | | | |
| Non-current | 0.9 | 6.1 | 7.0 |
| Current | 1.7 | 2.2 | 3.9 |
| | 2.6 | 8.3 | 10.9 |

Contingent consideration of £2.6m (2012: £5.1m) relates to various requirements to be met following the Group's acquisitions. The minimum value of these provisions could be £nil up to a maximum of £2.6m. These were discounted at an appropriate discount rate at the time of the acquisitions, 9%, and are provided within provisions due to their uncertainty. Management regularly reconsider the appropriateness of the discount rate used and update when appropriate. These are expected to be utilised over periods up to 2015.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

***26 Provisions for other liabilities and charges (continued)***

Other provisions include:

· A provision related to constructive compliance obligations in existence on the acquisition of the LTSB registrars business in 2007 for £2.5m (2012: £2.5m), provisions for dilapidations on this and subsequent acquisitions of £3.0m (2012: £3.0m).

· A provision of £2.2m that has been made against exceptional irrecoverable costs incurred on a number of complex long term contract. This is expected to be utilised in 2014.

· A provision of £0.6m relating to the remaining potential balances payable on an acquisition in 2010. This is expect to be finalised in 2014.

***27 Share capital and share premium***

| | Ordinary shares | Ordinary shares |
|---|---|---|
| In millions of shares | 2013 | *2012* |
| On issue at 1 January – fully paid | 5.0 | *5.0* |
| On issue at 31 December – fully paid | 5.0 | *5.0* |

| | Share capital 2013 £m | Share premium 2013 £m | Total 2013 £m |
|---|---|---|---|
| Allotted, called up and fully paid | 5.0 | 3.5 | 8.5 |
| | 5.0 | 3.5 | 8.5 |

Share capital comprises A, B, C, D and E ordinary share of £1 each. The A ordinary shares are primarily held by the holding company. The B, C, D and E shares are primarily held by senior management.

The B, C, D and E shares are entitled to share in the proceeds of a sale or a listing of the Group.

All shares are entitled to receive dividends from profits available for distribution pro rata to the nominal value of each share.

Each share has equal voting rights.

***28 Financial instruments***

Credit risk
The maximum exposure to credit risk at the reporting date was:

| | Note | 2013 £m | *2012 £m* |
|---|---|---|---|
| Trade and other receivables | 20 | 64.9 | *55.8* |
| Cash and cash equivalents | 21 | 15.4 | *57.8* |
| | | 80.3 | *113.6* |

Credit risk mitigation
Trade and other receivables are due from primarily FTSE listed companies, their pension funds and major UK public bodies both of which historically have few occurrences of defaults in the past.

For cash, cash equivalents and derivative financial instruments, only banks and financial institutions with a minimum rating of A are accepted.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

***28 Financial instruments (continued)***

| The ageing of trade receivables at the reporting date was: | 2013 £m | *2012 £m* |
|---|---|---|
| Not past due | 16.5 | *15.6* |
| Past due 0-30 days | 5.6 | *5.5* |
| Past due 31-90 days | 1.6 | *1.7* |
| Past due more than 90 days | 0.6 | *1.5* |
| | 24.3 | *24.3* |

Trade receivables not past due of £16.5m (2012: £15.6m) are all existing customers with no defaults in the past.

Based on historic performance of these contracts, the Group has made an impairment allowance of £0.3m (2012: £0.6m) in respect of trade receivables. Where impairment allowances are made these are for the full value of the impaired debt.

