

Company Registration No. 1396443 (England and Wales)

**CAPITA COMMERCIAL SERVICES LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

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# CAPITA COMMERCIAL SERVICES LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	N N Bedford A M Pell A Dunn A G Jackson R Holland
<b>Secretary</b>	Capita Company Secretarial Services Limited
<b>Company number</b>	1396443
<b>Registered office</b>	71 Victoria Street Westminster London SW1H 0XA
<b>Auditors</b>	Ernst & Young LLP 1 More London Place London SE1 2AF
<b>Bankers</b>	Barclays Bank PLC 1 Churchill Place London E14 5HP

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# **CAPITA COMMERCIAL SERVICES LIMITED**

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# **CAPITA COMMERCIAL SERVICES LIMITED**

## **DIRECTORS' REPORT**

### ***FOR THE YEAR ENDED 31 DECEMBER 2007***

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The directors present their report and financial statements for the year ended 31 December 2007

#### **Principal activities and review of the business**

The company is a wholly owned subsidiary (indirectly held) of The Capita Group Plc and operates within the group's Insurance & Specialist Services division

The principal activity of the company continued to be that of the provision of insurance related support services to the insurance market including legal expenses, motor, household, employers liability, public liability and property. Other services include telephone helplines, claims handling services and associated products.

During the year, the company purchased the entire share capital of CMGL Group Limited and MVRA Holdings Limited. There have not been any significant changes in the company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

As shown in the company's profit and loss account on page 5, the company's turnover has increased by 12% over the prior year and operating profit has increased from £348,820 in 2006 to £6,127,600 in 2007.

The balance sheet on page 6 of the financial statements shows the company's financial position at the year end. Net assets have increased from £6,832,011 in 2006 to £10,659,676 in 2007. Details of amounts owed by/to its parent company and fellow subsidiary undertakings are shown in notes 12 and 13 to the financial statements.

Key performance indicators used by The Capita Group Plc are operating margins, free cash flow, capital expenditure and return on capital employed. The Capita Group Plc and its subsidiaries (the group) manage their operations on a divisional basis and as a consequence, some of these indicators are monitored only at a divisional level. The performance of the Insurance & Specialist Services division of The Capita Group Plc is discussed in the group's annual report which does not form part of this report.

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

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

#### **Results and dividends**

The results for the year are set out on page 5.

No interim (2006: £Nil) or final (2006: £9,200,000) ordinary dividend was paid in the current year.

#### **Environment**

The Capita Group Plc recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the group's activities. The company operates in accordance with group policies, which are described in the group's annual report which does not form part of this report. Initiatives designed to minimise the company's impact on the environment include safe disposal of waste, recycling and reducing energy consumption.

#### **Post balance sheet events**

On 1 January 2008 the business, assets and liabilities of Capita Inverita Limited were transferred to Capita Commercial Services Limited at no gain or loss and settled via intercompany.

# **CAPITA COMMERCIAL SERVICES LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

***FOR THE YEAR ENDED 31 DECEMBER 2007***

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### **Employees**

Details of the number of employees and related costs can be found in note 22 to the financial statements

### **Directors**

The following directors have held office during the year

N N Bedford

A M Pell

J N T Richards (Resigned 25 January 2007)

A Dunn

A G Jackson

D J Joyce (Resigned 31 May 2007)

R Holland

J F Locke (Resigned 30 June 2007)

D R Jewell (Resigned 13 July 2007)

### **Employee involvement**

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

### **Disabled persons**

It is the company's policy to give full consideration to suitable applications for employment of disabled persons. Disabled employees are eligible to participate in all career development opportunities available to staff. Opportunities also exist for employees of the company who become disabled to continue in their employment or to be retrained for other positions in the company or group.

### **Creditor payment policy**

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with. At 31 December 2007, the company had on average 41 days purchases owed to trade creditors.

### **Auditors**

In accordance with section 487(2) of the Companies Act 2006, the auditors, Ernst & Young LLP, will be deemed to be reappointed and therefore continue in office.

