18

ANNUAL REPORT 2018

Equiniti is a leading global provider of technology and solutions for complex and regulated data and payments, serving blue-chip enterprises and public sector organisations

Our mission is to combine our technology and specialists to help businesses prosper

We are a **Superbrand!**

Inside this year's Annual Report

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Best Investor Education

Voted for by investors and shareholders

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Highlights

Revenue	2017	CHANGE
£530.9m	£406.3m	30.7%

Underlying EBITDA*	2017	CHANGE
£122.3m	£98.2m	24.5%

Underlying EBITDA margin*	2017	CHANGE
23.0%	24.2%	(1.2pts)

Underlying earnings before interest and tax (EBIT)*	2017	CHANGE
£39.9m	£37.0m	7.8%

Profit after tax	2017	CHANGE
£20.7m	£15.3m	35.3%

Diluted earnings per share (EPS)	2017	CHANGE
4.7p	3.5p	34.3%

Underlying EPS*	2017	CHANGE
17.9p	16.8p	6.5%

Full year dividend per share	2017	CHANGE
5.32p	4.37p	21.7%

Operating cash flow conversion*	2017	CHANGE
102%	93%	9pts

Net debt	2017	CHANGE
£309.5m	£242.9m	27.4%

Leverage	2017	CHANGE
2.5x	2.5x	–

FINANCIAL HIGHLIGHTS

- Revenue growth of 30.7% reflecting acquisition of EQ US and strong organic growth of 7.3%
- Underlying EBITDA growth of 24.5% reflecting strong organic growth and contribution from EQ US; Underlying EBITDA growth of 10.6% excluding the contribution of EQ US
- Margin decline of 1.2pts to 23.0%, driven by a change in business mix due to an increase in lower margin remediation projects
- Operating cash flow conversion of 102%, including a reduction in the receivables financing facility to £10.3m from £19.9m at 31 December 2017, and driven by strong working capital management
- Underlying EBIT growth of 7.8% after the impact of £20.8m of non-operating charges arising from the acquisition of EQ US, with profit after tax growth of 35.3%, benefitting from a reduced tax charge
- Recommended final dividend of 3.49 pence per share, giving a total dividend for the year of 5.32 pence per share, representing growth of 21.7%, in line with progressive dividend policy
- Net debt of £309.5m, resulting in leverage of 2.5x, reflecting the acquisition of the EQ US business and associated costs

2017 numbers are restated for changes in accounting standards (IFRS 9 and IFRS 15) – see note 2.1 for details.

*The Group uses alternative performance measures to provide additional information on the underlying performance of the business. Key points for ease of reference are provided below. Further explanation is provided in the APM section of the Strategic Report.

Operating cash flow conversion is calculated as underlying EBITDA plus the change in working capital as a % of underlying EBITDA.

2017 EPS and dividend have been restated to reflect the bonus element of the rights issue associated with the EQ US acquisition.

Net debt at 31 December 2017 excludes the net proceeds of £114.2m from the rights issue on 17 October 2017, which was used to fund the acquisition of EQ US.

Operating cash flow conversion, underlying net debt and underlying leverage are calculated after allowing for use of a receivables financing facility the Group has in place, of which £10.3m (2017: £19.9m) was utilised at the end of the period, details of which can be found on page 33.

OPERATIONAL HIGHLIGHTS

- 100% retention of FTSE clients including relationships with BAE Systems, Carnival, EasyJet, GSK, IHG and QinetiQ
- Major renewals in the US including 3M, CVS, Honeywell and JP Morgan
- New client wins across all divisions
  - New share registration clients including Bodycote, Hiscox, Wm Morrisons and National Grid
  - New company listings including Aston Martin, Avast and Funding Circle
- Other new client wins including Combined Nuclear Pension Plan, Mastercard, National Bank Holdings and Ofcom
- New capabilities and strategic disciplines established, including:
  - Wells Fargo Shareowner Services (EQ US) acquisition successfully completed on 1 February 2018, with multiple growth opportunities in North America
    - Integration on track with full separation from Wells Fargo progressing well
    - The division returned to growth in the second half with new client wins including AbbVie, Beyond Meat and Mastercard
    - New products now launched in the US for private company M&A, Riskfactor and proxy solicitation services
  - Integration of Boudicca Proxy delivered and successfully cross-sold to 21 registration clients
  - Acquisition of Aquila completed on 31 October, enhancing our technology and services for insurance and the life sector
  - Extension of the MyCSP contract for the Civil Service Pension Scheme until December 2021, and the purchase of the Cabinet Office's 24% shareholding, increasing our stake from 51% to 75% and demonstrating our commitment to this joint venture

About Equiniti

Equiniti is a leading global provider of technology and solutions for complex and regulated data and payments, serving blue-chip enterprises and public sector organisations.

We deliver our services through four divisions, each underpinned by proprietary technology platforms and positions of scale in our chosen markets:

INVESTMENT SOLUTIONS

27%

OF 2018 REVENUES

Investment Solutions offers a broad range of services, including share registration for around half the FTSE 100, and the administration of SAYE schemes and share incentive plans for 1.2 million employees. The division also provides share dealing, wealth management and international payments to corporate clients and their employees, as well as directly to retail customers.

INTELLIGENT SOLUTIONS

31%

OF 2018 REVENUES

Intelligent Solutions targets complex or regulated activities to help organisations manage their interactions with customers, citizens and employees. The division offers enterprise workflow for case and complaints management, credit services, on-boarding for new clients, specialist resource for rectification and remediation and data analytics services.

PENSION SOLUTIONS

24%

OF 2018 REVENUES

Pension Solutions offers administration and payment services to pension schemes, as well as pension software, data solutions, and life and pensions administration. The division is a scale provider of pension technology and operates some of the largest pension schemes in the UK. These include the National Health Service scheme, which has more than 2.6 million members, and the Armed Forces Veterans, which we have served continuously since 1836.

EQ US

16%

OF 2018 REVENUES

EQ US provides creative solutions for shareholder management. The division offers a range of transfer agent services that enable our clients to manage share registers, communicate with shareowners and undertake significant corporate actions – simply and effectively.

INTEREST INCOME

2%

OF 2018 REVENUES

In addition to our four divisions, we earn interest income as a fee for the administration of certain client and customer balances.

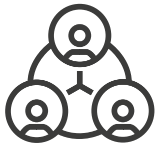
Our business model

The inputs to our business model

We rely on the following assets to create value for our stakeholders:

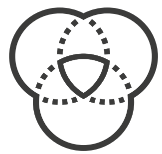
PROPRIETARY TECHNOLOGY

We have well-invested and scalable proprietary technology platforms, which give us a competitive advantage and form a barrier to entry, given the substantial experience, time and money required to build them.



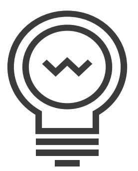
SPECIALIST PEOPLE

We employ people who are experts in their fields. At the year end, we had over 5,100 employees, including c900 at our offshore facilities in Chennai.



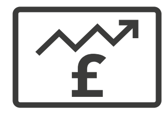
RELATIONSHIPS

We build excellent long-term and mutually beneficial relationships with our clients, which include c70 of the FTSE 100 and c120 of the FTSE 250. Our average relationship with FTSE 100 share registration clients is c29 years.



KNOWLEDGE

We have many years' experience of providing complex services in regulated markets. We also have a strong track record of identifying and acquiring new platforms and capabilities to cross-sell to the existing client base.



FINANCIAL RESOURCES

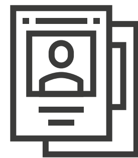
We carefully manage our balance sheet and cash flows, giving us the financial resources we need to invest in our technology platforms and to continue our growth.

OUR VALUE CREATION MODEL

The outputs from our business model

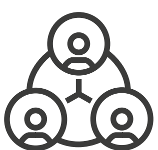
FOR OUR CLIENTS

Our clients receive high-quality services and technology that free them to focus on what matters most to them.



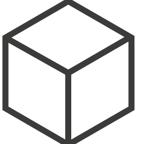
FOR OUR SHAREHOLDERS

Our shareholders gain from rising profits and cash flows, which support a progressive dividend policy.



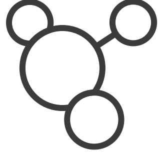
FOR OUR PEOPLE

Our people benefit from interesting work in a growing business, where they can develop their careers and fulfil their potential.



FOR OUR SUPPLIERS

Our suppliers are able to grow their businesses alongside ours, as we work in partnership with them.



FOR SOCIETY

The majority of our activities have a direct social benefit, whether that is ensuring people receive their pensions on time or helping clients to grow and create jobs through our data analytics. We also work in an ethical and sustainable way, and seek to create sustainable value for the long-term.

Our value creation model

THE VALUE WE ADD

We combine proprietary technology with experienced and specialist people, to provide accurate, flexible and efficient services. These services are often non-core but business-critical to our clients. Our experience of operating in regulated environments helps our clients to meet their regulatory obligations and protect their stakeholders' interests.

Our scale and broad client base means we can make investments in technology and people that our clients would not economically choose to make themselves. This allows us to provide services more efficiently than clients could in-house, delivering cost efficiencies and giving them the flexibility to adjust the resources deployed throughout the year.

Our technology platforms provide significant operational leverage, which increases profits as our revenue grows. To optimise our efficiency, we continue to expand our technology development, testing and support capability in the UK and India. Strong operating cash flow conversion provides funds to invest in growth and to further reduce our debt.

SUSTAINING OUR ADVANTAGE

We own the core technology, software and infrastructure required to run our operations. We continually invest in our platforms to add functionality and keep pace with changing laws and regulations. We also bring on board innovative new platforms through acquisitions along with new capabilities that are relevant to our existing clients.

Our people are vital. Their expertise enables us to provide sophisticated, high-margin services that are protected from commoditisation. We develop their skills and offer career paths and interesting work.

DELIVERING RETURNS

High-quality delivery supports long-term relationships with our clients' senior decision makers. Our strategic account directors then work with them to identify other areas where we can deliver value and innovation. As a result, our key accounts typically take more than ten services from us and some take more than 20. This cross-selling and up-selling drives our top line growth. Our market leadership positions also make us a natural choice for new clients. In addition, we look to turn major clients into true partners, where we are each other's supplier and customer and jointly deliver new opportunities, making these relationships even stronger.

Different services generate revenues in different ways. The proportion generated by multi-year contracts and predictable project and trading activity, combined with our long-term relationships, gives us high visibility of future revenues. For the Group as a whole, at the start of each year, we typically have visibility of c90% of revenue for that year and c80% for the following year.

OUR REVENUE VISIBILITY COMES FROM THE FOLLOWING SOURCES:

c50%

from long-term contracted income

c30%

from dependable project income, which relates to tasks and change work undertaken for long-standing clients on our core platforms

c10%

from transactional income, which happens every month but is not contracted, such as foreign exchange from the payment of overseas pensions and interest income

Our technology platforms

We deliver our services and solutions through a suite of proprietary platforms, which provide cutting edge technology and functionality to our clients and give us a significant competitive advantage.

Our technology underpins our strategy of expanding our service offering, while adapting to changing client and regulatory requirements. Because they are proprietary, we can use them to provide white label services to clients. Our infrastructure is onshore and configured to be secure and resilient.

The platforms' scalability supports our business growth, with significant capacity to process increasingly large volumes of data and transactions, making payments of £93bn in 2018. We also have a track record of making targeted acquisitions of companies with exciting technology, which open new growth areas for us.

EQ Charter

Charter is our case and complaints management platform. It supports Intelligent Solutions' offering, processing more than 4.5 million complaints on behalf of clients. It is a highly customisable solution, which supports automated FCA reporting, root cause analysis and secure data management. It gives our clients a wide variety of business-critical data in a single view, enabling swift and efficient processes.

EQ Compendia

Compendia is our award-winning pension administration and payroll platform. It is used to manage records and payments for around 9 million UK pension scheme members. As well as using Compendia in our own business, we provide the platform as a software solution to in-house pension teams, either on-premise or as a managed service solution.

Compendia offers self-service functionality to scheme members, through our mobile app and responsive web design. This improves members' experience, helps them to plan their retirements, increases their engagement with the scheme and improves efficiency for the schemes themselves.

EQ Sirius

Sirius is our core share register management platform, supporting our registration, dividend payment and share plan administration services. It can handle vast processing volumes, managing over 70 million data records on behalf of 19 million shareholders and making payments of £44bn in 2018. Sirius receives approximately one million internal website hits each day and delivers an average response time of less than one second.

EQ Xanite

Xanite is our custody and settlement wealth management platform. Through its interface with SWIFT and CREST, it supports share dealing for both retail investors and corporate clients, as well as our outsourcing services for wealth managers. The platform also enables us to provide asset custody services and supports our growing D2C business, which we deliver through our Selftrade web and mobile offering.

Our technology underpins our strategy of expanding our service offering, while adapting to changing client and regulatory requirements"

OUR FOUR PRIMARY PLATFORMS ARE CHARTER, COMPENDIA, SIRIUS AND XANITE. OUR OTHER IMPORTANT PLATFORMS INCLUDE:

EQ Centive

Our executive share plans platform

EQ Ice.net

The proprietary technology platform operated for loan administration services

EQ Kycnet

Our client on-boarding and anti-money-laundering platform

EQ Riskfactor

Our fraud detection platform

Our markets

Equiniti has large addressable markets in the UK and US. In the short term, activity in our markets is driven by macro-economic conditions, including confidence levels among businesses and institutional investors, and the level of interest rates. These factors impact demand for investment-linked products and the number of flotations, mergers, acquisitions, share issues and buybacks.

We also increase our addressable market over time, by adding capabilities to the Group, expanding our client base via IPO wins, and cross-selling into that expanded client base. This will be particularly important in the US, as we transfer capabilities developed in the UK to serve EQ US's clients.

The longer-term growth of our markets is the result of powerful structural trends:

- increasing regulation;
- continued digitisation; and
- increasing cost consciousness.

These challenge our clients, who face greater complexity and rising costs, encouraging them to turn to us for support.

INCREASING REGULATION

There is ongoing pressure to protect consumers' interests through greater regulation, particularly in the pensions, banking and financial services, and healthcare industries. There is also ever-increasing focus on issues such as money laundering, which is a global problem.

New regulations are therefore a feature of our clients' markets. In the UK, for example, more than 80 new regulations have been introduced in financial services since the 2008 crash. More regulation results in both public and private sector organisations facing rising compliance costs and the need to upgrade technology to cope. Many may also be contending with past regulatory issues at the same time. Organisations who fail to meet their regulatory obligations face more investigations, increasing demand for remediation services.

While Equiniti is also affected by compliance costs this trend is positive for us, creating new opportunities to serve our clients.

CONTINUING DIGITISATION

Consumers expect to receive high-quality services and to be able to manage their affairs online. Shorter product lifecycles are also requiring organisations to build customer journeys more quickly. These pressures require organisations to invest extensively in websites, portals and mobile apps, which can be difficult to do in-house. At the same time, they are often struggling with legacy technology, particularly in the banking sector, making it more difficult to respond.

The growth of digitisation is also creating vast quantities of proprietary and third-party data for our clients. They often need specialist help to analyse this data and extract customer insights, so they can improve their customer offer. This is particularly critical for clients with large customer bases.

INCREASING COST-CONSCIOUSNESS

Companies are under real pressure to cut costs, to enable them to compete effectively and to grow profits. Intense pressure on public finances also forces governments and their agencies to do more with less. This requires companies and the public sector to focus on their core operations and be more efficient. Technology-led solutions help them to transform their operations and deliver efficiencies.

THE IMPLICATIONS FOR EQUINITI

The trends outlined on page 12 have several implications for us. Our strategy is designed to respond to these dynamics.

IMPLICATIONS FOR EQUINITI	OUR STRATEGIC RESPONSE
The changing environment means existing clients need more of our services, so they can manage change effectively.	We grow sales to existing clients by cross-selling and up-selling, so they take a greater number of our solutions over time.
Prospective clients have an ever-increasing range of needs, opening up new ways of winning their business.	We win new B2B clients requiring core services such as share registration services and through new routes such as software sales.
As the world becomes more complex, both new and existing clients require us to offer new capabilities.	We stay ahead by understanding our clients' evolving needs and either developing or acquiring new capabilities to meet them.
Complexity tends to increase costs, so we must focus rigorously on our own efficiency.	We continue to grow our offshore presence, find other opportunities to increase efficiency, and benefit from the operational leverage of our platforms.
Our technology is a key enabler of change for our clients. We need to ensure it remains best in class.	We use the attractive cash flow characteristics of our business to invest in our technology platforms, while continuing to strengthen our balance sheet.