Group impairment losses

| | 2013 £m | *2012 £m* |
|---|---|---|
| Balance at 1 January | 0.6 | *0.6* |
| New provisions made in year | 0.2 | *0.5* |
| Release against receivables written off | (0.5) | *(0.2)* |
| Transfer to disposal group classified as held for sale | - | *(0.3)* |
| Balance at 31 December | 0.3 | *0.6* |

Liquidity risk
The maximum exposure to liquidity risk at the reporting date was:

| | | Carrying Amount | |
|---|---|---|---|
| | Note | 2013 £m | *2012 £m* |
| Trade and other payables | 24 | 57.2 | *39.0* |
| Employee benefits | 25 | 0.4 | *0.4* |
| Other financial liabilities | 18 | 1.0 | *1.3* |
| Derivatives | 18 | 1.7 | *3.7* |
| Senior secured notes | 23 | 440.0 | *-* |
| Secured bank loans | 23 | - | *530.2* |
| Equiniti Enterprises payment in kind ("PIK") facility | 23 | - | *122.3* |
| Unamortised cost of raising finance | 23 | (17.8) | *(9.4)* |
| Shares classified as debt | 23 | 188.9 | *174.9* |
| Non secured loan from related party | 23 | 68.3 | *63.2* |
| Non secured loan | 23 | 1.9 | *1.8* |
| | | 741.6 | *927.4* |

All trade and other payables are expected to be paid in 6 months or less.

Employee benefits become repayable when the units lapse, as described in note 25.

The contractual cash flows including interest payments for the interest-bearing loans and borrowings and derivatives are shown in the table in this note 28, under interest rate risk below.

**28 Financial instruments (continued)**

Liquidity risk mitigation
The Group regularly updates forecasts for cash flow and covenants to ensure it has sufficient funding available. The Group also has revolving credit facilities of £75.0m available.

Capital risk
The Group's objectives when managing capital is to maximise shareholder value whilst safeguarding the Group's ability to continue as a going concern. Total capital is calculated as total equity as shown in the balance sheet, plus net debt. Net debt is calculated as the total of interest bearing loans and borrowings as shown in the balance sheet, less cash and cash equivalents.

Management of capital

| | 2013 £m | *2012 £m* |
|---|---|---|
| Equity | (184.0) | *(128.9)* |
| Interest-bearing loans and borrowings | 816.3 | *883.0* |
| Cash and cash equivalents | (15.4) | *(57.8)* |
| | 616.9 | *696.3* |

Interest rate risk
Interest bearing assets comprise cash and bank deposits, all of which earn interest at a variable rate.

£250m of the senior secured notes were issued at fixed interest rates. £190m are senior secured floating rate notes. Where the interest rate is variable at a margin over LIBOR, a swap has been taken out to fix this rate until October 2016. For the payment in kind facilities interest accrues at a variable rate at a margin over Libor and the Group policy is not to fix these as there is no cash flow in the immediate term.

The Group's policy is to maintain other borrowings at fixed rates to fix the amount of future interest cash flows.

Interest rate risk is managed across the Group's companies by monitoring its interest linked revenues.

The directors monitor the overall level of borrowings, leverage ratio and interest costs to limit any adverse effects on financial performance of the Group.

Effective interest rates and repricing analysis

The following are the contractual maturities of interest bearing financial liabilities including interest payments;

30 December 2012
Group

| Amount in £m's | Xafinity Investments secured bank loan | *Equiniti Enterprises secured bank loan* | *Equiniti Enterprises PIK loan* | *Shares classified as Debt* | *Total* |
|---|---|---|---|---|---|
| Effective interest rate % | 5.25% - 8.5% | *4.0%* | *10.0%* | *8.0%* | |
| Carrying amount | 113.7 | *416.5* | *122.3* | *174.9* | *827.4* |
| 0-1 years | (15.5) | *(39.4)* | - | - | *(54.9)* |
| 1-2 years | (14.6) | *(24.5)* | - | - | *(39.1)* |
| 2-5 years | (130.2) | *(392.0)* | *(196.1)* | - | *(718.3)* |
| 5 years and over | - | - | - | *(249.9)* | *(249.9)* |
| Total contracted cash flows | (160.3) | *(455.9)* | *(196.1)* | *(249.9)* | *(1,062.2)* |




# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2013


**28 Financial instruments (continued)**

31 December 2013
Group

| Amount in £m's | Senior Secured Notes | Senior Secured Floating Rate Notes | Equiniti Enterprises PIK loan | Shares classified as Debt | Total |
|---|---|---|---|---|---|
| Effective interest rate % | 7.125% | 6.25% | 10.9% | 8.0% | |
| Carrying amount | 250.0 | 190.0 | 135.0 | 188.9 | 763.9 |
| 0-1 years | (17.0) | (11.4) | - | - | (28.4) |
| 1-2 years | (17.8) | (11.9) | - | - | (29.7) |
| 2-5 years | (303.5) | (225.7) | - | - | (529.2) |
| 5 years and over * | - | - | (239.3) | (249.9) | (489.2) |
| Total contracted cash flows | (338.3) | (249.0) | (239.3) | (249.9) | (1,076.5) |

* The shares classified as debt are redeemable on a change of control of the business but do not confer any rights of redemption no any right to vote. They have the right to a fixed dividend of 8%. Unpaid dividends accrue and are compounded annually.

The Equiniti Enterprises PIK loan is repayable in 2019 and has an interest rate of Libor plus 10.4%. Interest accrues and is compounded annually.

In addition non current non secured loans with a carrying value of £54.1m (2012: £50.1m) including a loan to related parties of £52.3m (2012: £48.4m) with an interest rate of 8% are repayable on exit with a contracted cash flow of £85.9m (2012: £77.9m). Current non secured loans due to related parties of £16.0m (2012: £14.9m) with an interest rate of 8% are repayable on demand and have a contracted cash flow of £25.5m (2012: £23.6m).

The following tables indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur and are expected to impact the profit and loss;

30 December 2012

| | Assets | Interest rate swaps Liabilities | Total |
|---|---|---|---|
| Carrying Amount | 0.1 | (3.8) | (3.7) |
| Expected cash flows | 0.1 | (3.8) | (3.7) |
| 6 months or less | 0.1 | (0.9) | (0.8) |
| 6-12 months | - | (0.6) | (0.6) |
| 1-2 years | - | (1.0) | (1.0) |
| 2-5 years | - | (1.3) | (1.3) |
| Total contracted cash flows | 0.1 | (3.8) | (3.7) |

31 December 2013

| Amount in £m's | Assets | Interest rate swaps Liabilities | Total |
|---|---|---|---|
| Carrying Amount | 1.6 | (3.3) | (1.7) |
| Expected cash flows | 1.5 | (3.4) | (1.9) |
| 6 months or less | (0.4) | 0.3 | (0.1) |
| 6-12 months | (0.2) | 0.2 | - |
| 1-2 years | 0.5 | (1.0) | (0.5) |
| 2-5 years | 1.6 | (2.9) | (1.3) |
| Total contracted cash flows | 1.5 | (3.4) | (1.9) |

### 28 Financial instruments (continued)

Interest rate liabilities relate to two separate swaps. The first hedges monthly interest payable on secured bank loans based on Libor against a fixed rate, the second hedges monthly fee income earned on funds under the administration of the group on bank base rate against a fixed rate which runs through to October 2016.

Sensitivity analysis
At the balance sheet date it is estimated that an increase of one percentage point in interest rates would increase the finance costs for the Group by an estimated £1.4m which is payable in kind on the PIK facility per annum and give rise to an estimated increase in revenue across the Group of £0.6m, yielding a net reduction to equity of £0.6m after tax.

The sensitivity analysis above is calculated after taking account of the effect of the interest rate swaps the Group holds.

Fair value hierarchy
The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2013.

| | Level 1 £m | Level 2 £m | Level 3 £m | Total £m |
|---|---|---|---|---|
| Liabilities | | | | |
| Derivatives used for hedging | - | 1.7 | - | 1.7 |
| Total liabilities | - | 1.7 | - | 1.7 |

There were no transfers between Levels during the year.

Valuation techniques used to derive Level 2 fair values

Level 2 hedging derivatives comprise solely interest rate swaps. These interest rate swaps are fair valued using forward interest rates extracted from observable yield curves. The effects of discounting are generally insignificant for Level 2 derivatives.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no changes in valuation techniques during the year.