# **CAPITA COMMERCIAL SERVICES LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

***FOR THE YEAR ENDED 31 DECEMBER 2007***

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### **Directors' responsibilities**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Statement of disclosure to auditor**

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the company's auditor is unaware. Having made enquiries of fellow Directors and the company's auditor, each Director has taken all the steps that he might reasonably be expected to take as a Director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

### **Qualifying 3rd party indemnity provisions**

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

On behalf of the board



N N Bedford

**Director**

3 September 2008

# CAPITA COMMERCIAL SERVICES LIMITED

## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF CAPITA COMMERCIAL SERVICES LIMITED

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We have audited the company's financial statements for the year ended 31 December 2007 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of the directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

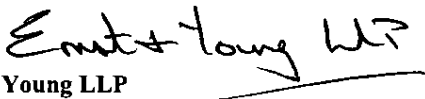
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

  
Ernst & Young LLP

Registered Auditor

London

22 September 2008

# CAPITA COMMERCIAL SERVICES LIMITED

## PROFIT AND LOSS ACCOUNT

*FOR THE YEAR ENDED 31 DECEMBER 2007*

	Notes	2007 £'000	2006 £'000
Turnover	2	75,640	67,825
Administrative expenses		(69,512)	(67,476)
<b>Operating profit</b>	3	6,128	349
Investment income	4	-	9,200
Other interest receivable and similar income	4	11	19
Interest payable and similar charges	5	(3)	(2)
<b>Profit on ordinary activities before taxation</b>		6,136	9,566
Tax on profit on ordinary activities	6	(2,308)	(362)
<b>Profit for the year</b>	18	3,828	9,204

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account



# CAPITA COMMERCIAL SERVICES LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2007

	Notes	2007 £'000	2006 £'000
<b>Fixed assets</b>			
Intangible assets	8	2,540	2,681
Tangible assets	9	7,934	8,305
Investments	10	99,889	76,155
		<u>110,363</u>	<u>87,141</u>
<b>Current assets</b>			
Stocks	11	6,150	6,313
Debtors	12	60,941	55,114
Cash at bank and in hand		-	16,577
		<u>67,091</u>	<u>78,004</u>
<b>Creditors, amounts falling due within one year</b>	13	(154,185)	(145,236)
<b>Net current liabilities</b>		<u>(87,094)</u>	<u>(67,232)</u>
<b>Total assets less current liabilities</b>		<u>23,269</u>	<u>19,909</u>
<b>Creditors: amounts falling due after more than one year</b>	14	(10,101)	(10,000)
<b>Provisions for liabilities</b>	15	(2,508)	(3,077)
		<u>10,660</u>	<u>6,832</u>
<b>Capital and reserves</b>			
Called up share capital	17	7,010	7,010
Profit and loss account	18	3,650	(178)
<b>Shareholders' funds</b>	19	<u>10,660</u>	<u>6,832</u>

Approved by the Board and authorised for issue on 3 September 2008



N N Bedford  
Director

# CAPITA COMMERCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

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### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention

The company has not produced a cashflow statement on the basis that the ultimate parent undertaking, The Capita Group Plc, has prepared a group cashflow statement in accordance with FRS1 (revised)

The financial statements are prepared on a going concern basis because the ultimate parent undertaking has stated that it will provide continuing financial assistance to the company for the foreseeable future

#### 1.2 Changes in accounting policies

The company has adopted the following new Financial Reporting Standards issued by the UK Accounting Standards Board. Adoption of these standards did not have any effect on the financial position of the company

Amendment to FRS 26 (IAS 39) Financial Instruments Measurement Recognition and Derecognition - This amendment has the aim of keeping the text of the UK Standard in line with that of the International Standard IAS 39 and is effective for accounting periods beginning on or after 1 January 2007