For more information on our strategy, see pages 14 to 15.

OUR COMPETITIVE ENVIRONMENT

We have both market-leading and challenger positions across our portfolio of services. Most of our UK markets are fragmented and we typically face different competitors in each.

In Investment Solutions, we have number one positions in share registration and employee share plans. The division also has challenger positions in custody nominee and flexible benefits services.

Pension Solutions is number one in public sector administration and number two in third-party administration, serving approximately seven million pension scheme members.

In Intelligent Solutions, we have a number one position in remediation services and strong positions in regulatory services, loan technology, know-your-customer (KYC) customer on-boarding, risk assessment, data analytics and consumer credit.

In markets where we have challenger positions, we are differentiated by our proven ability to process data and payments securely and accurately. Many clients are risk averse and given the critical nature of the services we supply, operational excellence is critical for winning and retaining their business.

In the US shareholder services market, we rank second by the number of shareholders served, with c22% market share. By number of issuers served we rank third, with 10% market share.

UK			US	
#1	#2	#4	#2	#3
SHARE REGISTRATION	THIRD-PARTY PENSION ADMINISTRATION	EXECUTION-ONLY RETAIL SHARE DEALING	BY SHAREHOLDERS SERVED	BY ISSUERS SERVED
EMPLOYEE SHARE PLANS				
PUBLIC SECTOR PENSION ADMINISTRATION				
REMEDIATION SERVICES				

Strategy

Equiniti has a five-part strategy, designed to drive organic growth by leveraging our technology platforms. The key components of our strategy are set out below.

The majority of our organic growth comes from cross-selling and up-selling to existing clients. To achieve this, we need to:

- Employ great people and develop them, so they deliver consistently excellent service, helping to ensure we retain our existing client base.
- Invest time to understand clients' needs and continue to develop our key accounts management.

To win new B2B clients, we need to:

- Target clients requiring core services, in particular share registration.
- Attract clients through new routes, such as software sales.
- Maintain our reputation for service excellence.

As our environment changes and opens up new opportunities for us, we need to keep ahead by broadening our offering. This means:

- Ensuring we understand our clients' needs, so they can lead our product development.
- Developing new capabilities that meet those needs, through organic investment.
- Making carefully targeted acquisitions that give us new technology to meet those needs.

PROGRESS IN 2018

LONG-TERM CLIENT RELATIONSHIPS ARE THE FOUNDATION OF OUR BUSINESS. WE CONTINUED TO RETAIN 100% OF OUR UK LISTED SHARE REGISTRATION CLIENTS.

Notable examples of cross-selling and up-selling this year included:

- Credit services to Vodafone and MotoNovo Finance.
- Large scale remediation and fulfilment projects with major UK banks.
- Successfully introducing our UK credit services capability to the US, with Riskfactor being launched and now being used by 11 organisations in the US.

Our key accounts now take an average of more than ten products from us.

KEY NEW ACCOUNT WINS IN THE YEAR INCLUDED:

- Share registration mandates for Bodycote, Deltex, Hiscox, Wm Morrisons and National Grid.
- Share plan mandates including Astra Zeneca, Dunelm, Wm Morrisons, National Grid and Santander.
- 21 UK main market listings, including Aston Martin, Avast and Funding Circle.
- Technology sales including Admiral, Neilson and Ulster Bank.
- Wins in the US including AbbVie, Beyond Meat, Honeywell, Mastercard, National Bank Holdings, Inmarsat and Perspecta.

WE CONTINUED TO BROADEN OUR CAPABILITIES DURING THE YEAR. IN PARTICULAR:

- US transfer agency capability in place following 1 February 2018 completion of the EQ US acquisition.
- Boudicca Proxy Services acquired in April 2018 and since cross-sold to 21 registration clients.
- Aquila Group Holdings acquired in October 2018, enhancing our technology and services for insurance and the life sector.
- Estate management and bereavement services model growing, including "tell-us-once" pilot for six major UK banks.

04
OPERATING LEVERAGE

Our scalable platforms give us operational leverage as we grow. In addition, we continue to:

- Increase the scale of our operation in Chennai.
- Look for other opportunities to improve our efficiency, including premises consolidation and supplier rationalisation.

DURING THE YEAR WE:

- Further expanded our offshore centre in Chennai, which now has c900 IT and operations staff, and began mobilising a new 400 seat technology centre in Bangalore.
- Developed an additional operations site in Milwaukee as part of our North American infrastructure.
- Took advantage of multiple automation and digitisation opportunities arising from MiFID II.

Equiniti's business has attractive cash flow characteristics. This enables us to continue investing in our technology platforms, ensuring they remain best-in-class, while reducing leverage.

IN 2018 WE:

- Delivered free cash flow attributable to equity holders of £38.6m. See page 33 for calculation.
- Invested £39.8m in capital expenditure to develop our core platforms and FinTech products, and on integration of our US business.
- At the year end, we had net debt of £309.5m and net debt to underlying EBITDA of 2.5 times.

WE DELIVERED

30.7%
Revenue growth

7.3%
Organic revenue growth

24.5%
Underlying* EBITDA growth

102%
Operating cash flow conversion

*Includes contributions from acquisitions

Key Performance Indicators

We use the following key performance indicators (KPIs) to track our strategic progress. Each KPI links to one or more elements of our strategy, as described on pages 14 to 15. We have also set medium-term targets for our key financial metrics, which are described below:

KPI	RELEVANCE TO STRATEGY
REVENUE GROWTH[1] The value of services and software provided to clients in the year, plus interest income.	Delivering organic revenue growth is at the heart of our strategy. We supplement this with growth from acquisitions. Links to the following strategy elements: 1 2 3
UNDERLYING EBITDA[1] MARGIN Earnings before interest, tax, depreciation, amortisation and non-operating charges[2], as a percentage of revenue	Underlying EBITDA margin is a key measure of our profitability and demonstrates our ability to improve our efficiency, as well as the quality of work we win. Links to the following strategy element: 4
OPERATING CASH FLOW CONVERSION Underlying EBITDA plus the change in working capital, as a percentage of underlying EBITDA	Our strategy requires us to generate cash to fund investment. Links to the following strategy element: 5
LEVERAGE The ratio of net debt to underlying EBITDA.	A strong balance sheet gives us the capacity to invest organically and in acquisitions. Links to the following strategy element: 5
CLIENT SATISFACTION We use the following industry recognised measures to monitor client satisfaction: 1. Net Promoter Score (NPS), measured half yearly via online and paper surveys. 2. Customer Effort Score (CES), measured via online, paper and interactive voice response surveys. 3. Contact centre customer satisfaction score (CCCS).	Client satisfaction shows how well we are meeting our clients' needs, which is essential for retaining our existing business and our ability to grow, both through selling more to existing clients and through attracting new clients. Links to the following strategy elements: 1 2
EMPLOYEE TURNOVER The number of employees who voluntarily leave Equiniti during the year, as a percentage of employees at the start of the year.	Employee turnover is an indicator of our ability to retain the talented people who are crucial to our success. Links to the following strategy elements:

1 Revenue and underlying EBITDA were adjusted for 2014 to reflect the impact of fundamental changes to the business, as outlined in the Group's prospectus issued in October 2015.

2 Non-operating charges are defined as expense items, which if included, would otherwise obscure the understanding of the underlying performance of the Group.

3 Underlying, excluding the benefit of the 114.2m of net proceeds from the rights issue on 17 October 2017.

PERFORMANCE	TREND

TARGET: ORGANIC REVENUE GROWTH SUPPLEMENTED BY GROWTH FROM ACQUISITIONS

Total revenue grew by 30.7% in 2018, with organic growth of 7.3%.

Year	Revenue
2018	£530.9m
2017	£406.3m
2016	£382.6m
2015	£369.0m
2014	£291.4m

TARGET: GRADUAL MARGIN IMPROVEMENT

Our underlying EBITDA margin was 23.0%, a decline of 1.2 pts, reflecting an increased level of lower margin remediation services.

Year	Margin
2018	23.0%
2017	24.2%
2016	24.2%
2015	23.4%
2014	23.1%

TARGET: OPERATING CASH FLOW CONVERSION OF MORE THAN C95%

In 2018, we delivered another strong cash flow performance, with cash conversion of 102%.

Year	Cash conversion
2018	102%
2017	93%
2016	100%
2015	113%
2014	104%

TARGET: LEVERAGE OF 2.0–2.5X IN THE MEDIUM TERM

Net debt was £309.5m at 31 December 2018, resulting in leverage of 2.5x.

Year	Leverage
2018	2.5x
2017	2.5x[3]
2016	2.7x
2015	3.0x
2014	6.5x

TARGETS: NPS OF 40 IN THE MEDIUM TERM, CES OF 95%, CCCS OF 97%

In 2018, we further improved customer satisfaction.

Our NPS was 39, up from 33 in 2017.

The CES was maintained at 96% against an industry benchmark of 70%.

The CCCS was maintained at 97%, against an industry benchmark of 77%.

NPS

Year	NPS
2018	39
2017	33
2016	31
2015	35

CEC

Year	CEC
2018	96
2017	96
2016	90
2015	89

CCCS

Year	CCCS
2018	97
2017	97
2016	94
2015	93

TARGET: 16% EMPLOYEE TURNOVER IN THE UK

Employee turnover in the UK was 15.1%.

Year	Turnover
2018	15.1
2017	17.8
2016	15.6
2015	18.5

Chairman's statement
Philip Yea

This was another year of progress for Equiniti, with the Group delivering a strong financial performance reflecting the continued successful execution of our strategy.

Revenue increased by 30.7%, driven by strong organic growth and the acquisition of Wells Fargo Shareowner Services (EQ US), which completed on 1 February 2018. Combined with our ongoing operational improvements, this led to underlying EBITDA rising by 24.5% and underlying earnings per share increasing by 6.5%. The margin decline of 1.2pts to 23.0% reflects an increase in lower margin remediation work. Profit after tax was up by 35.3%, and includes the non-operating charges arising from the US acquisition. Operating cash flow conversion was 102%, demonstrating again the Group's cash–generative characteristics.

The acquisition of EQ US was the most significant development in 2018 and we are pleased with its progress. The separation from Wells Fargo and integration into Equiniti is progressing well and the business is winning important new clients. The US is the world's largest capital market and we see real opportunities to benefit our clients there by applying the technology we have developed in the UK, which will significantly expand the market we can address. We have already introduced our Riskfactor product to the US, with encouraging results. As reported in more detail in the operating review, we have revised our detailed plans for the business to prioritise the deployment of new customer facing features and to transition clients to the Group's Sirius platform over a longer period than originally envisaged. Overall, we are confident that EQ US will deliver in line with our expectations.

DIVIDENDS

We have a progressive dividend policy, which sees us pay out around 30% of the underlying profit attributable to shareholders each year. The Board is proposing a final dividend of 3.49 pence per share, to give a total dividend for the year of 5.32 pence, up 18.7% on the 4.48 pence paid in respect of 2017. Subject to shareholder approval at the Annual General Meeting (AGM) on 2 May 2019, the final dividend will be paid on 16 May 2019, to shareholders on the register at close of business on 12 April 2019. We continue to offer a dividend reinvestment plan and any shareholders wishing to participate should submit their election to do so by 24 April 2019.

COMMUNICATING WITH SHAREHOLDERS

The Board prioritises open communication with shareholders and, as part of this, we look to present the Group's financial performance clearly and appropriately. The Board looks to continually enhance the presentation of its financial results, listening carefully to both specific and generic market and regulatory feedback. More information can be found in the Audit Committee report on pages 72 to 79.

BOARD AND GOVERNANCE

There were several changes to the Board in 2018. As I noted in my statement last year, Vicky Jarman stood down as a non-executive Director at the AGM on 3 May 2018, with Darren Pope succeeding her as our Senior Independent Director. I again thank Vicky for her contribution during her four years on the Board.

Alison Burns joined the Board as a non-executive Director on 1 April 2018. She brings extensive experience of the financial services industry, including executive and non-executive roles at numerous blue-chip organisations. Her understanding of our financial services customers is proving a valuable voice at the Board.

Mark Brooker and Cheryl Millington were appointed as non-executive Directors from 1 November 2018. Mark brings strong management and operations experience from technology-centric businesses and

"Having the right culture is fundamental to achieving sustainable success. The Board is fully engaged with this important topic and the Group has launched a culture change programme and a refreshed set of values"

his time in investment banking is highly relevant to our marketplace. Cheryl has deep technology and leadership experience from a diverse range of relevant sectors. Their appointments add further significant digital and systems expertise to the Board, supporting our ambitious growth agenda.

In anticipation of these appointments, we took the opportunity to review the composition of the Board's committees. Details of the new committee memberships can be found in the Corporate Governance Report.

"We have a strong leadership team with a clear strategy for making the most of the opportunities ahead"

MANAGEMENT AND PEOPLE

The Group has continued to build its senior leadership capabilities below Board level, with a number of changes to roles and responsibilities among the senior team. We also appointed a Chief People & Transformation Officer, who will be key to driving forward our workstreams on culture and people development. For the first time, this role is part of the Executive Committee. I want to thank the executive team and all of our people for their dedication and their contribution to the Group's success this year.

Having the right culture is fundamental to achieving sustainable success. The Board is fully engaged with this important topic and the Group has launched a culture change programme and a refreshed set of values, as described on page 39.

Dr Tim Miller, Chairman of our Remuneration Committee and a former HR leader with global experience, has kindly agreed to become our nominated director to ensure that the Board has access to our employee's views independently from management and we are well advanced in settling on the structures and processes that will allow him to do this effectively, in most cases through access to existing colleague engagement forums.

LOOKING FORWARD

The convergence of regulation and technology, combined with the need to reduce cost, are powerful long-term drivers of growth across our markets. We have a strong leadership team with a clear strategy for making the most of the opportunities ahead. Notwithstanding the uncertain operating environment, including the possibility of a hard Brexit, the Board continues to look to the future with confidence.

Philip Yea
Chairman

12 March 2019

Chief Executive's statement

Guy Wakeley

A CONSISTENT VALUE-CREATING STRATEGY

Since our IPO in 2015, we have followed a consistent strategy which continues to deliver results. Organic growth is the starting point of that strategy and 2018 was the strongest period of organic growth we have reported as a listed company.

The majority of the services we provide are non-discretionary and we continue to increase the range of issues we can address for our clients. Combined with very high service quality, this enables us to build long-term and mutually beneficial relationships with our clients' senior decision makers, encouraging them to take more of our services over time.

We retained all of our UK registration clients this year, with key renewals including BAE Systems, GSK, IHG, Just Eat and QinetiQ. Our average relationship with FTSE 100 registration clients is now 29 years and our key accounts typically take more than ten services from us, with some taking more than 20. The result in 2018 was our best ever organic revenue growth of 7.3%.

FURTHER GROWTH IN OUR CLIENT BASE

Another key feature of the year was the continued strengthening of our UK franchise, showing both its resilience and its capacity for further growth. We have approximately 50% of the UK FTSE 100 share registration market and have won 21 UK main-market IPO mandates, including the largest new issues such as Aston Martin and Avast. We also won additional registration mandates from our competitors, including for Bodycote, Deltex, Hiscox, Wm Morrisons and National Grid, and new share plan mandates such as Astra Zeneca and Santander.

While our registration and share plan business is a key source of new clients for us, we were successful in gaining names across all divisions. Intelligent Solutions had a particularly strong year, with new wins including customer on-boarding services to Ulster Bank and data analytics to Neilson. Pension Solutions contracted during the year, in line with our expectations, as a result of a competitive market, but gained new clients including the Combined Nuclear Pension Plan, Sussex Police and the UK Atomic Energy Authority.

ADDING TO OUR CAPABILITIES

Our launch into the US is proving successful, with the EQ US acquisition giving us a capability in the world's largest market for our services. While revenue declined in the first half as a result of some attrition in the client base and slower corporate action activity, the business returned to growth in the second half and achieved a substantial increase in its profitability. EQ US continues to deliver excellent service, helping it to win new clients in the year, including National Bank Holdings, Mastercard and Inmarsat. We see real opportunity in the US market, as we gain market share and introduce new services. Intelligent Solutions' rich set of regulatory technologies will be important to our growth in the US, as we expand EQ US's relatively narrow current product set. We have launched Riskfactor, private share registration work and proxy solicitation services in the US and plan to launch asset remediation services and employee share plans in 2019, to build on the momentum we have seen in H2 2018.