The valuation technique used is a discounted cash flow model.

Group's valuation processes

The Group's finance department includes a team that monitors and obtains the valuations of financial assets and liabilities required for financial reporting purposes. This team ultimately reports to the Chief Financial Officer and the Audit Committee. Valuations are reviewed at least once every quarter, in line with the Group's quarterly reporting dates.

Fair value of financial assets and liabilities

There are no material differences between the carrying value of assets and liabilities and their fair value. The only financial instrument measured at fair value is the interest rate swap.





### 29 Operating leases

Future aggregate minimum lease payments relate primarily to the Group's premises and are payable as follows:

| | 2013 £m | *2012 £m* |
|---|---|---|
| Less than one year | 4.7 | *5.4* |
| Between one and five years | 10.7 | *13.9* |
| More than five years | 6.1 | *10.0* |
| | 21.5 | *29.3* |

During the year £5.4m (2012: £6.0m) was recognised as an expense in the statement of comprehensive income in respect of operating leases.

Included in operating leases are £nil (2012: £0.7m) due within one year and £nil (2012: £0.5m) due between two and five years which relates to Xafinity Consulting, the business that the Group sold in February 2013.

### 30 Related party transactions

During the year interest of £5.1m (2012: £4.7m) accrued on a loan bearing interest at 8% from Equiniti (Luxembourg) Sarl, leaving a balance outstanding at the year end of £68.9m (2012: £63.8m).

During the year interest of £0.1m (2012: £0.1m) accrued on a loan bearing interest at 8% from key management personnel, leaving a balance outstanding at the year end of £1.3m (2012: £1.2m).

Transactions with key management personnel

The compensation of key management personnel (including the directors) is as follows:

| | 2013 £m | *2012 £m* |
|---|---|---|
| Key management emoluments including social security costs | 5.6 | *2.6* |
| Company contributions to money purchase pension plans | 0.1 | *0.1* |
| Compensation for loss of office | 2.0 | *0.3* |
| | 7.7 | *3.0* |

Key management are the directors of the Group (includes non-executives), as well as the senior non-statutory director of each of the major subsidiaries, who have authority and responsibility to control, direct or plan the major activities within the Group.

As detailed in note 25, key management are entitled to subscribe for a combination of B, C, D and E ordinary shares. The value of shares held is as follows;

| | 2013 £m | *2012 £m* |
|---|---|---|
| Opening balance | 0.4 | *0.6* |
| Sales by key management | (0.1) | *(0.2)* |
| Closing balance | 0.3 | *0.4* |

Advent International plc
See page 40 for information about the ultimate controlling party, Advent International plc. £0.1m (2012: £0.1m) has been paid to various companies of the ultimate parent company for services received.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

### *31 Ultimate parent company and controlling party*

The Company is a wholly owned subsidiary of Equiniti (Luxemburg) Sarl, a Company incorporated in Luxemburg. The ultimate controlling party relationship lies with the funds managed by Advent International Corporation, a group incorporated in the United States of America.

### *32 Post balance sheet events*

On 18 March 2014, the Group purchased the entire issued share capital of Pancredit Systems Limited for £14.5m, with £12.0m payable in cash on completion and the balance one year later. The business is expected to have net assets of £2.6m on that date with a cash balance of £3.2m. In the last full year prior to acquisition, the business generated revenues of £4.6m and an operating profit of £1.3m. The business sells and supports software to manage unsecured loan administration. The acquisition has been funded by drawing on the revolving credit facility.