FRS 29 (IFRS 7) Financial Instruments Disclosures - This standard requires disclosures that enable users of the financial statements to evaluate the significance of the company's financial instruments and the nature and extent of risks arising from those financial instruments. As FRS 29 is a disclosure standard, there is no impact of that change in accounting policy on the company's financial position. The company has taken advantage of the exemption allowed by paragraph 2D (a) of FRS 29 not to make these disclosures in its own financial statements as the publicly available consolidated financial statements of The Capita Group Plc include the required disclosures for the group

#### 1.3 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards, which have been applied consistently

#### 1.4 Turnover

Income is recognised evenly over the period of the contract for which services are being provided to the customer. With respect to the declaration-based business of the company, turnover includes estimates of income due for which formal declarations have not been received

#### 1.5 Goodwill

Goodwill is amortised through the profit and loss account over its useful economic life that is considered to be 20 years. It is reviewed for impairment at the end of the first full financial year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

#### 1.6 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows

Land and buildings Freehold	50 years
Land and buildings Leasehold	over the life of the lease
Computer equipment	3 -10 years
Fixtures, fittings & equipment	4 -5 years

# CAPITA COMMERCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

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### 1 Accounting policies (continued)

#### 1.7 Leasing

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

#### 1.8 Investments

Fixed asset investments are stated at cost less provision for impairment

#### 1.9 Pensions

The company maintains a number of contracted-out defined contribution schemes and contributions are charged to the profit and loss account in the year in which they are due. These schemes are funded and the payment of contributions is made to separately administered trust funds. The assets of these schemes are held separately from the company. The company remits monthly pension contributions to Capita Business Services Limited, the immediate parent undertaking, which pays the group liability centrally. Any unpaid contributions at the year end have been accrued in the accounts of that company.

The company also makes contributions to multi-employer defined benefit schemes operated by the group. However, the company is unable to identify its share of the underlying assets and liabilities of the schemes on a consistent basis. Consequently, in accordance with FRS 17, the company accounts for contributions to the schemes as if they were defined contribution schemes.

#### 1.10 Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, taxation, with the following exceptions:

- Provision is made for taxation on gains arising from the revaluation (and similar fair value adjustments) of fixed assets and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more or less likely than not that the taxable gain will be rolled over into replacement assets and charged to taxation only where the replacement assets are sold,

- Deferred taxation assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred taxation is measured on an undiscounted basis at the taxation rates that are expected to apply in the periods in which timing differences reverse, based on taxation rates and laws enacted or substantively enacted at the balance sheet date.

#### 1.11 Group accounts

The accounts present information about the company as an individual undertaking and not about its group as the company has taken advantage of the exemption of Section 228 of the Companies Act 1985 not to prepare group accounts.

#### 1.12 Related party transactions

The company has not prepared related party transaction disclosure on the basis that The Capita Group Plc owns at least 90% of the voting rights of the company. The consolidated financial statements of The Capita Group Plc are publicly available in accordance with FRS8.

# **CAPITA COMMERCIAL SERVICES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** **FOR THE YEAR ENDED 31 DECEMBER 2007**

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### **1 Accounting policies**

**(continued)**

#### **1.13 Share based payments**

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

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

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

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

In accordance with FRS 20, share option awards of the ultimate parent company's equity instruments in respect of settling grants to employees of the company are disclosed as a charge to the profit and loss account and a credit to equity. The company's policy is to reimburse its ultimate parent company through the inter company account for charges that are made to it. Hence the credit to equity has been eliminated, rather reflecting a credit to inter-company which better describes the underlying nature of the transaction.

### **2 Turnover**

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

# CAPITA COMMERCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

3	Operating profit	2007 £'000	2006 £'000
	Operating profit is stated after charging		
	Amortisation of intangible assets	141	141
	Depreciation of tangible assets	2,549	2,442
	Loss on disposal of tangible assets	-	16
	Operating lease rentals		
	- Plant and machinery	1,497	2,426
	- Other assets	5,533	5,496

Audit fees are borne by the ultimate parent undertaking, The Capita Group Plc. The audit fee for the current period was £20,000 (2006 £20,000). The company has taken advantage of the exemption provided by the Companies (Disclosure of Auditor Remuneration) Regulations 2005 not to provide information in respect of fees for other (non-audit) services as this information is required to be given in the group accounts of the ultimate parent undertaking, which it is required to prepare in accordance with the Companies Act 1985.