The separation of the business from Wells Fargo and its integration into Equiniti is proceeding well. We have now established our data centres and deployed our applications within those data centres, inaugurated our second site in Milwaukee and introduced new finance, HR and billing systems. The final phase of our work is the business acceptance testing of core transactional systems which is well underway, and we are now progressing an extended period of parallel running, anticipated to conclude by June 2019. This additional period of prudent dual running requires an additional investment in transitional resource, increasing our estimated total cost to complete to no more than £45.0m. The synergies committed in the acquisition case of $10m in the second year of ownership (2020) are on track and will deliver in their entirety.

In the UK, we acquired Boudicca Proxy Limited in April 2018. Boudicca is the fastest-growing proxy solicitation company in the market and has increased our range of boardroom services. We have already cross-sold its capabilities to 21 of our clients. We also added to our technology and services offering for insurance companies and the broader financial services market, through the acquisition of Aquila Group Holdings in October 2018.

Our launch into the US is proving successful, with the

EQ US

acquisition giving us a capability in the world's largest market for our services.

We have approximately 50% of the UK FTSE 100 share registration market and have won around

70%

of IPO mandates, including the largest new issues such as Aston Martin and Avast.

We acquired Boudicca Proxy Limited in April 2018

Boudicca

is the fastest-growing proxy solicitation company in the market and has increased our range of boardroom services.

We continue to develop our new capabilities internally, such as our estate management and bereavement services model. This is gaining traction, with an ongoing pilot with six major UK banks. Other notable projects include blockchain registration and proxy solicitation, which are now in test.

ENHANCING THE QUALITY OF OUR EARNINGS

Equiniti aims to deliver high-quality, sustainable earnings growth, year after year. There were no non-operating charges in 2018, with the exception of integration and transaction costs of the 21 US business.

There are ongoing opportunities to enhance our margins, both through selling more technology, which is inherently more profitable, and through leveraging our offshore capabilities in India. We now have c900 IT and operations staff in Chennai and we have recently opened a technology centre in Bangalore with capacity for up to 400. There is a long way to go with the offshoring process and our intention is to keep growing our offshore headcount, while keeping our UK headcount steady.

INVESTING FOR GROWTH

The quality of our earnings is reflected in our ability to turn them into cash. We continue to generate high levels of operating cash flow conversion, which stood at 102% for the year against our target of c95%, and reflects strong working capital management. This allows us to fund our ongoing investment in development capital expenditure, both in our core operating platforms and in new financial technology products.

OUTLOOK

Whilst we expect the uncertainty in the operating environment to continue, the outlook for Equiniti remains strong. We expect further organic growth in the UK, as we build on our relationships with our exceptional client base. The US offers a platform for accelerated growth based on the potential market opportunity, the potential to take market share and the opportunity to cross-sell digitised services into our blue-chip client base. Where appropriate, we will supplement our organic growth with capability-enhancing acquisitions.

Our business model gives us excellent visibility of our revenues. Combined with the highly scalable platform nature of our operations, progressive deleveraging and further operational improvements, this will allow us to continue to grow underlying profits and earnings ahead of revenue.

Our medium term guidance remains unchanged and excludes the impact of IRFS 16 to be consistent with current reported results: organic revenue growth of 3–7% per annum supplemented by capability-enhancing acquisitions, gradual margin improvement of c25 bps per annum, a progressive dividend policy with distribution based on a 30% payout ratio of underlying profit attributable to ordinary shareholders, cash tax rate of c13% for 2019 and c17% for 2020 onwards, average cash conversion of c95%, capital expenditure of 6 – 7% of revenue post integration of the US business and a net debt/underlying EBITDA ratio of 2.0–2.5x.

Guy Wakeley
Chief Executive

12 March 2019

> We expect further organic growth in the UK, as we build on our relationships with an exceptional client base"

Share registration had a strong year. It retained all of its clients in the year, with notable renewals including BAE Systems, Carnival, GSK, IHG, Just Eat, EasyJet and QinetiQ"

Operational review
Investment Solutions

MARKET

The number of companies joining or leaving the stock market are important drivers of net market growth for registration and share plan services. The IPO market was strong for much of the year, with a wide range of companies joining the main market. The level of takeover activity was also strong during the year, particularly among FTSE 250 companies, and contributed to substantial corporate action activity.

Companies served by competitors continued to look for new registration and share plan providers during 2018, creating a number of opportunities for Equiniti. The desire to move to a single supplier for these services was often a factor, with companies also looking for technology-led solutions. Consolidation was a feature of the share plan market in 2018, which may have contributed to the number of companies looking to switch.

Employee share ownership is increasingly on the political agenda, as a way of increasing employee engagement and to enhancing productivity. Companies are also recognising the potential benefits of employees having a greater stake in the business, encouraging them to look at giving them free shares, particularly on IPO.

Retail share dealing volumes were modest during 2018, while dealing activity in the share plan market was steady.

The UK base rate influences the margins we earn on funds we hold on clients' behalf. The Bank of England raised interest rates in August 2018 from 0.5% to 0.75%.

PERFORMANCE

Investment Solutions had a good year, with revenue increasing by 7.7% to £142.5m (2017: £132.3m). Organic growth was 6.9%, primarily driven by a rise in corporate action revenue to £18.8m (2017: £9.4m), along with outstanding client retention and increased market share.

Underlying EBITDA increased by 8.7% to £47.3m (2017: £43.5m), representing a margin of 33.2% (2017: 32.9%). Organic revenue growth, an increase in higher margin project work and strong growth in employee share plans were the main factors of this performance.

Share registration had a strong year. It retained all of its clients in the year, with notable renewals including BAE Systems, Carnival, EasyJet, GSK, IHG, Just Eat and QinetiQ. The division made excellent progress with competitor wins and was appointed as registrar to clients including Bodycote, Countryside, Deltex, Hiscox, Wm Morrisons and National Grid. It was also highly successful at winning IPO mandates, securing 21 of those coming to market including Aston Martin, Avast and Funding Circle, as well as a range of smaller issuers. Significant corporate actions in the year included Old Mutual's spin off of Quilter, Melrose's acquisition of GKN, Tesco's acquisition of Booker and Shire's acquisition of Takeda.

In April 2018, Equiniti completed the acquisition of Boudicca Proxy Limited. Boudicca helps Equiniti's clients to maximise their shareholder relationships, gain unique insight into their shareholder base and secure support at key events and in unforeseen situations. The acquisition has been fully integrated and cross-sold into the Group's registration client base.

To achieve cost savings and environmental benefits for clients and improve service for their shareholders, the division developed a new digital solution for providing statements to shareholders in nominee vehicles. This was in response to MiFID II, which now requires such shareholders to be sent statements quarterly rather than annually. The statements give investors online access to a breakdown of trade activity during the quarter, as well as the value of assets, shares and outstanding payments. Equiniti will continue to add to the services shareholders can access through the portal, to further reduce costs for clients.

Investment Solutions had a strong year for wins in the share plans market with key wins including AstraZeneca, Cobham, Countryside, Deltex, Hiscox, Wm Morrisons and National Grid. The majority of these wins came from competitors, with IPOs also an important contributor. These new share plans will be important contributors to revenue over the coming years, as the balances invested by employees build up. Many of the new clients are sizeable employers, with Wm Morrisons, for example, employing around 105,000 people.

The share plans business has worked closely with EQ US during the year, to develop a new service for UK-listed companies that allows them to emulate a UK share plan for US employees. A number of clients are already in discussions about this product. Other UK clients who want to offer more traditional US employee stock purchase plans are also benefiting from EQ US's capabilities in this area. Another important development in the year was the launch of a new executive share plan module, based on the Group's retail shareholder web portal. This offers users more functionality across all devices and will be rolled out during 2019.

Investment Solutions had a good year, with revenue increasing by

7.7% to £142.5m

(2017: £132.3m)

Selftrade, the division's execution-only brokerage service had a good year despite a reduction in trading volumes as a result of the uncertain UK equity market. There has been a trend for customers to save more into self-invested pension plans (SIPPs). Selftrade is well placed to benefit from further growth in SIPPs, as its platform offers access to more SIPP providers than many competitors. The business has an ongoing educational programme around these products, which will continue into 2019. This opens up a sizeable new marketplace for the business. Selftrade also reviewed its pricing structure during 2018, to enhance transparency and reward customer loyalty. Other important developments included enhancing its capability for certificated trading. The business can now trade any certificated shares, not just those for which Equiniti is the registrar.

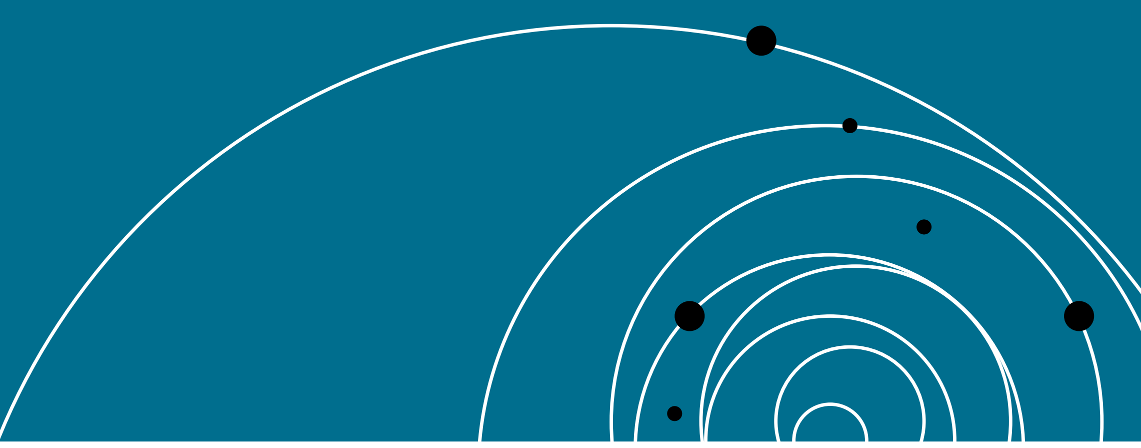
The international payments business had a good year, with steady organic growth. In particular, demand has come from the SME and mid-sized corporate markets, where companies do not have in-house treasury functions. The business has continued to develop its product range, creating a software licence offering for companies who want to carry out their own global payment processing, and investing in virtual bank accounts and e-wallet services. It also strengthened its partnerships with financial institutions, signing a new partnership with Barclays to add to the existing arrangement with Citigroup. This both increases resilience and allows the business to route flows through the most appropriate bank.

There was good traction with the estate management and bereavement services offering during the year, with the "tell-us-once" pilot with six major UK banks going live. The division also extended its outsourced estate processing work with Lloyds from the bank's wealth customers to its retail customers, which will result in a significant increase in volumes.

Pictured above (left to right): Gemma McCluskey, Daniel White

> Intelligent Solutions had an excellent year, with a 33.4% increase in revenue to £165.9m (2017: £124.4m), underpinned by exceptional organic growth of 30.2%"

Operational review
Intelligent Solutions



MARKET

There are strong underlying trends driving growth across Intelligent Solutions' four areas of operation – regulatory remediation, credit services, know your customer (KYC) and data analytics.

In the regulatory remediation market, growth is being driven by two main factors. First, clients need to reduce costs by automating their processes, with Equiniti being a leading provider in this area. Second, there is an ever-growing range of issues requiring remediation. Some of these are specific to individual firms, while others apply across the industry. Examples include pensions mis-selling, interest-only mortgages and consumer lending affordability checks, which could all drive significant volumes of remediation work. This means that while payment protection insurance (PPI) claims will come to an end in August 2019, as a result of the Financial Conduct Authority's deadline, we expect continued growth in this area of our business.

The credit services market is driven by the ongoing expansion of consumer debt, which is rising at around 8.5% per annum, according to the Bank of England. A key opportunity here is for Equiniti to provide technology to new firms offering different forms of lending, such as peer to peer and guarantor loans. Lenders of all types also need to increase automation and efficiency, to maintain their profitability in the face of an ongoing squeeze on their net interest margins.

The KYC market is driven by regulation, which requires numerous organisations, from banks and financial services to solicitors and accounting firms, to understand who they are doing business with and prevent money laundering. Globally, money laundering is estimated to be between 2% and 5% of GDP and less than 1% of money laundering is currently caught. Regulators have responded with a wave of new rules, which are becoming ever more stringent. This is pushing organisations to adopt technology solutions to help them manage KYC issues effectively and efficiently.

To grow their top line, companies increasingly need specialist support to extract insights on existing and potential customers from vast quantities of their own and third-party data. Other important drivers of the data analytics market include cyber security and asset reunification, through which individuals are reconnected with lost assets such as pensions or savings accounts. The UK data analytics market is expected to more than double in size between 2018 and 2023 (source: ResearchandMarkets).

PERFORMANCE

Intelligent Solutions had an excellent year, with a 33.4% increase in revenue to £165.9m (2017: £124.4m), underpinned by exceptional organic growth of 30.2%. Underlying EBITDA rose by 21.7% to £39.8m (2017: £32.7m) as a result of strong organic growth with the contraction in

margin to 24.0% (2017: 26.3%), reflecting the change in business mix driven by an increase in lower margin remediation projects.

The division produced a strong performance, with remediation services a particular driver of revenue growth, as Intelligent Solutions won multiple large-scale remediation and fulfilment projects with major UK Banks. PPI is becoming a smaller proportion of the remediation business as evidenced by the two largest projects in 2018 being non-PPI. Intelligent Solutions is evolving its business model in remediation as it moves away from providing resource to clients in the form of people and adopts a managed service approach. This allows the division to use technology to reduce the cost to the client, while driving efficiencies that increase Equiniti's margin.

The 2017 acquisitions of Gateway2Finance and Nostrum supported strong growth in credit services, with new wins including contracts with Vodafone and MotoNovo Finance.

Other major wins during the year included cross-selling its customer on-boarding services to Ulster Bank, its case management platform to Hiscox and Lloyds Bank, and its EQ Amplify data analytics product to Royal Mail. A global deal to roll out Equiniti's complaints management platform for HSBC demonstrated the division's ability to cross-sell into the US.

Intelligent Solutions also won contracts to provide data analytics to Neilson, IT solutions to the Information Commissioner's Office, an asset reunification project with Lloyds Bank and a project with Ofcom, the UK's communications regulator, to run their claims management system.

Intelligent Solutions launched two new data analytics products in the year. EQ Amplify is designed to help businesses better understand their customers, so they can better serve their needs and develop mutually rewarding relationships. EQ FirstSight is a cyber security product, which combines comprehensive and scalable data analytics with human data security experts, to protect organisations from digital risks.

The division continues to focus on efficiencies and new ways of working with our people in Chennai supporting Intelligent Solutions' technology, with further scope to increase capacity offshore. The division is also starting to work with clients to offer them robotics and artificial intelligence capabilities, which can generate substantial reductions in processing times.

Intelligent Solutions further strengthened its senior team during the year, recruiting a strategy director and a head of proposition sales. Both these appointments will support the division's ability to offer clients complete solutions, rather than individual product sales.

Pictured: Pamela Beasley

Equiniti Credit Services wins the Technology Award at the Yorkshire Post Excellence in Business Awards 2018

Equiniti Credit Services wins Best Technology Partner – Loan management/payments at the Lending Awards

Operational review
Pension Solutions

MARKET

Pension Solutions continued to face a challenging marketplace in 2018. In the first half of the year, relatively few clients sought to procure either pensions administration or software provision. While more administration opportunities arose in the second half, many of those procurement processes were still ongoing at the year end. There is also continuing consolidation in the marketplace, which is part of a long-term trend of increasing concentration.

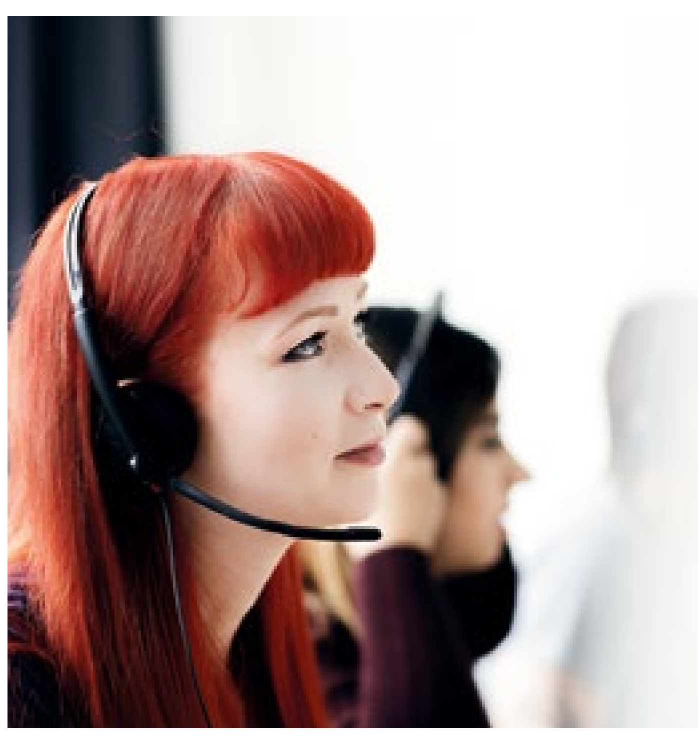
Despite these short-term challenges, the longer-term drivers of market growth remain in place. The shift to full outsourcing of pension fund administration continues, as companies and pension fund trustees look to cope with the burdens of regulation, cost and the effective management of scheme liabilities.