### *33 Reconciliation of profit / (loss) to cash generated from operations*

| | 2013<br>£m | *2012<br>£m* |
|---|---|---|
| Continuing operations | | |
| Adjustments for: | | |
| Loss before income tax | (61.7) | *(35.2)* |
| Depreciation and amortisation | 36.5 | *36.5* |
| Share of profit of associates | (1.6) | *(0.3)* |
| Finance income | (1.0) | *(1.0)* |
| Finance costs | 79.1 | *67.9* |
| Changes in working capital | | |
| (Increase) / decrease in trade and other receivables | (7.7) | *6.1* |
| Increase in trade and other payables | 13.9 | *4.6* |
| Decrease in provisions | 0.3 | (0.7) |
| Decrease in employee benefits | - | *(0.3)* |
| Group relief received | 1.8 | *5.9* |
| | 59.6 | *83.6* |

| | 2013<br>£m | *2012<br>£m* |
|---|---|---|
| Discontinued operations | | |
| Adjustments for: | | |
| Profit for the year before tax | 3.7 | *13.0* |
| Depreciation and amortisation | - | *1.4* |
| Profit on disposal of subsidiaries | (3.7) | - |
| Changes in working capital | | |
| Increase in trade and other receivables | - | *(0.2)* |
| Increase in trade and other payables | - | *0.8* |
| Decrease in provisions | - | *(0.2)* |
| Tax paid | - | *(5.8)* |
| | - | *9.0* |
| Total cash generated from operations | 59.6 | *92.6* |

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EQUINITI GROUP LIMITED

## Our opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## What we have audited

The financial statements for the year ended 31 December 2013, which are prepared by Equiniti Group Limited, comprise:

- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows;
- the Accounting Policies; and
- related notes.

The financial reporting framework that has been applied in their preparation comprises applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

## What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the report of the directors and financial statements identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EQUINITI GROUP LIMITED

### Directors' remuneration

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

## Responsibilities for the financial statements and the audit

### Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 47, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Graham Lambert (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick
26 March 2014

# COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 December 2013

| | Note | 2013 £m | 2012 £m |
|---|---|---|---|
| Assets | | | |
| Non-current assets | | | |
| Investments in subsidiaries | 8 | 8.5 | 8.5 |
| Investments | 9 | 6.1 | - |
| Other financial assets | 10 | 8.8 | 7.4 |
| | | 23.4 | 15.9 |
| Current assets | | | |
| Tax receivable | | - | 0.1 |
| Trade and other receivables | 12 | 0.5 | 0.2 |
| Cash and cash equivalents | 13 | 3.0 | 4.2 |
| | | 3.5 | 4.5 |
| Total assets | | 26.9 | 20.4 |
| Equity and liabilities | | | |
| Equity | | | |
| Share capital | 14 | 5.0 | 5.0 |
| Share premium | 14 | 3.5 | 3.5 |
| Retained earnings | | (0.7) | - |
| Total equity | | 7.8 | 8.5 |
| Liabilities | | | |
| Current liabilities | | | |
| Other financial liabilities | 11 | 19.1 | 11.9 |
| | | 19.1 | 11.9 |
| Total liabilities | | 19.1 | 11.9 |
| Total equity and liabilities | | 26.9 | 20.4 |

The notes on pages 96 to 102 form part of these financial statements.
These financial statements on pages 93 to 102 were approved by the board of directors on 26 March 2014 and were signed on its behalf by:

Martyn Hindley
Director

# COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2013

| | Share capital £m | Share premium £m | Retained earnings £m | Total equity £m |
|---|---|---|---|---|
| Balance at 1 January 2012 | *5.0* | *3.5* | *0.4* | *8.9* |
| Loss after tax and total comprehensive income for the year | *-* | *-* | *(0.4)* | *(0.4)* |
| Balance at 31 December 2012 | *5.0* | *3.5* | *-* | *8.5* |
| Balance at 1 January 2013 | 5.0 | 3.5 | - | 8.5 |
| Loss after tax and total comprehensive income for the year | - | - | (0.7) | (0.7) |
| Balance at 31 December 2013 | 5.0 | 3.5 | (0.7) | 7.8 |

The notes on pages 96 to 102 form part of these financial statements.

# COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 December 2013

| | Note | 2013 £m | 2012 *£m* |
|---|---|---|---|
| *Cash flows from operating activities* | | | |
| Loss before tax | | (0.7) | *(0.5)* |
| *Adjustments for:* | | | |
| Finance income | | (0.4) | *(0.4)* |
| Financial expense | | 1.1 | 0.8 |
| | | - | (0.1) |
| Increase in trade and other receivables | | (0.3) | (0.3) |
| | | (0.3) | (0.4) |
| Group relief paid | | 0.1 | (0.1) |
| Net cash outflow from operating activities | | (0.2) | (0.5) |
| *Cash flows from investing activities* | | | |
| Interest received | | - | *0.1* |
| Net cash inflow from investing activities | | - | *0.1* |
| *Cash flows from financing activities* | | | |
| Loans from related parties | | (0.1) | 0.1 |
| Loans to related parties | | (0.9) | *(1.4)* |
| Net cash outflow from financing activities | | (1.0) | *(1.3)* |
| Net decrease in cash and cash equivalents | | (1.2) | *(1.7)* |
| Cash and cash equivalents at 1 January | | 4.2 | *5.9* |
| Cash and cash equivalents at 31 December | 13 | 3.0 | *4.2* |

The notes on pages 96 to 102 form part of these financial statements.

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2013

### *1 Accounting policies*

Equiniti Group Limited (the "Company") is a limited company incorporated and domiciled in the UK. The principal activity of the Company is that of a holding company. The registered office is Sutherland House, Russell Way, Crawley, West Sussex, RH10 1UH.

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the going concern basis.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 19.

The Company has taken advantage of the exemption provided under section 408 of the Companies Act 2006 not to publish its individual statement of comprehensive income and related notes. The loss for the year was £0.7m (2012: loss of £0.4m).

*Measurement convention*
The financial statements are prepared on the historical cost basis.

*Investments in subsidiaries*
Investments in subsidiaries are carried at cost less any provisions for impairment.

*Cash and cash equivalents*
Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of financial position and the statement of cash flows.

*Share capital*
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

*Net finance costs*
Net finance costs comprise interest payable, interest receivable on own funds, dividend income and foreign exchange gains and losses that are recognised in the statement of comprehensive income.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the statement of comprehensive income on the date the entity's right to receive payments is established.

*Taxation*
Tax on the profit for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2013

### *1 Accounting policies (continued)*

*New standards and interpretations not yet adopted*
a) New and amended standards adopted by the company

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2013 that would be expected to have a material impact on the company.

b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the company.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the company.

### *2 Financial risk management*

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

Risk management policies are established for the Equiniti Group Limited group of companies (the "Group") including Equiniti Group Limited and the Group Audit Committee oversees how management monitors compliance with these policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Group Audit Committee is assisted in its oversight role by Internal Audit and Compliance Monitoring. Internal Audit and Compliance Monitoring undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

*Credit risk*
Credit risk is the risk of financial loss to the Company if a customer or counterparty, including brokers, to a financial instrument fails to meet its contractual obligations.

*Liquidity risk*
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that the Company will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

*Market risk*
Market risk is the risk that changes in market prices such as interest rates, foreign exchange rates and equity prices will effect the Company's income or the value of its financial instruments.

The Company does not engage in holding speculative financial instruments or their derivatives. Further details in relation to financial risk management are contained in note 15 to these financial statements.

### *3 Capital risk management*

Equiniti Group Limited is focused on delivering value for its shareholders whilst ensuring the Company is able to continue effectively as a going concern. Value adding opportunities to grow the business are continually assessed, although strict and careful criteria are applied.

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2013

### 4 Auditors' remuneration

Auditors' remuneration of £1,250 (2012: £1,250) was borne by a subsidiary company.

### 5 Staff numbers and costs

The Company has no employees other than the directors. Services to the Company are provided by staff employed by other companies within the Group.

### 6 Directors' remuneration

The costs of the directors are borne by subsidiaries of the Company. There are no costs to the Company for their services.