4	Investment income	2007 £'000	2006 £'000
	Income from shares in group undertakings	-	9,200
	Other interest	11	19
		11	9,219

5	Interest payable	2007 £'000	2006 £'000
	Other interest	3	2

# CAPITA COMMERCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

6	Taxation	2007 £'000	2006 £'000
	<b>Domestic current year tax</b>		
	U K corporation tax	1,886	(1,154)
	Adjustment for prior years	(181)	(469)
	<b>Current tax charge/(credit)</b>	<u>1,705</u>	<u>(1,623)</u>
	<b>Deferred tax</b>		
	Deferred tax charge	405	1,591
	Adjustment to deferred tax in respect of prior year	198	394
		<u>603</u>	<u>1,985</u>
	<b>Tax charge for the year</b>	<u>2,308</u>	<u>362</u>
	<b>Factors affecting the current tax charge/(credit) for the year</b>		
	Profit on ordinary activities before taxation	<u>6,136</u>	<u>9,566</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2006 30.00%)	<u>1,841</u>	<u>2,870</u>
	Effects of		
	Non deductible expenses	73	144
	Capital allowances in excess of depreciation	(583)	(383)
	Other - FRS20 Share-based payment	185	183
	Adjustments to previous periods	(181)	(469)
	Other timing differences	370	(1,208)
	Dividends and distributions received	-	(2,760)
		<u>(136)</u>	<u>(4,493)</u>
	<b>Current tax charge/(credit)</b>	<u>1,705</u>	<u>(1,623)</u>

The UK corporation tax rate decreased from 30% to 28% on 1 April 2008. The deferred tax balance has been adjusted in the current year to reflect this change resulting in a charge to the profit and loss account of £192k included in the current year deferred tax charge.

7	Dividends	2007 £'000	2006 £'000
	Ordinary final paid	<u>-</u>	<u>9,200</u>

# CAPITA COMMERCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

### 8 Intangible fixed assets

	<b>Goodwill £'000</b>
<b>Cost</b>	
At 1 January 2007 & at 31 December 2007	2,822
<b>Amortisation</b>	
At 1 January 2007	141
Charge for the year	141
At 31 December 2007	282
<b>Net book value</b>	
At 31 December 2007	2,540
At 31 December 2006	2,681

### 9 Tangible fixed assets

	<b>Land and buildings Freehold £'000</b>	<b>Land and buildings Leasehold £'000</b>	<b>Computer equipment £'000</b>	<b>Fixtures, fittings &amp; equipment £'000</b>	<b>Total £'000</b>
<b>Cost</b>					
At 1 January 2007	15	2,950	7,535	712	11,212
Transfers to group undertakings	-	-	(1)	-	(1)
Additions	-	640	982	557	2,179
Disposals	-	(60)	(3,151)	(524)	(3,735)
At 31 December 2007	15	3,530	5,365	745	9,655
<b>Depreciation</b>					
At 1 January 2007	2	647	1,960	298	2,907
Disposals	-	(60)	(3,151)	(524)	(3,735)
Charge for the year	2	643	1,504	400	2,549
At 31 December 2007	4	1,230	313	174	1,721
<b>Net book value</b>					
At 31 December 2007	11	2,300	5,052	571	7,934
At 31 December 2006	13	2,303	5,575	414	8,305

# CAPITA COMMERCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

### 10 Fixed asset investments

	Shares in subsidiary undertakings £'000
<b>Cost</b>	
At 1 January 2007	76,155
Additions	23,734
At 31 December 2007	99,889