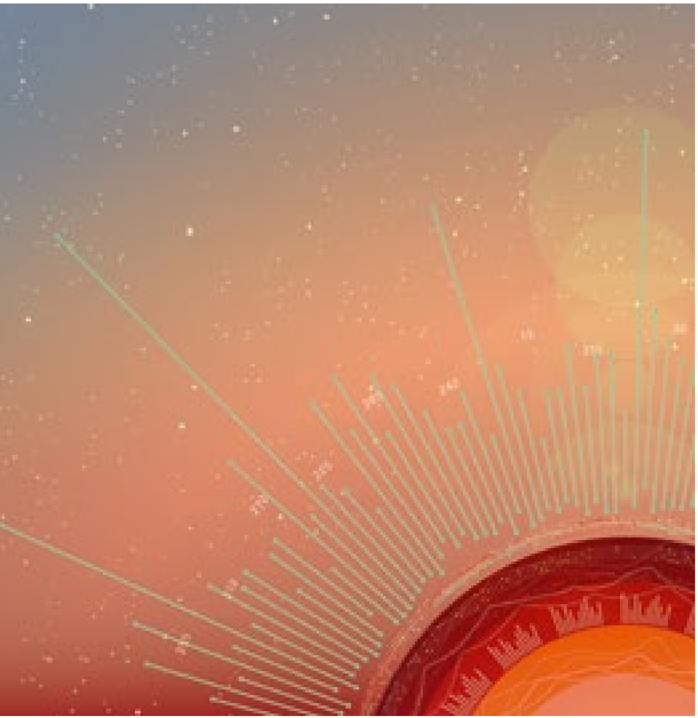
There is a growing volume of buy-in and buy-out transactions in the bulk-purchase annuity market, as companies look to de-risk their pension fund liabilities. The opportunity for Equiniti is to support the insurance companies who initiate those transactions, both during the transfer and with ongoing administration.

Technological solutions have an important role in delivering improved outcomes for scheme members, for example by introducing self-service functionality. While companies have historically been heavily focused on the cost of introducing improvements, Equiniti's market research has identified that there is increasing willingness to invest to drive better outcomes.

Innovation in the retirement products market is another ongoing trend. Life insurance companies and other fund providers aim to attract savers with new products, creating opportunities for service providers to administer their older, legacy products.

A theme underlying many of the drivers of the pensions market is the need for reliable data. For example, companies need high-quality data before they can complete a buy-in or buy-out transaction, or they will face a risk premium from the insurer which will typically far outweigh the cost of enhancing their data quality. This creates demand for services such as bulk analytics, bulk rectification, remediation and data cleansing.





The Group purchased the Cabinet Office's 24% stake in MyCSP for £8m, increasing Equiniti's ownership from

51% to 75%

PERFORMANCE

As expected, Pension Solutions saw revenue decline by 7.5% to £129.0m (2017: £139.5m), with a decrease in underlying EBITDA of 19.9% to £19.7m (2017: £24.6m), representing a margin of 15.3% (2017: 17.6%). The decline was the result of the ongoing competitive market together with a contract loss and change in scope of the NHS contract at the end of 2017. The previously announced £2.0m of restructuring and transformation costs in respect of the division is reflected in underlying EBITDA. We continue to actively manage the cost base with initiatives in place throughout the course of 2018 and into 2019 to stabilise trading. Initiatives to manage the cost base include driving closer working relationships with Pension Solutions and MyCSP, utilising further automation and offshoring work and rationalising the property footprint.

The division's underlying EBITDA in 2018 included £2.0m of restructuring and transformation costs. This programme is designed to improve Pension Solutions' operations in a number of areas. These include enhancing the quality of its bid submissions, client engagement and management information, and simplifying and standardising its operating processes. The intention is to support the division's ability to win new work and to deliver that work as effectively as possible. In addition to this programme, the division is exploring opportunities to integrate some of Equiniti's digital capabilities into the solutions it provides to clients.

Despite the challenging market environment, the division successfully retained all of its relationships in the year. Significant renewals and contract extensions included Abbey Life, GSK, Lloyds Banking Group, Metal Box and Metropolitan Police.

Pictured above: Rachel Roberts

Pension Solutions continued to pick up ongoing project work with existing clients and signed new clients, including Highland Council Pension Fund, South Warwickshire NHS Trust, the UK Atomic Energy Authority and a ten-year contract to administer the Combined Nuclear Pension Plan.

MyCSP continued to deliver in line with expectations during the year. In September, the Group announced that the contract with the Cabinet Office to provide pension administration and related services had been extended until the end of 2021. At the same time, the Group purchased the Cabinet Office's 24% stake in MyCSP for £8m, increasing Equiniti's ownership from 51% to 75%. The remaining 25% of MyCSP continues to be owned by MyCSP Trustee Company, which is an employee benefit trust. MyCSP has made a significant investment in technology and services for public sector pensions' administration, and has the experience and scale to operate the largest and most complex of schemes. With this contract extension, we are committed to further investment in the services and enhancing the employer and member experience.

In October 2018, the Group acquired Aquila, a UK-based life and pensions' technology provider for pension schemes and large insurance companies. Its proprietary Administrator platform supports propositions in workplace savings, bulk-purchase annuities and heritage transformation. The acquisition enhances Equiniti's technology and services for insurance and the life sector. The acquisition brings with it a number of key clients including Aon Hewitt, Aviva, the BBC, British Airways, Fidelity and Irish Life.

“

The division also retained all of its major clients, reflecting its strong relationships. This included signing a five-year extension with General Electric and renewing its foundation contract with MDU, a client since 1929”

Operational review
EQ US

MARKET

The US shareholder services industry is mature and highly concentrated. The top three players have around 90% of the market between them, based on both the number of shareholders and the number of issuers served. Clients are focused on achieving value, which means they look to control their costs while ensuring they receive a good quality of service. They are also looking for their service providers to solve more of their issues, by offering an expanded range of products and capabilities. However, the industry has underinvested in both technology and service in recent years, creating opportunities for EQ US to take market share.

The market EQ US can address is also increasing. The separation from Wells Fargo means EQ US can now compete for banking and financial services clients, which were closed to it when it was owned by a bank. The business had also historically focused on clients with the largest shareholder bases and now has the opportunity to work for clients of all sizes.

In addition, at the time of acquisition, EQ US had a narrow product set, providing transfer agent services and corporate actions to its client base. This creates a significant opportunity to open up new areas of the market to EQ US, by cross-selling the Group’s existing capabilities developed in the UK and by developing new capabilities in the US.

The US IPO market was relatively slow in the first half of the year, with greater activity in the second half. The level of corporate actions in the US market was also stronger in the second half.

Underlying EBITDA increased by

15.0% to £19.2m

PERFORMANCE

The acquisition of EQ US completed on 1 February 2018 and its results were consolidated into the Group from this date. Prior period performance shown below is for the period from 1 February to 31 December 2017 and is provided to demonstrate the division's underlying performance.

Revenue in the period decreased by 2.0% to £81.4m (2017: £83.1m) with revenue from corporate actions of £12.3m (2017: £11.3m). Whilst revenue declined by 6.3% in the first half, the business delivered growth of 1.5% in the second half and achieved a substantial increase in its profitability. Revenue from interest income increased to £9.0m (2017: £4.7m) as the division benefitted from the rising interest rate environment.

Underlying EBITDA increased by 15.0% to £19.2m (2017: £16.7m), representing a margin of 23.6% (2017: 20.0%), reflecting the rising interest rate environment, reflecting growth in corporate actions, stability of the client base and good cost discipline offset by investment to drive future growth.

Following the announcement of the acquisition, EQ US experienced some attrition among smaller clients following the announcement of the acquisition. This has now stabilised with the division winning additional new clients through the second half of the year. The division also retained all of its major clients, reflecting its strong relationships. This included signing a five-year extension with General Electric and renewing its foundation contract with MDU, a client since 1929. Other major renewals included 3M, Garret Motion, Honeywell, CVS and JP Morgan. New client wins in the period were also encouraging and included AbbVie, Inmarsat, Mastercard, National Bank Holdings, Perspecta and Residio. EQ US serves as transfer agent to JP Morgan's depository receipts business. JP Morgan now has greater access to Equiniti's UK clients and during the year we together won Royal Dutch Shell as a depository receipt client. Royal Dutch Shell is Equiniti's first share registration client, with 60 years of continuous service, and this cooperation for London and New York listings demonstrates the strength of our service model. Significant corporate actions in the year included being appointed as exchange agent by Conagra Brands, Inc. for its $11bn acquisition of Pinnacle Foods Inc and CVS Health's $69bn acquisition of Aetna.

There was early success with selling the Group's UK credit services into the USA, following the introduction of Riskfactor to the US in July 2018. There is significant potential for this product among asset-intensive lenders in the US, with the target market ranging from smaller companies to large financial institutions. In total, EQ US added 11 clients for this service, including wins with Advanced Partners, Baron Finance, Capital Business Credit and HSBC.

The separation of the business from Wells Fargo and its integration into Equiniti is proceeding well. We have now established our data centres and deployed our applications within those data centres, inaugurated our second site in Milwaukee and introduced new finance, HR and billing systems. The final phase of our work is the business acceptance testing of core transactional systems which is well underway, and we are now progressing an extended period of parallel running, anticipated to conclude by June 2019. This additional period of prudent dual running requires an additional investment in transitional resource, increasing our estimated total cost to complete to no more than £45.0m. The synergies committed in the acquisition case of $10m in the second year of ownership (2020) are on track and will deliver in their entirety.

Good progress is being made towards delivering our annual synergy target of $10m with cost savings being delivered from insurance, IT and back office services. As we go through 2019, further savings are expected from a number of procurement exercises, IT licences, digitisation of services and widening our service delivery capabilities to start and use the Group's offshore capability.

Following feedback from clients, EQ US has prioritised the introduction of web-based capabilities which will improve service for both clients and their shareholders. To facilitate this, EQ US has renewed its relationship with its existing system provider, FIS, and will transition clients to the Group's Sirius platform over a longer period than originally envisaged.

In addition to the successful introduction of Riskfactor, EQ US developed and launched a capability to administer private M&A transactions towards the end of 2018. This will support new and existing clients and is already gaining traction with six clients secured in 2018. The division also has a roadmap for introducing further capabilities in 2019, including data analytics, proxy solicitation services and employee plans. Proxy solicitation has now been launched and is already generating commitments for 2019. As well as presenting scope for faster revenue growth, the introduction of new capabilities will deepen EQ US client relationships and further enhance retention. Key US clients currently take two services, compared with more than ten services for key clients in the UK.

To achieve its growth potential, EQ US has recruited new talent in sales, marketing, human resources, finance and a range of other functions. This will enable the division to both capture the opportunities presented and deliver the quality of service clients expect. The division has also created a Chief Customer Officer role, which is unique in the market and will ensure EQ US stays close to its clients to best meet their needs. EQ US has also successfully retained its core team, ensuring continuity for clients.

Pictured: Andy Edler and Amy Madden

Financial review

JOHN STIER
CHIEF FINANCIAL OFFICER

OVERVIEW

Revenue grew by 30.7% to £530.9m (2017: £406.3m) during the year, with organic revenue growth of 7.3%. Underlying EBITDA increased by 24.5% to £122.3m (2017: £98.2m). Profit after tax increased to £20.7m (2017: £15.3m) after non-operating charges of £20.8m. The acquisition of our EQ US business completed on 1 February 2018 and had a positive impact on earnings.

The Group generated a free cash flow attributable to equity holders of £38.6m, and a strong operating cash flow conversion of 102%, with total cash generated from operations of £91.7m. Net debt was £309.5m at 31 December 2018, representing a ratio of 2.5 times net debt to underlying EBITDA (31 December 2017: underlying net debt to underlying EBITDA of 2.5 times excluding the proceeds relating to the EQ US acquisition).

RESULTS ANALYSIS AND USE OF ALTERNATIVE PERFORMANCE MEASURES

Key items reported in the income statement such as revenue and profit before tax are shown in the analysis of results below. In addition to this, alternative performance measures such as underlying EBITDA (which excludes non-operating charges) are also presented to allow a better understanding of the results for the year. These measures are described further on pages 36 to 37.

£m	2018	2017
Revenue	530.9	406.3
Underlying EBITDA	122.3	98.2
Depreciation	(6.0)	(5.7)
Amortisation – software	(23.9)	(18.3)
Amortisation – acquired intangibles	(31.7)	(26.7)
EBIT	60.7	47.5
Non-operating charges	(20.8)	(10.5)
Underlying EBIT	39.9	37.0
Net finance costs	(15.3)	(11.7)
Profit before income tax	24.6	25.3
Taxation	(3.9)	(10.0)
Profit after tax	20.7	15.3
Non-controlling interests	(3.2)	(3.7)
Profit attributable to ordinary shareholders	17.5	11.6

REVENUE

Revenue increased by 30.7% to £530.9m (2017: £406.3m) during the year whilst organic revenue growth was 7.3%. Acquisitions made in the period have progressed well, contributing to growth.

UNDERLYING EBITDA

Underlying EBITDA is a key measure of the Group's performance. It reflects profit before finance costs, taxation, depreciation and amortisation, and non-operating charges. Underlying EBITDA increased by 24.5% to £122.3m (2017: £98.2m) reflecting the strong performance in Investment Solutions and Intelligent Solutions and the contribution from the acquisition of EQ US.

REPORTABLE SEGMENTS

The Group reports its results in five segments: Investment Solutions, Intelligent Solutions, Pension Solutions, EQ US and Interest Income, supported by central functions. The Board monitors the performance of the five segments through revenue and underlying EBITDA. The results of these segments were as follows:

Reportable segments	2018	2017	Change %	Organic Change %
Revenue (£m)				
Investment Solutions	142.5	132.3	7.7	6.9
Intelligent Solutions	165.9	124.4	33.4	30.2
Pension Solutions	129.0	139.5	(7.5)	(8.3)
Interest Income	12.1	10.1	19.8	19.8
Total UK & Europe	**449.5**	**406.3**	10.6	9.2
EQ US	81.4	–	–	(2.0)
Equiniti Group	**530.9**	**406.3**	30.7	7.3

The USD is converted into GBP using the average daily rate, 1.3304 USD to GBP for 2018 (average is based on period from 1 February 2018 to 31 December 2018 – period of US business ownership).

ORGANIC REVENUE GROWTH

Organic revenue growth is reported revenue growth adjusted for acquisitions on a like-for-like basis. Here we restate 2017 for the prior period acquisitions had they been owned in 2017 to create a like-for-like comparison of year-on-year progress. This is calculated as follows:

Revenue (£m)	Reported 2017	Adjustment 2017	Proforma 2017
Investment Solutions	132.3	1.0[1]	133.3
Intelligent Solutions	124.4	3.0[2]	127.4
Pension Solutions	139.5	1.2[3]	140.7
Interest Income	10.1	–	10.1
Total UK & Europe	**406.3**	**5.2**	**411.5**
EQ US	–	83.1[4]	83.1
Equiniti Group	**406.3**	88.3	**494.6**

Underlying EBITDA (£m)	2018	2017	Change %
Investment Solutions	47.3	43.5	8.7
Intelligent Solutions	39.8	32.7	21.7
Pension Solutions	19.7	24.6	(19.9)
Interest Income	12.1	10.1	19.8
Total UK & Europe	**118.9**	110.9	**7.2**
EQ US	19.2	–	–
Divisional Total	**138.1**	110.9	**24.5**
Central Costs	(15.8)	(12.7)	24.4
Group Underlying EBITDA	**122.3**	98.2	**24.5**

[1]Acquisition of Boudicca Proxy
[2]Acquisition of Nostrum Group Ltd
[3]Acquisition of Aquila
[4]Acquisition of EQ US

Investment Solutions

Revenue increased by 7.7% to £142.5m, with 6.9% organic growth supported by corporate action activity of £18.8m (2017: £9.4m), along with outstanding client retention and increased market share.