### 7 Income tax credit

Recognised in the statement of comprehensive income

| | 2013<br>£m | *2012*<br>*£m* |
|---|---|---|
| Current tax credit for the Company | | |
| Group relief receivable | - | *(0.1)* |
| Total tax in the statement of comprehensive income | - | *(0.1)* |

Reconciliation of effective tax rate

| | 2013<br>£m | *2012*<br>*£m* |
|---|---|---|
| Loss for the year | (0.7) | *(0.4)* |
| Total tax credit | - | *(0.1)* |
| Loss excluding taxation | (0.7) | *(0.4)* |
| Tax using the UK corporation tax rate of 23.25% (2011: 24.5%) | (0.2) | *(0.1)* |
| Non-deductible expenses | 0.2 | - |
| Total tax credit | - | *(0.1)* |

The standard rate of Corporation tax in the UK changed from 24% to 23% with effect from 1 April 2013. Accordingly the company's profits for this accounting year are taxed at an effective rate of 23.25%.

Factors affecting future tax charges

During the year, as a result of the changes in the UK corporation tax rate to 21% from 1 April 2014 and to 20% from 1 April 2015, which were substantially enacted on 2 July 2013, the relevant deferred tax balances have been remeasured.




# NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2013


### 8 Investments in subsidiaries

The Company has the following investments in subsidiaries:

| | 2013<br>£m | *2012*<br>*£m* |
|---|---|---|
| Cost and net book value | | |
| At beginning of year | 8.5 | *8.5* |
| At end of year | 8.5 | *8.5* |

The directors consider the value of the investments to be supported by their underlying assets. The Company has the following direct investments in subsidiaries:

| Name of controlled entity | Country of Incorporation | Class of shares held | Principal activities | Ownership 2013<br>% | *Ownership 2012*<br>*%* |
|---|---|---|---|---|---|
| Equiniti Enterprises Limited | UK | Ordinary | Holding company | 100 | *100* |
| *Equiniti X2 Enterprises Limited | UK | Ordinary | Holding company | 100 | *100* |

A more comprehensive listing of indirectly owned subsidiaries is provided in the consolidated financial statements of Equiniti Group Limited.

* The company changed its name from Xafinity Enterprises Limited to Equiniti X2 Enterprises Limited following the sale of the Xafinity Consulting business in February 2013.

### 9 Investments

The company has the following investments

| | 2013<br>£m | *2012*<br>*£m* |
|---|---|---|
| Shares held in Euroclear plc | 6.1 | - |
| | 6.1 | - |

During the year, the investment of shares in Euroclear plc were transferred from Equiniti Limited to Equiniti Group Limited at cost.

### 10 Other financial assets

| | 2013<br>£m | *2012*<br>*£m* |
|---|---|---|
| Non-current | | |
| Intercompany loan due from related parties | 8.8 | *7.4* |
| | 8.8 | *7.4* |

### 11 Other financial liabilities

| | 2013 £m | *2012 £m* |
|---|---|---|
| Current | | |
| Amounts classified as other financial liabilities due to related parties | 19.1 | *11.9* |
| | 19.1 | *11.9* |

### 12 Trade and other receivables

| | 2013 £m | *2012 £m* |
|---|---|---|
| Other receivables and prepayments | 0.5 | *0.3* |
| | 0.5 | *0.3* |

### 13 Cash and cash equivalents

| | 2013 £m | *2012 £m* |
|---|---|---|
| Cash and cash equivalents per statement of financial position | 3.0 | *4.2* |
| Cash and cash equivalents per statement of cash flows | 3.0 | *4.2* |

### 14 Share capital and reserves

| | Ordinary shares | *Ordinary shares* |
|---|---|---|
| In millions of shares | 2013 | *2012* |
| On issue at beginning of year | 5.0 | *5.0* |
| On issue at 31 December – fully paid | 5.0 | *5.0* |

| | Share capital 2013 £m | Share premium 2013 £m | Total 2013 £m | Total *2012 £m* |
|---|---|---|---|---|
| Allotted, called up and fully paid | | | | |
| Shares of £1 each | 5.0 | 3.5 | 8.5 | *8.5* |
| | 5.0 | 3.5 | 8.5 | *8.5* |