#### Principal holdings of more than 20%

The company holds more than 20% of the share capital of the following companies

Company	Country of registration or incorporation	Shares held Class	%
<b>Subsidiary undertakings</b>			
Capita Aurora Leasing Limited	England and Wales	Ordinary	100
Capita Aurora Limited	England and Wales	Ordinary	100
BDML Connect Limited	England and Wales	Ordinary	100
Cost Auditing Holdings Limited	England and Wales	Ordinary	100
Art Holdings (U K ) Limited	England and Wales	Ordinary	100
Capita Syndicate Management Limited	England and Wales	Ordinary	100
Capita London Market Services Limited	England and Wales	Ordinary	100
Capita Health Solutions Limited	England and Wales	Ordinary	100
Capita Inverita Limited	England and Wales	Ordinary	100
Capita Captive Management Services Limited	England and Wales	Ordinary	100
Capita Absence Management Services Limited	England and Wales	Ordinary	100
CMGL Group Limited	England and Wales	Ordinary	100
MVRA Holdings Limited	England and Wales	Ordinary	100

During the year the company acquired the entire share capital of MVRA Holdings Limited for £1,426,150 and CMGL Group Limited for £20,257,729. The fair value of the net liabilities acquired was £1,638,790 and £6,746,219 respectively. The additional increase in investments relates to deferred consideration and professional fees in respect of the acquisitions of Cost Auditing Holdings Limited £706,948, Capita Health Solutions Limited £1,091 and Capita Aurora Limited £1,342,670.

11 Stocks	2007 £'000	2006 £'000
Work in progress	6,150	6,313

Replacement cost is not significantly different to the amounts above



# CAPITA COMMERCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

12 Debtors	2007 £'000	2006 £'000
Trade debtors	2,417	4,619
Amounts owed by parent and fellow subsidiary undertakings	13,990	18,117
Corporation tax	-	917
Other debtors	38,635	24,685
Prepayments and accrued income	3,214	3,488
Deferred tax asset (see note 15)	2,685	3,288
	<u>60,941</u>	<u>55,114</u>

Amounts falling due after more than one year and included in the debtors above are

	2007 £'000	2006 £'000
Prepayments	<u>1,031</u>	<u>1,420</u>

13 Creditors, amounts falling due within one year	2007 £'000	2006 £'000
Bank loans and overdrafts	77,327	-
Trade creditors	830	2,209
Amounts owed to parent and fellow subsidiary undertakings	54,301	121,413
Corporation tax	1,653	-
Other taxes and social security costs	325	425
Other creditors	1,040	577
Accruals and deferred income	18,709	20,612
	<u>154,185</u>	<u>145,236</u>

# CAPITA COMMERCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

14 Creditors: amounts falling due after more than one year	2007 £'000	2006 £'000
Other loans	10,101	10,000
<b>Analysis of loans</b>		
Not wholly repayable within five years other than by instalments		
10,000,000 Redeemable preference shares of £1 each	10,000	10,000
Unsecured loan notes	487	-
	10,487	10,000
Included in current liabilities	(386)	-
	10,101	10,000
<b>Loan maturity analysis</b>		
In more than two years but not more than five years	101	-
In more than five years	10,000	10,000

The redeemable preference shares exhibit characteristics of liabilities and are thus recognised as such in the balance sheet. The maturity date of the preference shares is 30 November 2013 though the Company has the right to redeem these shares earlier should it choose to do so along with any cumulative dividends accrued to date.

The loan notes bear interest at Bank of England base rate minus 35 basis points and are repayable on demand. The final maturity date is 29 March 2009.

# CAPITA COMMERCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

### 15 Provisions for liabilities and charges

	Legal £'000	Property Provision £'000	Claims £'000	Total £'000
Balance at 1 January 2007	400	313	2,364	3,077
Utilised in the year	(400)	(33)	(273)	(706)
Additional provision	-	60	330	390
Released in the year	-	-	(253)	(253)
Balance at 31 December 2007	-	340	2,168	2,508

The property provision represents both dilapidation provisions and empty property provisions. The company is required to perform repairs on leased properties prior to the properties being vacated at the end of their lease term. Dilapidation provisions for such costs are made where a legal obligation is identified and the liability can be reasonably quantified. The provision is expected to be utilised within the next two years. Empty property provision is made for the future rent expense and related cost of leasehold property where the space is vacant or currently not being used for ongoing operations. The expenditure is expected to be incurred over the remaining periods of the leases, which range from one to four years.