Underlying EBITDA grew by 8.7%, driven by organic revenue growth, an increase in higher margin project work and strong growth in employee share plans.

Intelligent Solutions

Revenue increased by 33.4% to £165.9m, driven by exceptional organic growth of 30.2%, reflecting strong demand in remediation services.

Underlying EBITDA increased by 21.7% reflecting strong organic growth.

Pension Solutions

Revenue decreased by 7.5% to £129.0m with a decrease in Underlying EBITDA of 19.9% to £19.7m as a result of the ongoing competitive market, a contract loss and change in scope of the NHS contract at the end of 2017. The previously announced £2.0m of restructuring and transformation costs in respect of the division is reflected in underlying EBITDA.

Interest Income

Interest income was 19.8% higher than the prior year, with average UK cash balances 4.1% higher at £1,744m (2017: £1,675m), and income benefitting from a 25bps rise in UK rates in August 2017. The interest receivable is partially fixed with instruments secured to July 2020 (£380m), September 2021 (£215m), September 2022 (£215m) and September 2023 (£215m).

EQ US

Revenue decreased by 2.0% to £81.4m. Whilst revenue declined by 6.3% in the first half, the business delivered 1.5% organic growth in the second half of the year. The attrition of clients we saw in the first half stabilised and the division won a number of new clients in the second half of the year.

Underlying EBITDA increased by 15.0%, reflecting growth in corporate actions, stability of the client base, the rising interest rate environment and good cost discipline.

Central Costs

Central costs in the period increased to £15.8m (2017: £12.7m) and were driven by an increased share-based payments charge.

EARNINGS BEFORE INTEREST AND TAX (EBIT)

£m	2018	2017
Underlying EBITDA	**122.3**	**98.2**
Depreciation	(6.0)	(5.7)
Amortisation – software	(23.9)	(18.3)
Amortisation – acquired intangibles	(31.7)	(26.7)
EBIT	**60.7**	**47.5**
Non-operating charges	(20.8)	(10.5)
Underlying EBIT	**39.9**	**37.0**

EBIT remains an important measure of the Group's performance, reflecting profit before finance costs and taxation. In 2018, underlying EBIT was £39.9m, an increase of £2.9m (7.8%) compared with the prior year of £37.0m.

AMORTISATION OF SOFTWARE AND ACQUIRED INTANGIBLES

Amortisation of software in the period increased to £23.9m (2017: £18.3m) due to the completion of the development of a number of significant projects, such as MiFID II, where the work completed in early 2018 and the assets became available to use with amortisation of the assets commencing.

Amortisation of acquired intangibles in the period increased to £31.7m (2017: £26.7m) and is mainly related to the amortisation of customer related intangible assets that were recognised on the purchase of EQ US in February 2018.

NON-OPERATING CHARGES

Non-operating charges are defined as expense items, which if included, would otherwise obscure the understanding of the underlying performance of the Group.

Non-operating charges of £20.8m (2017: £10.5m) relate to the transaction and integration costs associated with the acquisition of the US business.

NET FINANCE COSTS

Net finance costs increased by £3.6m to £15.3m (2017: £11.7m) as the level of debt increased in the business due to the acquisition of the EQ US business.

TAXATION

Profit before income tax of £24.6m at the UK corporation tax rate of 19% gives an expected total tax charge of £4.7m. The actual tax charge was £3.9m and the difference is largely explained due to two material factors including; (i) non-deductible transaction costs (tax effect £1.1m) and (ii) a tax-deductible amount relating to the loss on the forward exchange contract taken out to hedge the acquisition of EQ US (tax effect (£1.9m)), and which was allocated to the cost of the acquisition. Of the total tax charge of £3.9m, approximately £2.8m relates to the UK and £1.1m relates to the Group's overseas operations.

Taxes paid in the period of £4.5m were primarily due to payments on account for the wider Equiniti UK Group companies. During the year, amounts totalling £2.0m were received relating to repayments of overpaid 2016 taxes and payable R&D expenditure credits. The remainder of the taxes paid were overseas taxes relating to the Group's operations in India, US and the Netherlands.

The Group has recognised deferred tax on £795.8m of gross tax attributes representing future tax deductions which will reduce the cash effective tax rate as compared to the underlying effective tax rate over time. Net future deductions are expected to be in the region of £136.0m, on which a net deferred tax asset of £23.6m has been recognised at the relevant local statutory rate.

The gross tax attributes totalling £795.8m are represented by:

- Future tax deductions on tax losses carried forward of £210.7m
- Future tax deductions on intangible assets of £509.9m
- Future tax deductions on property, plant and equipment of £23.8m
- Future tax deduction on employee benefits and other timing differences of £51.4m

The tax impact of these attributes is recognised as deferred tax on the balance sheet. Included within the intangible assets tax attribute are the customer relationship and goodwill intangibles related to the acquisition of the trade and assets of the EQ US from 1 February 2018.

A cash tax rate of 12% applies for 2018 and is estimated to be in the region of c13% for 2019 rising to c17% thereafter, reflecting the completion of the integration, and forecast growth, of EQ US. The cash tax rate is determined through a detailed calculation of the future expected cash tax liabilities of the Group against our profit forecasts, adjusting for known variables such as changes in tax rates, changes in tax legislation (loss restriction rules) and implementation of the Group's transfer pricing policy.

We consider the cash tax rate to be an appropriate measure, as it best reflects the anticipated economic outflows from the business, taking into account our assessment of how our deferred tax attributes will unwind and reduce our cash tax liabilities over time.

PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

The Group made a profit attributable to ordinary shareholders of £17.5m (2017: £11.6m).

DILUTED EARNINGS PER SHARE

Diluted earnings per share	2018	2017
Profit attributable to ordinary shareholders (£m)	**17.5**	11.6
Weighted average shares (m)	**371.8**	333.1
Diluted earnings per share (pence)	**4.7**	3.5

Diluted earnings per share of 4.7 pence (2017: 3.5 pence) is based on the weighted average number of shares in issue plus the dilutive effect of share options totalling 371.8m (2017: 333.1m).

DIVIDEND

The recommended final dividend payable in respect of the year ended 31 December 2018 is 3.49 pence per share, giving a total dividend for the year of 5.32 pence per share representing full year dividend growth of 21.7%, in line with our progressive dividend policy.

CASH FLOW

The Group generated a free cash flow attributable to equity holders of £38.6m (2017: £39.7m) and delivered an operating cash flow conversion of 102% (2017: 93%). The main movements in cash flow are summarised below:

£m	2018	2017
Underlying EBITDA	122.3	98.2
Working capital movement	2.4	(6.5)
Operating cash flow prior to non-operating charges	**124.7**	**91.7**
Operating cash flow conversion	102%	*93%*
Cash outflow on non-operating charges	(17.6)	(8.3)
Capital expenditure	(39.8)	(31.0)
Net finance costs	(10.3)	(9.0)
Taxes paid	(4.5)	(3.7)
Employee benefit trust (EBT) – share purchase	(13.9)	–
Free cash flow attributable to equity holders	**38.6**	**39.7**
Net increase/(reduction) in borrowings	139.3	(56.7)
Net proceeds/(costs) arising from Rights Issue	(0.8)	114.2
Investment in current and prior year acquisitions	(177.6)	(19.1)
Payment of deferred consideration	(4.0)	(1.9)
Dividends paid	(20.2)	(17.7)
Net cash movement	**(24.7)**	**58.5**

The Group has access to a £20.0m receivables financing facility of which £10.3m (2017: £19.9m) was utilised at the end of the year and included within cash balances. This is used to match receipts against costs, especially where clients require extended payment terms and is driven by project flow in Intelligent Solutions. The facility is with Lloyds Banking Group at a rate of 1.75% over LIBOR. The facility draw down has reduced by half since 31 December 2017 and is forecast to reduce further subject to commercial requirements. Excluding charges related to the EQ US integration and the EBT share purchase, the Group delivered free cash flow attributable to equity holders of £80.9m (2017: £48.0m).

Operating cash flow conversion

Operating cash flow is underlying EBITDA plus the change in working capital, both prior to non-operating charges, as a percentage of underlying EBITDA, and is a key performance indicator.

Capital expenditure

Net expenditure on tangible and intangible assets was £39.8m (2017: £31.0m). This represents 7.5% of revenue (2017: 7.6%). Included within capital expenditure is £10.7m associated with the establishment and integration of EQ US relating to IT servers and software development to enable the business to operate on a standalone basis.

Employee benefit trust share purchase

The trustees of the Equiniti Group Employee Benefit Trust purchased 6.0m ordinary shares (£13.9m) to satisfy share entitlements and awards under the Group's share scheme arrangements.

Net finance costs

Net finance costs increased by £3.6m to £15.3m (2017: £11.7m). Total interest bearing loans increased from £250.0m to £322.6m.

Investment in current and prior year acquisitions

Net cash outflow on current and prior year acquisitions was £177.6m (2017: £19.1m) and mainly relates to the acquisition of EQ US and the additional investment in MyCSP Limited. A further £4.0m (2017: £1.9m) was spent on deferred consideration for prior year acquisitions. Details of acquisitions are given in note 4.1 on pages 152 to 153.

BANK BORROWING AND FINANCIAL COVENANTS

At the end of December 2018, net debt was higher at £309.5m (2017: £136.5m), reflecting the acquisition and integration of our US business.

Net debt	Reported 2018 £m	Underlying* 2017 £m	Reported 2017 £m
Cash and cash equivalents	(90.9)	(78.8)	(115.2)
Term loan	322.6	250.0	250.0
Revolving credit facility	(76.7)	70.0	–
Other	1.1	1.7	1.7
Net debt	**309.5**	**242.9**	136.5
Net debt/EBITDA prior to non-operating charges (times)	**2.5**	**2.5**	1.4

*Underlying net debt at 31 December 2017 excludes the net proceeds of £114.2m from the rights issue on 17 October 2017, which was used to fund the acquisition of EQ US

The term debt facility does not require scheduled debt repayments and together with the revolving credit facility is available for a five-year term to October 2020. We expect to refinance the term loan and revolving credit facility well in advance of the maturity date. The Group has substantial liquidity to support its growth ambitions and ongoing working capital needs.

ACQUISITIONS

During the year the Group completed three acquisitions.

On 1 February 2018, the Group completed on the acquisition of the trade and assets of the Wells Fargo Shareowner Services business (EQ US) for a total cash consideration of $227.0m (£159.6m), deferred consideration settled in June of $0.1m (£0.1m), plus £9.8m in settlement of a deal contingent forward used to hedge the position. EQ US is a share registration business based in the United States.

On 26 April 2018, the Group purchased the entire issued share capital of Boudicca Proxy Limited (Boudicca) for £1.1m plus contingent consideration of up to £0.8m payable in 2019 and £1.5m payable in 2021. Boudicca is a specialist shareholder engagement company providing expertise in the areas of progressive proxy solicitation, shareholder communications, corporate governance advisory, share ownership analysis and global equity intelligence.

On 31 October 2018, the Group purchased the entire issued share capital of Aquila Group Holdings Limited and its subsidiaries (Aquila) from AquilaHeywood Limited for a total cash consideration of £5.5m. Aquila is a UK-based life and pensions technology provider for pension schemes and large insurance companies. The Aquila proprietary platform 'Administrator', supports propositions in workplace savings, bulk purchase annuities and heritage transformation.

RETIREMENT BENEFITS

The Group operates three defined benefit pension schemes, which are all closed to new members. These are the Paymaster Pension Scheme, the Equiniti ICS Limited Pension Scheme and the Prudential Platinum Pension – MyCSP Limited Pension Scheme.

The aggregate deficit across all three schemes is £22.9m (2017: £22.7m) with a funding plan in place to clear these deficits over the next nine years. The Group has closed all schemes to future accrual, as well as consolidating its defined contribution pension plans into a single provider.

The Group contributed £1.2m to the schemes during 2018. During 2019 the contributions to the Paymaster and ICS schemes are likely to increase following the conclusion of the triennial valuations of both schemes. Changes are not expected to be material to the Group however. These contributions represent deficit repair payments as laid out by the schemes' Schedule of Contributions. The Group's exposure to future service costs is not considered to be significant since the schemes are closed to future accrual. The current service cost for the three schemes was £0.1m in 2018. The past service cost, relating to guaranteed minimum pensions equalisation, was an additional £0.4m and was recognised in full.

CHANGES IN ACCOUNTING STANDARDS

IFRS 9

IFRS 9 addresses the recognition, classification and measurement of financial assets and financial liabilities and was adopted on 1 January 2018. Management has assessed the new classifications for financial assets and there were no changes to the Group's assets classified as held at amortised cost under IAS 39. The Group's derivatives which are designated as cash flow hedges continue to be recognised at fair value through other comprehensive income under IFRS 9. Full details are provided in note 2.1 to the financial statements.

IFRS 15

IFRS 15 became effective from periods commencing 1 January 2018 and we have adopted it on a fully retrospective basis.

IFRS 15 gives rise to changes in the timing of revenue and cost recognition but will not impact upon the lifetime revenue and profitability of contracts, the cash flows of contracts and does not affect the majority of the Group's revenue streams. The main changes from the adoption of IFRS 15 are on its fixed period software contracts and transition periods of multi-period contracts, in particular:

- Revenue recognised from sales of fixed term rights to use software licences will be recognised at a point in time, rather than over the licence term when there is nothing else to deliver.
- In some multi-period pensions administration contracts, there is a transition phase where significant costs are incurred in transitioning customers from a previous supplier to Equiniti. Under previous accounting, revenue would be recognised in line with the cost and effort to provide these transitional services. Under IFRS 15, transition activities are not a separate performance obligation, and therefore these costs and associated revenue are spread over the life of the contract.

The impact of IFRS 15 on the 2017 results was immaterial, and amounted to an increase in restated revenue of £0.2m (from £406.1m reported to £406.3m restated) and increased administrative costs of £0.5m (from £318.1m reported to £318.6m restated).

Adjustments were also made to the amounts recognised in the statement of financial position at the date of adoption, to reflect the reclassifications to contract fulfilment assets and contract fulfilment liabilities. Re-measurement changes were made to contract fulfilment assets through recognition of additional accrued income and contract delivery costs, and to contract fulfilment liabilities through recognition of additional deferred income.

Full details of the impact on the 2017 results are provided in note 2.1 to the financial statements.

IFRS 16

IFRS 16 was issued in January 2016 and is effective for annual reporting periods beginning on or after 1 January 2019. The Group will apply IFRS 16 on 1 January 2019 and it is expected to have a material impact on the financial statements for the year ended 31 December 2019. Full details are provided in note 2.3 to the financial statements.

John Stier
Chief Financial Officer

12 March 2019

ALTERNATIVE PERFORMANCE MEASURES

The Group uses alternative performance measures (APMs) to provide additional information on the underlying performance of the business. Management use these measures to monitor performance on a monthly basis and the adjusted performance enables better comparability between reporting periods.

The APMs used to manage the Group are as follows.

ORGANIC REVENUE GROWTH

Organic revenue growth is reported revenue growth adjusted for acquisitions on a like-for-like basis. Part of the Group's strategy is to deliver growth and develop and acquire new capabilities. As such, a measure of like-for-like growth is a key performance indicator. See page 31 for calculation.

EBITDA AND UNDERLYING EBITDA

EBITDA is considered to be the most suitable indicator to explain the operating performance of the Group. The definition of EBITDA is earnings before net financing interest costs, income tax, depreciation of property, plant and equipment, amortisation of software and amortisation of acquired intangible assets.

Underlying EBITDA is used to explain the sustainable operating performance of the Group and its respective divisions, where EBITDA is adjusted for non-operating charges which are defined as expense items, which if included, would otherwise obscure the understanding of the underlying performance of the Group. These items represent material restructuring, integration and costs that are transformational in nature.

RECONCILIATION OF PROFIT AFTER TAX TO UNDERLYING EBITDA

	2018 £m	2017 £m
Profit before tax	24.6	25.3
Plus: Depreciation of property, plant and equipment	6.0	5.7
Plus: Amortisation of software	23.9	18.3
Plus: Amortisation of acquisition-related intangible assets	31.7	26.7
Less: Finance income	(0.2)	(0.8)
Plus: Finance costs	15.5	12.5
EBITDA	101.5	87.7

Adjustments for non-operating charges		
Plus: Transaction costs	6.1	6.3
Plus: Integration costs	14.7	3.6
Plus: Restructuring and transformation costs	–	0.6
Underlying EBITDA	122.3	98.2

Transaction costs of £6.1m relate to deal advisory and legal fees which were contingent on successful completion of EQ US which completed in February 2018. Integration costs of £14.7m relate entirely to the US business and represent programme delivery, the development of standalone functions and delivery of systems and processes to run the business. Included within this are £4.7m of costs in relation to permanent project staff, which on completion of the integration project will be absorbed into vacant positions, replace contractors in the business or otherwise leave the Group. Post completion of the US integration programme, there will be no further non-operating charges absent any transformational transactions.