# NOTES TO THE COMPANY FINANCIAL STATEMENTS
for the year ended 31 December 2013

### 15 Financial instruments

Credit risk

The maximum exposure to credit risk at the reporting date was:

| | Note | Carrying amount 2013 £m | *Carrying amount 2012 £m* |
|---|---|---|---|
| Loans and receivables due from related parties | 10 | 8.8 | *7.4* |
| Trade and other receivables | 12 | 0.5 | *0.3* |
| Cash and cash equivalents | 13 | 3.0 | *4.2* |
| | | 12.3 | *11.8* |

Credit risk mitigation

No amounts were past due, the company holds no collateral as security.

For cash and cash equivalents, only banks and financial institutions with a minimum rating of A are accepted.

Liquidity risk

The maximum exposure to liquidity risk at the reporting date was:

| | | Carrying amount 2013 £m | *Carrying amount 2012 £m* |
|---|---|---|---|
| Loans from related parties | 11 | 19.1 | *11.9* |
| | | 19.1 | *11.9* |

Loans from related parties are repayable on demand.

Capital risk

The Company's objectives when managing capital is to maximise shareholder value whilst safeguarding the Company's ability to continue as a going concern. Total capital is calculated as total equity as shown in the balance sheet.

| Management of capital | 2013 £m | *2012 £m* |
|---|---|---|
| Equity | 7.8 | *8.5* |
| | 7.8 | *8.5* |

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2013

***16 Related party transactions***

Company

An interest bearing loan from Equiniti PIKco Limited of £11.0m (2012: £11.0m) accrued interest of £0.9m (2012: £0.7m) in the year. Charges of £0.1m were transferred to Equiniti PIKco Limited leaving £12.6m (2012: £11.8m) was outstanding at the year end.

During the year the Company incurred charges from Equiniti Enterprises Limited of £6.1m (2012: £nil). Interest of £0.2m (2012: £nil) was charged leaving a balance outstanding at year end of £6.3m (2012: £nil)

During the year £1.0m was transferred to its subsidiary Equiniti Limited and amounts of £0.2m (2012: £0.1m) were charged. This left a balance outstanding at the year end of £1.1m (2012: £0.1m owed to Equiniti Limited).

During the year interest of £0.2m (2012: £0.2m) accrued on loans made to its subsidiary company, Equiniti Inv Limited (formerly Xafinity Investments Limited). £7.7m (2012: £3.2m) was outstanding at the year end.

During the year the Company received interest of £0.1m (2012: £0.2) from its subsidiary Equiniti Services Limited. The loans were settled during the year leaving a balance outstanding of £nil (2012: £4.1m) at the year end.

***17 Ultimate parent company and controlling party***

The Company is a wholly owned subsidiary of Equiniti (Luxemburg) Sarl, a company incorporated in Luxemburg. The ultimate controlling party relationship lies with the funds managed by Advent International Corporation, a group incorporated in the United States of America.

***18 Post balance sheet event***

There have been no events subsequent to the balance sheet date which require disclosure in, or adjustment to, the financial statements.

***19 Accounting estimates and judgements***

There are no accounting policies where the use of assumptions and estimates are determined to be significant to the financial statements.

*Samantha John, HR Projects Partner*

Our people are at the heart of the market innovations and quality of service we deliver

*Joe Connolly, Senior Corporate Actions Officer*

**EQUINITI GROUP LIMITED**
Registered Number: 07090427

**HEAD OFFICE**
3 Minster Court
Mincing Lane
London
EC3R 7DD

**REGISTERED ADDRESS**
Sutherland House
Russell Way
Crawley
West Sussex
RH10 1UH

www.equiniti.com

EQUINITI