The claims provision represents both claims handling provisions and PI claims provisions. Provision for claims handling is made for the future expense relating to the settlement of claims outstanding and is expected to be utilised within the next two years. Provision for PI claims represents the PI excess on insurance claims and is expected to be utilised within the next two years.

The deferred tax asset (included in debtors, note 12) is made up as follows:

	2007 £'000	2006 £'000
Balance at 1 January 2007	(3,288)	(2,579)
Profit and loss account	603	(709)
Balance at 31 December 2007	(2,685)	(3,288)

# CAPITA COMMERCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

### 16 Pension costs

#### Defined contribution

	2007 £'000	2006 £'000
Contributions payable by the company for the year	2,455	2,024

### 17 Share capital

	2007 £'000	2006 £'000
<b>Authorised</b>		
7,010,000 Ordinary shares of £1 each	7,010	7,010
10,000,000 Redeemable preference shares of £1 each	10,000	10,000
	<u>17,010</u>	<u>17,010</u>
<b>Allotted, called up and fully paid</b>		
7,010,000 Ordinary shares of £1 each	7,010	7,010

The redeemable preference shares carry no voting rights (included in Creditors' amounts falling due after more than one year, note 14)

At any time until 30 November 2013, the company is entitled to redeem the redeemable preference shares at par and to pay any dividend which has accrued on them up to the redemption date

### 18 Statement of movements on profit and loss account

	Profit and loss account £'000
Balance at 1 January 2007	(178)
Profit for the year	3,828
Balance at 31 December 2007	<u>3,650</u>

# CAPITA COMMERCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

19 Reconciliation of movements in shareholders' funds	2007 £'000	2006 £'000
Profit for the financial year	3,828	9,204
Dividends	-	(9,200)
Contribution in respect of share based payment charge	617	609
Settlement of share based payment charge by intercompany	(617)	(609)
Net addition to shareholders' funds	3,828	4
Opening shareholders' funds	6,832	6,828
Closing shareholders' funds	10,660	6,832

## 20 Financial commitments

The company was committed to making the following payments under non-cancellable operating leases in the next year

	Land and buildings		Other	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Operating leases which expire				
Within one year	452	466	79	131
Between two and five years	3,623	1,745	559	681
In over five years	305	1,617	-	-
	4,380	3,828	638	812

# CAPITA COMMERCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

21 Directors' emoluments	2007 £'000	2006 £'000
Emoluments for qualifying services	874	1,497
Company pension contributions to money purchase schemes	61	75
	<u>935</u>	<u>1,572</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 6 (2006 - 6)

The number of directors who exercised share options during the year was 3 (2006 - 1)

Emoluments disclosed above include the following amounts paid to the highest paid director

Emoluments for qualifying services	229	332
Company pension contributions to money purchase schemes	14	4
	<u>243</u>	<u>336</u>

## 22 Employees

### Number of employees

The average monthly number of employees (including directors) during the year was

	2007 Number	2006 Number
Operations	1,071	1,105
Administration	109	29
	<u>1,180</u>	<u>1,134</u>

Employment costs	2007 £'000	2006 £'000
Wages and salaries	36,363	34,081
Social security costs	3,485	3,452
Other pension costs	2,455	2,024
Share based payments	617	609
	<u>42,920</u>	<u>40,166</u>

# **CAPITA COMMERCIAL SERVICES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** **FOR THE YEAR ENDED 31 DECEMBER 2007**

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### **23 Control**

The immediate parent company is Capita Business Services Limited, a company registered in England and Wales, and the ultimate parent company is The Capita Group Plc, a company registered in England and Wales. The financial statements of The Capita Group Plc are available from the registered office at 71 Victoria Street, London, SW1H 0XA.

### **24 Post balance sheet events**

On 1 January 2008 the business, assets and liabilities of Capita Inverita Limited were transferred to Capita Commercial Services Limited at no gain or loss and settled via intercompany.