UNDERLYING EBITDA MARGIN

Underlying EBITDA margin is earnings before interest, tax, depreciation, amortisation and non-operating charges as a percentage of revenue. This is a key measure of Group profitability and demonstrates ability to improve efficiency, as well as the quality of work won.

OPERATING CASH FLOW CONVERSION

Operating cash flow conversion represents underlying EBITDA plus change in working capital as a percentage of underlying EBITDA. This measures the Group's cash-generative characteristics from its underlying operation and is used to evaluate the Group's management of working capital.

FREE CASH FLOW ATTRIBUTABLE TO EQUITY HOLDERS

Free cash flow attributable to equity holders represents our cash flow prior to any acquisition, refinancing or share capital cash flows. It is a key measure of cash earned for the shareholders of the Group. See page 33 for calculation.

EARNINGS BEFORE INTEREST AND TAX (EBIT)

EBIT is used to measure financial performance of the Group excluding expenses that are determined by capital structure and tax regulations, instead of the underlying trading. In addition to this, net interest costs are impacted by fair valuation re-measurements of certain financial liabilities that are dependent on external market factors rather than the Group's core operations. See page 32 for calculation.

CASH TAX RATE

The cash tax rate is determined through a calculation of the future expected cash tax liabilities of the Group against our profit forecasts, adjusting for known variables such as changes in tax rates, changes in tax legislation (loss restriction rules) and implementation of the Group transfer pricing policy.

We consider the cash tax rate to be an appropriate measure, as it best reflects the anticipated economic outflows from the business, taking into account our assessment of how our deferred tax attributes will unwind and reduce our cash tax liabilities over time.

LEVERAGE AND NET DEBT

Leverage represents the ratio of net debt to underlying EBITDA. This is a key measure that evaluates the Group's capital structure and its ability to meet financial covenants. See page 34 for calculation of net debt.

UNDERLYING PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

The Group has a progressive dividend policy which will see it distribute around 30% of underlying profit attributable to ordinary shareholders each year. See page 37 for calculation.

UNDERLYING EARNINGS PER SHARE

Underlying earnings per share represents underlying EBITDA, less depreciation of property, plant and equipment, amortisation of software, amortisation of acquisitions related intangibles, net interest costs, cash tax and minority interests. Given the timing of the EQ US acquisition and the related rights offering, the number of issued shares used in the 2017 calculation excluded both the bonus shares and new share issuance from the rights issue.

	2018 £m	2017 £m
Underlying EBITDA	**122.3**	**98.2**
Less: Depreciation of property, plant and equipment	(6.0)	(5.7)
Less: Amortisation of software	(23.9)	(18.3)
Plus: Finance income	–	0.8
Less: Finance costs	(15.3)	(12.5)
Cash tax at 12% / 13%	(9.2)	(8.1)
Minority interest	(3.2)	(3.7)
Underlying profit attributable to ordinary shareholders	**64.7**	**50.7**
Diluted weighted average number of shares in issue, adjusted for the timing of the rights issue (m)	360.8	301.6
Underlying earnings per share (pence)	**17.9**	**16.8**

Sustainability

Equiniti is committed to being a responsible business. Our behaviour is aligned with the expectations of our people, clients, investors, communities and society as a whole.

Sustainability issues are fundamental to our continuity and this section includes a key overview of our people, our values, our key stakeholders; how we undertake our corporate responsibility and activities to safeguard the environment. The Board takes overall responsibility for these fundamental areas.

IMPROVEMENTS DURING THE YEAR INCLUDE:

- An updated Environmental Policy Statement
- Reduced carbon emissions per unit of turnover
- A switch to a green energy provider

REBECCA GRATTAN
CHIEF PEOPLE AND TRANSFORMATION OFFICER

Transforming our people (HR) function

In the same way that Equiniti strives for excellence in client service and operations, we want to achieve excellence in our people management.

During 2018, we began to transform our People (HR) function, so it can better support our people goals. One significant change is our move from a country model to a global operating model for HR. This improves efficiency, by avoiding duplication at a country level, and ensures consistency in our processes around the world, helping to make Equiniti a truly global group. It also assists with moving people between countries, so we can transfer our capabilities worldwide. The programme will complete in the first half of 2019.

Another major change is our decision to split the People Team into three functions, to improve the way we deliver. We now have people directors in our divisions, who work closely with the divisional leadership to help them meet their people needs. We have also created a centre of excellence covering key areas such as reward, learning and resourcing. The global operating model supports this, by enabling us to create worldwide communities of practice in these areas, so we can share the best ways of working. The third function is the People Operations team, which combines the transactional services provided in Chennai and our geographically based People Experience Managers, who help to enhance our employees' experience of working at Equiniti so we retain our talent.

IMPLEMENTING OUR PEOPLE STRATEGY

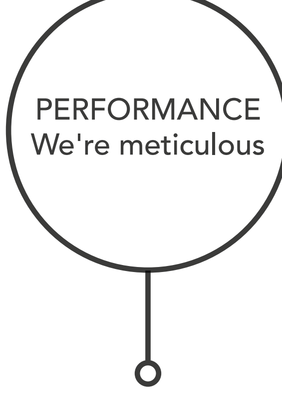
In 2018, we developed and began to implement an updated people strategy. This covers five key topics: culture and leadership; engagement and experience; learning and talent; diversity and inclusion; and performance and reward.

CULTURE AND LEADERSHIP

Strength and depth of leadership is crucial for any business to succeed. The Group uses the Gallup leadership model, which is based on leaders understanding their own strengths and the complementary strengths they need in their team. To support this, we carried out a significant succession planning exercise for our leaders this year, so we know how to fill any gaps that might arise. For the first time in 2018, we have implemented a global approach to leadership and have rolled out a Leadership and Management Programme initially in the UK and the US, with India to follow in 2019.

Another important initiative is our culture programme, which we launched towards the end of the year. The programme will run during 2019, with a series of initiatives to engender common customer-focused behaviours across Equiniti. We launched the programme in conjunction with a refreshed set of values. We developed these by running focus groups in the UK, US and India, then used our Colleague Briefings to test the draft values with our people. The values therefore genuinely reflect the business as our people experience it, with each value underpinned by a set of behaviours we expect to see.

Our values



Listen, take time and really care about getting things right

Be accountable, make amends, learn and move on

Deliver; on time, every time

Use your sharp eye for detail to create great service and solutions for customers

GROWTH
We're inventive

Test and develop new ideas

Protect time to be creative

Always explore fresh ways to do things and embrace change

Put common purpose first; we move quicker together

Communicate openly and behave with integrity

Challenge the complicated and promote simplicity

Support and connect with communities around us

What you do matters – show pride

Think as one global team, empowered and stronger together

We all have a unique voice and it is listened to

Know your role and how you contribute

Lead by example and create ways for everyone to grow

Pictured left to right: Nathan Long and Thomas Kent

ENGAGEMENT AND EXPERIENCE

The Group runs an annual employee engagement survey, which has helped us to understand where we are doing well and what we need to improve to enhance our employees' experience. For 2019, we will be moving to a much more targeted engagement model provided by Gallup, which complements our leadership model. This is a strategic shift in the way we survey our people, with an approach that aligns much more clearly to the Group's culture. This will run alongside our new approach to People Operations where we will have People Experience managers monitoring and enhancing the employee experience on the ground locally.

We have engagement champions in every location, who ensure that our communications reach all our people. The Chief Executive's Colleague Briefings are also an important communication tool, with Guy Wakeley visiting every Equiniti location around the world after the release of the half year results. This allows our people to talk to him directly about our strategy and progress. In addition, this year we have refined our employee forum to assist in us delivering upon our responsibilities for employee voice. This has involved us in extending the UK forum to a global forum and involving the Board-appointed non-executive Director for Employee Voice in those sessions.

LEARNING AND TALENT

We have invested significantly in learning this year. Leadership development was a key area of focus, to ensure we are ready to capitalise on the growth opportunities we see. We have also enhanced our sales capabilities, particularly in the US and in Intelligent Solutions, so these teams are better able to sell new concepts to customers. This will be increasingly important as we develop new capabilities and as we introduce more of our UK capabilities into the US market.

Our Rising Stars programme accelerates the progress of talented employees, through development, mentoring and stretch projects. We made the programme more practically relevant this year, by linking it to work-based projects rather than the previous workshop approach.

The Group has a successful apprenticeship programme. In 2018, we broadened the number of business areas taking apprentices and now have around 30 people in the programme. We also continued to run Movement to Work with the Prince's Trust, which helps unemployed young people into work through training, development and work experience.

A new initiative this year was our introduction of a Leadership Supper Club. This is an informal networking event, with a speaker running a masterclass on topics relevant to our strategy.

The Group has continued to be successful at filling vacancies internally rather than through external recruitment. For the first time this year, this has included moving talent internationally. In total, we filled 43% of vacancies internally during 2018.

PERFORMANCE AND REWARD

During 2018, we began to review two key areas of performance and reward. We need to make sure our reward packages are both attractive in the market and consistent across the business, so we are carrying out an external benchmarking exercise. This was completed for the HR function in 2018 and will carry on in other areas of the Group during 2019. We anticipate a fully-refreshed reward strategy to be implemented by the end of H1 2019.

We have also begun to review our performance management process. The intention is to simplify and digitise performance management, allowing our people to get faster and more regular feedback. This will be implemented through the utilisation of WorkDay as our new HR data system in 2019.

DIVERSITY AND INCLUSION

Equiniti has a number of diversity networks, which are aligned to particular interest areas, such as gender, diversity and inclusion and our LGBTQ network. We have devolved budgets to those networks so they can create locally relevant initiatives, resulting in a range of events across Equiniti during the year. For example, the gender network organised numerous activities around International Women's Day and Equiniti has partnered with Stonewall, Europe's largest LGBT charity, including joining its Diversity Champions Programme. We are sponsors of both the 30% club (focused on increasing female representation at executive and Board level) and the Everywoman Campaign.

Pictured top to bottom: Syra Khan and Chris Ticehurst

We have made changes to address our Gender Pay Gap. This includes requiring balanced shortlists for vacancies, to provide more opportunities for female candidates. We have also adjusted our family friendly policies, including enhanced maternity benefit and providing incentives and mentoring for mothers coming back to the workplace. More information about our Gender Pay Gap can be found on our website at https://equiniti.com/uk/about-us/corporate-responsibility/policies/equiniti-gender-pay-report/.

The Group has in place a Disability & Mental Health Taskforce. Initiatives this year included signing the Time to Change Employer Pledge, to coincide with World Mental Health Day, demonstrating our commitment to changing how we think and act about mental health in the workplace. We have also trained our first cohort of mental health first aiders. We intend to review our policies in this area and provide increased support to managers.

The table below shows our gender diversity at the year end. Equiniti has a good gender balance overall, with a broadly equal split between men and women. There has been a notable increase in the level of Board and senior management representation of 28% to 33% for the Board, and 28% to 38% of the senior management team. However, we recognise we have more to do to increase the number of women in our senior management and we have worked hard on a number of initiatives to address the number of women moving through the hierarchy. These include increased maternity benefits, sponsored female networking and development aimed at STEM (science, technology, engineering and mathematics) female development and initiated a middle manager female talent programme.

	Men	Women	Group total
2018			
Board	6	3	9
Senior Management	71	44	115
Other Employees	2,613	2,442	5,055
Total	**2,690**	**2,489**	**5,179**
2017			
Board	5	2	7
Senior Management	61	24	85
Other Employees	2,352	2,067	4,419
Total	**2,418**	**2,093**	**4,511**

OUR PEOPLE POLICIES

Equiniti has a wide range of people policies, covering every aspect of the employee lifecycle. In 2018 we undertook a comprehensive review of these policies, both to ensure continued compliance and to ensure they are fit for purpose for a global business.

Our policies include resourcing and recruiting, how candidates are vetted, through to on-boarding and induction. A number of policies cover issues such as holiday entitlement, sickness and maternity and paternity arrangements, while a series of other polices relate to the facilities our people make use of at work, such as data, equipment and systems. Finally, we have policies outlining our approach to informal complaints, grievances, whistleblowing and disciplinary matters, as well as redundancy and termination.

To ensure we have strong people governance, in 2018 we established the People Compliance Team. They are the guardians of our policies, making sure they are legally compliant and reflect best practice, so we remain an attractive employer. Our People Policy Manager is responsible for working through policy changes required, for example due to new regulations, and for proactively recommending changes where we believe our policies need to advance.

All of our people have access to the full range of policies through our intranet. We also run training and update sessions for key policies, to ensure they are widely understood and upheld. Our line managers are responsible for ensuring our policies are complied with. They are supported by our People Services team in Chennai, who advise on policy, and by our Employee Relations Team. This team is part of the People Compliance Team and helps when more detailed advice or coaching is required.

All contacts with the People Services team are logged and the Employee Relations Team uses a case management system to track reported issues. This enables us to identify issues in a particular location or to spot trends in particular enquiries, which may indicate that we need to update policies to match changing expectations among our people. During 2018, we did not identify any material non-compliance issues with our people policies.

We have trained our first cohort of mental health first aiders”

Our Key Stakeholders

National Grid
NHS
Pearson
Prudential
RBS
Rentokil
Royal Mail Group
RSA
Saga
Sainsbury's
Santander
Shell
Sky
Tesco
United Utilities
Wm Morrisons
AA
Aldermore
Aston Martin
BAE Systems
Bank of America
Barclays
BG Group
BT
CitiGroup
Domino's
easyJet
GSK
HSBC
LBG

70
60
50
40
30
20
10
0–1
Length of relationship (years)

Average client relationships
>20 years

CLIENTS

Our strategy prioritises organic growth, driven by cross-selling and up-selling services to existing clients and bringing new clients into the Group. To do this, we need to develop and maintain strong client relationships. We continue to benefit from strong key account coverage, which grows revenue from our top clients by identifying opportunities to up-sell and cross-sell other solutions.

Beyond our key accounts programme, each of our divisions have specialist sales teams who work with our clients and potential clients to win new business. We also have a bid support team, which helps us to prepare tenders and to price our contracts.

Ultimately, our clients stay with us because we have outstanding technology and deliver excellent service. The average length of our UK share registration relationships is around 29 years but we also have a good balance of longer relationships and clients who are newer to the Group. We enjoy a similar quality of client relationships in the US.

SUPPLIERS

Our suppliers are fundamental to our business success. We value all of our relationships and have multi-year contracts with our key suppliers.

To ensure we manage our suppliers effectively, we use the following approach:

- Strategic suppliers: we may develop a joint business strategy with the supplier, share innovation and product development, jointly optimise total supply chain costs and reduce lifecycle costs.
- Critical suppliers: we look to reduce and mitigate risk, optimise specification and supply chain costs, and may develop the relationship towards a strategic one.
- Operational suppliers: we consolidate spend, reduce transactions and consumption, and aim to have competing suppliers to maximise efficiency.

We expect all of our suppliers to comply with our standards, such as those relating to environmental responsibility, modern slavery, data protection, human rights and ethics.

REGULATORS

The Group operates in regulated markets and looks to maintain positive and open relationships with the relevant regulators.

The Financial Conduct Authority (FCA) regulates the UK financial services industry. It authorises several Group entities and oversees their conduct and prudential management, when providing financial services such as share dealing, safe custody of investment assets, consumer credit information and administration, and electronic money and payment services linked to foreign currency exchange. The FCA supervises and engages with these Group firms through periodic and ad-hoc reporting on conduct and financial resilience, thematic industry reviews on 'hot' regulatory topics, responses to specific events, and desk-based and on-site reviews.

The Prudential Regulation Authority (PRA) supervises 'high impact' firms in the UK, such as banks, building societies and large insurers. While the PRA does not directly regulate any Group entity, many of our corporate banking and insurance clients are PRA regulated and we are contractually bound by them to meet certain governance standards required by PRA regulated firms, when outsourcing regulated activities.

Her Majesty's Revenue and Customs (HMRC) is one of 28 supervisors for people and businesses covered by the Money Laundering Regulations. Several Group entities are registered with HMRC, including our international payments and company service providers. We provide ad-hoc updates to HMRC, which may also carry out desk-top reviews.

The Pensions Regulator (TPR) has a number of statutory objectives to protect UK workplace pensions and improve how they are administered, by working with employers, trustees, pension specialists and third-party administrators such as Equiniti. TPR provides guidance and publishes codes of practice for the industry.

The Information Commissioner's Office (ICO) is the UK's independent body for ensuring that data protection rights are upheld. It provides codes of practice and guidance for all data protection, privacy and electronic communications, as well as freedom of information and environmental information requests. The ICO is responsible for ensuring UK entities comply with the law via data audits and takes enforcement action against any breaches.

The Securities and Exchange Commission (SEC) is the Federal regulator for the US transfer agent industry. Its focus is on safety and soundness, ensuring that assets are protected and secure. The SEC requires certain reporting by transfer agents and performs examinations of regulated entities. The SEC carries out a risk analysis of all registrants and examines registrants on a schedule based on that risk assessment.

The New York State Department of Financial Services (DFS) oversees the trust company activities of Equiniti Trust Company. Although Equiniti Trust Company is registered with the DFS as a banking-type entity, operations are limited to fiduciary activities. The DFS requires reporting by regulated entities and performs annual examinations of them, focusing on information security, money laundering, sanctions and controls over the safeguarding of assets. The DFS uses the work done by the regulated business's internal audit function to focus its examinations.

We engage in regular interaction with both the SEC and DFS, to discuss areas of interest to them and to us, to obtain guidance and assistance, and to provide them with our thoughts and recommendations on what they are doing and looking at.

As a trust company with operations in Minnesota and Wisconsin, Equiniti Trust Company is also registered as a foreign (out-of-state) trust company with those states. The states of Minnesota and Wisconsin defer the oversight of foreign trust companies to the home state of those entities, which in our case is New York.

SHAREHOLDERS

The Board is committed to openly engaging with our shareholders, as we recognise the importance of effective dialogue, whether with major institutional investors, private or employee shareholders. It is important to us that shareholders understand our strategy, objectives and performance, so we look to explain them clearly, listen to feedback and properly consider any issues or questions raised.

We have a comprehensive investor relations programme, with the executive Directors meeting investors and analysts regularly, supported where appropriate by the Chairman and the Senior Independent Director. The programme supports the aims of the UK Corporate Governance Code and the UK Stewardship Code to promote engagement and interaction between listed companies and their major shareholders. With this in mind, we welcome any opportunities for investors and shareholders to engage directly with the Chairman and Senior Independent Director, in addition to the Chief Executive and CFO.

The Group's Capital Markets Day in September 2018 was a key event in the investor relations calendar. Through a series of presentations and question and answer sessions, it explained the Group's strategy and progress and provided detailed insight into the Intelligent Solutions and EQ US businesses.

Corporate Social Responsibility (CSR)

Equiniti's most significant impact on society is through the day-to-day services we provide. The large majority of our activities have a direct social benefit, whether that is ensuring people receive their pensions on time or helping clients to grow and create jobs through our data analytics. Our intention over the coming years is to investigate ways we can measure and report on the social impact of our work.

We also want to ensure that we approach our activities in an ethical and responsible way. As the first step on this journey, towards the end of 2018 the Board approved our CSR Policy Statement. This sets out what a socially responsible organisation looks like, following the definition in ISO26000. The policy statement commits us to:

- Behave ethically and responsibly at all times.
- Be accountable for our impact on society, the economy and the environment.
- Be transparent in our decisions and activities which impact on society and the environment.
- Respect, consider and respond to the interests of our stakeholders.
- Make a positive impact on colleagues, the community and the environment.

The policy also outlines our commitments in a range of CSR-related areas, such as volunteering, charitable giving, charity partnerships and supporting young people.

At Equiniti we believe in the link between giving and employee engagement. In enabling colleagues to give back to charities and the causes that really matter to them, we believe we are creating a better place to work. When employees are free to choose the causes they support, they are much more likely to participate than when the Company restricts donations to one or a small number of charities, which is why at Equiniti we do not have a specified corporate charity. We have an active employer JustGiving page, partner annually with the charity ShareGift, and all employees are able to enrol annually in a My Giving scheme, to make tax efficient donations to charity.

All Equiniti colleagues may use two days per year out of the office, in addition to their annual leave entitlement, to support a charity or community project of their choice. In 2018, colleagues have used their Volunteer Days to get involved in a wide variety of activities, helping out at charity shops, creating Christmas grottos, beach cleaning, gardening for local hospices and day centres, and running a Christmas market stall for Brain Tumour Research. A huge effort saw colleagues preparing and distributing 1,065 Christmas food and toy packages to disadvantaged families nominated by social support centres for the Salvation Army.

We are increasingly looking to work with charities aligned to our business. For example, we have worked with mental health charity Mind, which is directly relevant to the mental health network we have introduced, as described on page 41. We are also exploring ways of working with organisations who support vulnerable customers. We have developed a vulnerable customer policy and have introduced training and are exploring other ways of helping vulnerable customers in the coming year.

HUMAN RIGHTS

Protecting human rights is important to our business. We ensure we protect the rights of our people, including those with disabilities, by adopting suitable employment practices and we also aim to act ethically in all our business dealings.

During 2018, we developed and approved our first formal human rights policy statement. This policy statement is guided by the international human rights principles encompassed by the Universal Declaration of Human Rights, including those contained within the International Bill of Rights and the International Labour Organisation's 1998 Declaration on Fundamental Principles and Rights at Work. We will record and report internally all legitimate adverse human rights impacts, in line with this policy statement.

SOME OF THE CHARITIES OUR EMPLOYEES SUPPORT

MODERN SLAVERY

Equiniti operates a zero-tolerance approach to modern slavery and is committed to acting ethically and with integrity in all its business activities and relationships. Equiniti is also committed to implementing and enforcing effective systems and controls to ensure modern slavery is not taking place anywhere in our own business and exercising robust due diligence of all its partner organisations and suppliers. Full details of our policy can be found on www.equiniti.com.

ETHICAL BUSINESS

Equiniti has formal anti-bribery and corruption policies, supported by a whistleblowing process and, where necessary, proportionate and independent investigation and follow up of any matters reported. Full details of our policy can be found on www.equiniti.com.

The Audit Committee, in conjunction with the Risk Committee, is responsible for approving our systems and controls for preventing bribery and corruption, and for receiving any reports on non-compliance. During 2018, no material instances of non-compliance were reported.

JustGiving™

JUSTGIVING
TOTAL RAISED SO FAR

c.£109k

ENVIRONMENT

Policy

We take our environmental responsibilities seriously and positively manage our energy consumption. During 2018, we developed and approved our first formal environmental policy statement. We recognise our responsibility for the environment and will ensure compliance with all relevant current and future legislation. We are committed to minimising the environmental impact of our operations. We believe that having responsibility for the environment is an integral part of doing business in the right way. We intend to develop processes and controls to ensure that the policy statement is complied with in full.

Performance

While revenue in the year increased by 31% and number of employees increased by 15%, the tonnes of CO_2 per £m revenue reduced by 16% and the tonnes of CO_2 per employee reduced by 4%.

Transport

Vehicle business travel is based on the use of a medium sized car of average value, from the financial records each year ending 31 December. As we expanded the Group with our acquisition of EQ US overall business travel by car has increased by 3% in 2018.

Air travel is based on data from financial records each year ending 31 December. Air travel doubled in 2018 from 2017 and miles travelled were up by 66% to 5,707k miles. reflecting the increased number of flights in connection with the integration of our US business.

Facilities

Buildings emissions are based on data for the years ended 31 March 2017/18. Overall the emissions from our building usage have shown a 4% reduction year on year. Electricity emissions are down by 17% from 4,408 tonnes in 2017 to 3,665 tonnes in 2018. Gas emissions have decreased by 19%, from 603 tonnes in 2017 to 487 tonnes in 2018.

The table below shows our greenhouse gas emissions.

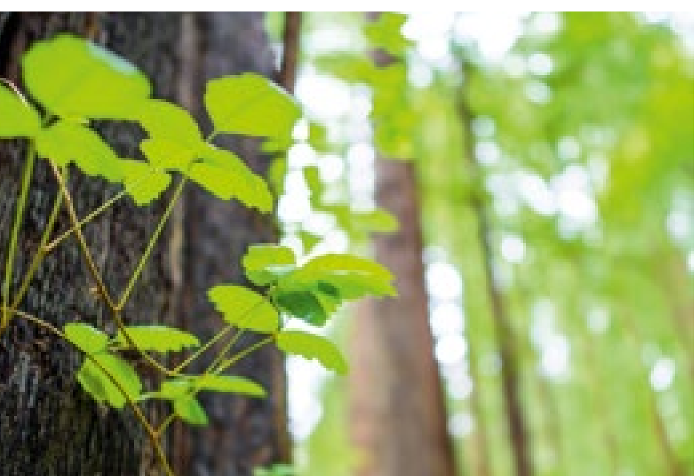
GHG EMISSION (TONNES OF CO_2)

	VEHICLES (BUSINESS TRAVEL)	AIR TRAVEL	RAIL TRAVEL	BUILDINGS	TOTAL
2018	372	1,478	158	4,813	6,821
2017	362	683	143	5,011	6,199
CHANGE %	3	116	10	(4)	10

CARBON INTENSITY

	TONNES OF CO_2 PER £M REVENUE	REVENUE £M	TONNES OF CO_2 PER EMPLOYEE	EMPLOYEES
2018	12.8	531	1.31	5,179
2017	15.3	406	1.37	4,511
CHANGE %	(16)	31	(4)	15

We use a number of third party suppliers to supply and validate the data.



We continue to look for ways to enhance our environmental performance. For example, we switched to a green energy supplier in the UK in October 2018. This means that, wherever contractually possible, we are purchasing electricity generated from fully renewable sources such as wind power and solar. It also means that our gas comes from green biomethane.

We also look for opportunities to reduce energy consumption across the estate whilst providing colleagues with the equivalent or better service level. Recent changes include modification to air handling systems and transitioning to LED lighting to reduce energy consumption.

FTSE4GOOD

Equiniti is a member of the FTSE4Good Index Series, which measures the performance of companies demonstrating strong environmental, social and governance practices. The indices are used by many market participants to create and assess responsible investment funds.

> "Every permanent Equiniti employee based in the UK is entitled to take two volunteer days out of the office each year, to support their chosen charity or community project"

NON-FINANCIAL REPORTING INFORMATION STATEMENT

The Companies Act 2006 requires the Company to disclose certain non-financial reporting information within the Annual Report and Accounts. Accordingly, the disclosures required in the Company's non-financial information statement can be found on the following pages in the strategic report (or are incorporated into the strategic report by reference for these purposes from the pages noted):

- Information on our Anti-bribery and Corruption Policy (page 45)
- Information on diversity (page 40)
- Information on our employees (page 38)
- Information on environmental matters (page 46)
- Information on our approach to human rights (page 44)
- Information on social matters (page 44)
- Information on our Whistleblowing Policy (page 45)
- Information on business model (page 8)
- Information on principal risks (page 48)
- Information on Key Performance Indicators (page 16)

Principal risks and uncertainties

We provide business-critical services to our clients, often in highly regulated and complex environments. As we grow, our business and our risk environment also become more complex.

It is therefore vital that we effectively identify, evaluate, manage and mitigate the risks we face, and that we continue to evolve our approach to risk management. We recognise that a number of our principal risks, such as increasing and changing regulation, also create opportunities for us, as we can develop products and services that help our clients to manage their own regulatory burdens. Information about our risk management framework, including that for our regulated entities, can be found in the Risk Committee Report on pages 80 to 85.

OUR RISK PROFILE

Managing risk effectively is fundamental to delivering our strategy and to us operating successfully. We believe that a robust risk management culture is vital for sustainable growth and must be at the centre of everything we do. Our approach to risk is supported by an effective policy and control framework, which guides and informs our colleagues' work behaviours and the decisions they make. Our prudent risk culture and risk appetites support effective decision making and enables us to deliver against our strategic priorities.

Although we have diversified geographically with the acquisition of our US business, we remain predominantly a lower-risk, UK-focussed business. Despite the continuing uncertain economic and regulatory environment, particularly as a result of Brexit, our overall risk profile has remained stable during 2018.

Whilst we do not consider that Brexit has a material direct operational impact on our business, the influence that it will potentially have on the UK economy and particularly on the core markets through which the Group transacts for customers in 2019 will require close monitoring. During 2018 we have undertaken detailed assessments of the potential Brexit scenarios and their impact on the Group, and have developed operational plans to mitigate areas of potential disruption. The ability of the Group to manage a range of Brexit market stresses has been reviewed during the year, and as part of the 2018 viability statement on pages 52 to 53.

Opportunity and risk emanating from the US business is now assessed and reported as part of our integrated Group reporting. The US business has assessed risks at a local level and these have been reviewed through the Groups risk management framework, and where applicable are captured within the Group's principal risks (for example, the resilience of our IT infrastructure). Integration of the US business is progressing well and is tracked closely by a dedicated Executive Steering Committee. Our client retention remains strong, we are developing and delivering new products and services to our US clients and launching new supporting technology which will enable us to move away from the existing Transition Services Agreement in place with Wells Fargo during 2019.

Information and cyber security remains a key inherent risk with the Group's business model. As such, we continue to dedicate material resource to review an analysis of information security risk and mitigation, with ongoing investment in people, technology and processes. Whilst there have been changes in the inherent risk driven by increases in environmental risk, the overall residual risk has remained stable as a result of our ongoing focus.

In 2018, we have also seen increasing demands from our markets and customers to more proactively demonstrate how we conduct our business appropriately and ethically. We are well placed to manage this through setting an effective conduct culture backed up with conduct training of our staff and supporting policies and controls.

The risk to the Group of lower revenues from its cash balances as a result of falling interest rates, as reported in 2017, has reduced further and is no longer considered a principal risk as the outlook is for interest rates to remain stable or increase during 2019.

OUR RISK APPETITE

The Board has defined risk appetite statements for the main risks that we face during the normal course of business. By assessing the level of each risk against our appetite for it, we ensure that we focus appropriately on the risks that need additional attention. Risks that are within our appetite require no further mitigating actions.

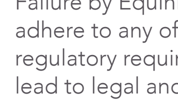
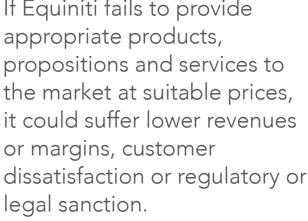
Given the nature of our services and the regulatory environment we operate in, we have a low appetite for many of the risks we face and no appetite for breaches of policy or control in certain critical areas, such as regulatory reporting or breaches of our anti-money-laundering.

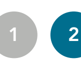
GROUP RISK CATEGORY	IMPACT	MITIGATION	TREND*
CHANGE & DEVELOPMENT Risk of disruptive change leading to lower business agility, lower productivity, regulatory sanction, poor customer relationships, increased costs and lower revenues. 	A continuing level of change and development may lead to material management and resource stretch which in turn could impact the Group's ability to achieve its key business objectives.	• The Group Board and Executive Committee ensures that all key change projects are effectively prioritised and resourced, including ring-fencing essential resources. • All key change projects and initiatives are supported by robust programme management and management reporting. • We invest in our staff to ensure they have the necessary resource and expertise to deliver change programmes effectively.	An ongoing level of change is expected during 2019, driven by the external environment, new client engagements, and internal improvement projects.

*Trend indicates perception of how risk has moved year-on-year.

GROUP RISK CATEGORY	IMPACT	MITIGATION	TREND*
INFORMATION TECHNOLOGY Risk of poor-quality infrastructure, software or business tools, as a result of our failure to upgrade or invest in our systems as necessary. Links to the following strategy elements: 	The majority of our products and services are enabled by a resilient technical infrastructure. Disruption to this systems infrastructure could lead to a failure of client service, which in turn could result in a failure to meet our contractual obligations, cause detriment for our customers, damage our reputation and productivity, increase our costs and lead to financial penalties and potential regulatory sanction.	• We have an extensive IT transformation programme that is being progressed across key systems in 2019. • Our IT architecture plan also ensures that key systems that need to work together do so effectively, enables more rapid changes to systems and supports effective business process re-engineering. • We continually monitor our internal and external IT environment, to ensure it is operating effectively and to identify opportunities for enhancement. • The Group has an operational plan, including prioritisation of IT development, ensuring we invest appropriately in our systems on a timely basis.	We continue to invest in our technology and processes, to support our clients, ensure high-quality services and to develop new products and propositions.
MARKETS & COMPETITION Risk of lower corporate performance stemming from: • a failure to identify or understand strategic market opportunities; • the emergence of alternative competing markets, such as digital transformation; • a change in customer outlook, for example because of economic conditions or geo-political issues; • an inability to identify and analyse existing or emerging competitors; • longer-term increased competitive pressures, due to a failure to deliver technical change or innovation; and • short to medium-term competitor tactics, such as pricing. Links to the following strategy elements: 1 2 3 4 5	Equiniti's prospects and growth strategy depend on us retaining key customers and taking opportunities to grow and diversify our business. If we do not respond effectively to trends in our market, we could lose key clients or fail to win new business, which could significantly affect our revenues and profits.	• We have a well-diversified client base and portfolio of services, which helps to insulate the Group from the loss of any one client or change in demand for individual services. • Our ongoing client relationship management helps us to monitor trends in demand. • We monitor industry trends, to identify changes in demand, our competitive environment and emerging technologies. • We have a strong pipeline of opportunities which we actively manage. • We continue to develop new products and services. • We monitor trends in corporate actions and other market activity.	Market demand for cost-effective outsourcing remains stable. However, inherent risk has increased as political and economic factors may have an adverse impact on this in the short to medium-term.
DATA PROTECTION Risk of loss, corruption or compromise of personal data (also known as personally identifiable information) which can relate to customers, staff or any other natural person. Links to the following strategy elements: 	The loss, corruption or compromise of personal data could lead to a poor customer experience, customer detriment, reputational harm, regulatory, legal or financial sanction, loss of customers and increased costs.	• We have a dedicated Data Protection Office, with experienced compliance personnel. • We operate a staff training and awareness programme, so our people understand the criticality of data protection. • Ownership of data protection risk in the business has been embedded through our maturing risk management and policy framework. • We have a programme to deploy up-to-date security software on all key systems. • The Group undertakes regular risk and vulnerability assessments, to review and address any changes or new risks in data protection. • We employ appropriate encryption and data backup, to protect our data. • Third-party data security evaluations assure our data protection and help us to improve further.	With the advent of the General Data Protection Regulation (GDPR), which introduced standardised data protection laws across all EU member countries, and the increasing importance of data and cyber security, the risk environment has increased. However we continue to invest in this key area and our residual risk remains stable.

*Trend indicates perception of how risk has moved year-on-year.

GROUP RISK CATEGORY	IMPACT	MITIGATION	TREND*
REGULATORY Risk of regulatory action stemming from weaknesses or failure in: • analysis of regulations, laws and codes; • development of appropriate policies, processes and controls; • training and education of first-line teams; • capacity to monitor and respond to rate of change; • effectiveness of first-line surveillance in identifying and preventing breaches; • project management and documentation of regulatory issues; • Board and senior management governance and engagement on regulatory matters; • regulatory reporting and disclosure. Links to the following strategy elements: 	 Failure by Equiniti to adhere to any of its legal or regulatory requirements could lead to legal and regulatory sanctions, redress costs, reputational risk, contract breach and, ultimately, loss of operating licences or invalid contracts, resulting in reduced revenues.	• We have dedicated second-line risk and compliance teams who have supported the first line business in enhancing risk ownership and accountability in 2018. • Our capital investment programme ensures we appropriately fund the actions we need to take to manage regulatory risk. • We can offset the costs of regulation by developing new services and products that help clients manage their own regulatory burden. • We continually monitor for upcoming, new, or amendments, to regulation, to ensure we comply on time. • We deliver regular training for all employees working in regulated areas, so they understand the rules and requirements they must comply with. • We operate separate legal entities for regulated activities with their own Boards, to ensure rigorous focus on regulatory requirements.	We continue to invest significantly in our compliance functions and regulatory infrastructure, to enable us to be resilient and identify cost-effective solutions as new regulations arise.
PRODUCT DEVELOPMENT, CHANNEL & PRICING Risk of poor products that fail to meet the demands of our clients and prospective clients or that do not comply with our regulatory or legal obligations. This risk also includes the potential for poor product distribution (so clients or potential clients are unable to access our products) and inappropriate pricing strategies. Links to the following strategy elements: 	If Equiniti fails to provide appropriate products, propositions and services to the market at suitable prices, it could suffer lower revenues or margins, customer dissatisfaction or regulatory or legal sanction. 	• The Executive team and Board regularly discuss strategy in the context of propositional design and service enhancement. • We have dedicated resource towards customer proposition and customer experience to help us meet our customers' expectations and ensure we also understand their own regulatory requirements. • We run client testing workshops, to gain customer input on product development. • We have implemented a new product governance policy and associated controls to ensure a consistent approach to product management is applied across the Group.	We continue to focus on enhancing the value of our products and services to customers and new market opportunities.
CONDUCT Risk of the business being unable to demonstrate and document good corporate, staff or market conduct, for example: • Board, executive and senior management leadership of the corporate culture; • identifying and managing conflicts of interest; • controlling staff behaviour which could result in potential market abuse; or • compliance with legal and regulatory requirements. Links to the following strategy elements: 	Poor conduct could lead to sub-optimal decision making, customer detriment, poor staff experience, legal or regulatory sanction, increased counterparty risk-based pricing, reduced availability of counter parties and reputational harm to us and our clients. This in turn could result in a loss of trust and confidence amongst our stakeholders.	• We continue to develop key conduct risk measures, to provide a granular view of how our products and services are performing for customers. • We strive to learn from any mistakes through root cause analysis and clear customer accountabilities for colleagues, with rewards driven by customer-centric metrics. • We are further enhancing and embedding our framework to support customers, particularly those in vulnerable circumstances. • We proactively review and follow changes in governance and regulatory requirements. • We are preparing for the advent of the FCA's Senior Managers and Certification Regime which applies to the UK regulated entities in the Group.	There is an increasing expectation from our markets and customers to demonstrate how we conduct our business appropriately and ethically. We are well placed to manage this and during 2019 we will be rolling out enhanced conduct training, policies and associated controls across the Group

GROUP RISK CATEGORY	IMPACT	MITIGATION	TREND*
SECURITY Cyber risk, involving the disruption or corruption of systems and connectivity, or loss or leakage of data from accidental or malicious actions. There are also risks arising from a physical security breach including property damage, staff injury, theft or inappropriate access to premises, systems or information. Links to the following strategy elements: 	An information or physical security breach could reduce the quality of our services to customers or result in us breaching the law or our contracts, which in turn could damage our reputation, increase our costs and reduce our revenues.	• We have an ongoing programme of investment in internal and external cyber security. • The Group has an ISO27001 aligned compliant control framework. • We continuously review our cyber security capability and emerging threats. • Our IT infrastructure is subjected to regular penetration tests. • We deploy extensive security measures to deny unauthorised access to our premises, equipment and resources and to protect personnel and property from damage or harm.	Our ongoing programme of investment in improved controls ensures we maintain our position, in an environment where the external threat remains challenging.
PURCHASING, SUPPLY & OUTSOURCING Risk of a business critical partner, subcontractor or supplier failing to deliver and/or perform to the required standards. Links to the following strategy elements: 	Partner, subcontractor or supplier failure could result in Equiniti being unable to meet its customer obligations or perform critical business operations. This could result in a reputational impact, reduced business agility, customer detriment, increased cost and lower revenue.	• The Group has a dedicated procurement function, with due diligence policies, standards and procedures. • We run supplier financial health checks and monitor their financial position on an ongoing basis. • We regularly review supplier performance and risk. • We audit our material suppliers' business continuity plans, to ensure they are appropriate. • We consider potential supplier failure as part of our overall business continuity and resilience planning.	We have an ongoing programme of enhancements to contracts, to ensure they all have clear performance indicators linked to delivery of services, with appropriate penalties for failure.
BUSINESS CONTINUITY & RESILIENCE Risk of slow or flawed recovery following unexpected events, such as loss of a key building or a major IT system failure. Links to the following strategy elements: 	Failure to effectively plan for and manage unplanned events could lead to a poor customer experience, customer detriment, reputational harm, regulatory sanction, loss of customers, lower productivity, reduced revenues and increased costs.	• We have detailed business continuity and disaster recovery plans, which we test regularly. • We employ dual hosting of critical servers, telecommunications and applications, to help ensure their availability. • The Group has separate business continuity or disaster recovery sites available to it. • We work closely with highly regulated clients who outsource services to us to ensure their own resilience.	Ongoing review and testing of our plans ensures they remain up to date and appropriate.
PEOPLE Risk of low operating efficiency stemming from poor staff morale and experience, higher staff attrition, increased sickness, higher retention and recruitment costs, and unfilled positions. Links to the following strategy elements: 	Failure to attract or retain the right people would limit Equiniti's ability to deliver its business plan commitments and continue to grow.	• We are taking focused action to attract, retain and develop high-calibre people. • We have initiatives to reinforce behaviours that generate the best outcomes for customers and colleagues. • We carefully manage our organisational capability and capacity, to ensure there are the right skills and resources to meet our customers' needs. • We use effective remuneration arrangements to promote appropriate colleague behaviours and meet regulatory expectations. • We encourage and support a number of employee engagement forums and run Diversity and Inclusion groups for staff (see page 40). • We are proactively managing any gender pay gaps within the Group.	We believe in the importance of investing in our people and utilise a variety of programmes tailored to help them enhance their performance, set and achieve objectives and develop their leadership skills.

Viability Statement

1. ASSESSMENT OF PROSPECTS

Equiniti conducts a significant portion of its business through recurring revenue secured via long-term contracts and has a stated modest growth strategy, evidenced both by its past performance and resilience and the position it occupies in the market. Financial resilience has been strengthened by the acquisition of Wells Fargo Shareowner Services in 2018. A period of three years has been chosen to base the Viability Statement on because, although forecasts are prepared for longer periods, there is inevitably more uncertainty associated with a longer time frame and the Directors have a reasonable confidence over this time horizon. The viability assessment reflects financial stress placed on the business arising from the scenarios identified in the Principal Risks and Uncertainties section of the Annual Report and Accounts.

The Group's strategy remains unchanged:

- Grow sales to existing clients
- Win new B2B clients
- Develop and acquire new capabilities
- Operating leverage
- Reinvest strong cash flows

The key factors supporting the Group's prospects are:

- Long-term, loyal, blue-chip clients – We have a large and diverse client base, including c70 of the FTSE 100 and 120 of the FTSE 250. Our average relationship with FTSE 100 share registration clients is more than 20 years and our clients typically take an average of ten services from us.
- Proprietary technology – Our well-invested and scalable proprietary technology platforms give us a competitive advantage and form a barrier to entry, given the substantial experience, time and money required to build them. We have more than 30 platforms, all on UK-based infrastructure. Our primary platforms are Sirius (share registration, dividend and share plan management); Xanite (custody, investment and wealth management); Compendia (pension administration and payroll); and Charter (case and complaints management).
- Leadership positions – We are leaders in large and growing markets, giving us significant growth opportunities and strong momentum.
- Scale – The scale of our business means we can successfully handle the biggest transactions. In 2018, in the UK alone, we made payments of £93 billion, interacted with c28 million shareholders and pensioners, and held c70m shareholder records.
- Specialist people – We employ people who are experts in their fields. At the year end, we had over 5,100 employees, including c900 at our offshore facility in Chennai, India.
- Strong acquisitions track record – We have a strong track record of acquiring new platforms and capabilities, successfully integrating them into the Group and generating growth from them. Since 2007, we have completed 23 transactions.

2. THE ASSESSMENT PROCESS AND KEY ASSUMPTIONS

The Group's prospects are assessed primarily through its strategic and financial planning process. This includes a detailed annual review of the ongoing plan, led by the Group Chief Executive and CFO, in conjunction with divisional and functional management teams. The Board participates fully in the annual process by means of an extended Board meeting.

The output of the annual review process is a set of objectives, detailed financial forecasts and a clear explanation of the key assumptions and risks to be considered when agreeing the plan. The latest updates to the plan were finalised in December 2018. This considered the Group's current position and its prospects over the forthcoming years, and reaffirmed the Group's stated strategy.

Detailed financial forecasts are prepared, with the first year of the financial forecast forming the Group's operating budget and is subject to a rolling forecast process throughout the year. Subsequent years of the forecast are extrapolated from the first year, based on the overall content of the strategic plan. Progress against financial budgets and key objectives are reviewed in detail on a monthly basis by both the Group's executive team and Board. Mitigating actions are taken whether identified through actual trading performance or the rolling forecast process.

The key assumptions within the Group's financial forecasts include:

- Low single-digit per annum revenue growth, supported by market trends and increased cross selling into our customer base.
- Modest margin improvement driven by operating leverage, offshoring, automation, property rationalisation and increasing mix of software licenses.
- No change in the stated dividend policy.
- No change in capital structure given the Group has secured term debt and an RCF facility out to October 2020. Preliminary discussions with funding providers have commenced and Equiniti is confident of extending this agreement in 2019, for a further five years.
- The viability statement and projections carried out to support it are made assuming the current business model and balance sheet structure remain as is and future finance facilities, that mature during the three-year period, will be refinanced on similar terms.

3. ASSESSMENT OF VIABILITY

Although the output of the Group's strategic and financial planning process reflects the Directors' best estimate of the future prospects of the business, the Group has also assessed the impact of severe yet plausible scenarios. There scenarios were considered to appropriately reflect any issues arising as a consequence of Brexit. These represent stresses which include the following potential four scenarios:

1. Depressed market activity leading to a reduction in corporate action revenue.
2. Reduction in revenue growth for a prolonged period of time, with a lag in cost reduction action.
3. Significant change programmes (offshoring/automation/ property rationalisation) do not deliver anticipated benefits.
4. An unspecified shock to the business leading to a 40% reduction in planned underlying EBITDA across a three year period.

VIABILITY SCENARIOS

PRINCIPAL RISKS AND UNCERTAINTIES	REDUCTION IN CORPORATE ACTION REVENUE	REDUCTION IN REVENUE GROWTH	COST PROGRAMMES DO NOT DELIVER ANTICIPATED BENEFITS	UNSPECIFIED SHOCK TO BUSINESS
CHANGE & DEVELOPMENT	✗	✓	✗	✓
INFORMATION TECHNOLOGY	✗	✓	✓	✓
MARKETS & COMPETITION	✓	✓	✗	✓
DATA PROTECTION	✗	✓	✗	✓
REGULATORY	✗	✓	✗	✗
PRODUCT DEVELOPMENT, CHANNEL & PRICING	✓	✓	✗	✗
CONDUCT	✓	✓	✗	✗
SECURITY	✗	✓	✗	✓
PURCHASING, SUPPLY & OUTSOURCING	✗	✓	✓	✗
BUSINESS CONTINUITY & RESILIENCE	✗	✓	✓	✓

Viability scenarios affected by Equiniti's Principal Risks

The results of the stress testing (including combining scenarios 1-3) demonstrate that, due to the Group's high cash generation and access to additional funds, Equiniti would be able to withstand the impact in each case. Mitigants considered as part of this stress testing included cost efficiency programmes, dividend reductions, cancellation of EBT share purchases and a rationalisation of capital expenditure.

4. VIABILITY STATEMENT

Based on the results of the analysis, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period of their assessment.

5. GOING CONCERN

The Group is also required to confirm it has adopted the going concern principle in preparing the accounts, which underpins IFRS 1. The Code requirement has narrowed this down to the accounting purpose of going concern (Code C.1.3). As such, there is no requirement to make reference to the going concern in the front part of the Annual Report and Accounts, although good practice is taking the form of a simple reference confirming the Directors consider it appropriate to prepare the financial statements on the basis of a going concern, as set out in the basis of preparation in the back part of the report.

The key points to consider in relation to asserting Equiniti's going concern status are:

- The Group has positive net assets.
- The Group has a three year business plan, which demonstrates it is able to generate significant cash flows in the next 12 months to service its liabilities as they fall due and pay down debt, based on modest growth and cost reduction ambitions.
- At 31 December 2018, the Group had total cash of £90.9m together with available headroom of £122m under its committed bank facilities. Net debt to underlying EBITDA must be less than 4.0:1; it is currently 2.5:1.
- During 2019 the Group intends to re-finance its Senior Facilities Agreement with existing banks, to provide ongoing committed funding beyond the current October 2020 maturity.

As such we consider the going concern basis of preparing the accounts to be applicable. With the analysis concluding the Group has sufficient cash flow and undrawn debt facilities for the next three years on a number of down-side scenarios, the Directors also have a reasonable expectation the business will continue as a going concern for the next 12 months.

The strategic report was approved on behalf of the Board

Guy Wakeley
Chief Executive

12 March 2019

UK Stock Market Awards 2018

Main Market Company of the Year

02 Governance

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Corporate Governance Report

Dear Shareholder

In my letter to you last year, I noted that the Board takes corporate governance very seriously and that I was determined to ensure that we maintain high standards throughout my time as Chairman.

I am pleased to report that during the year, the Company continued to comply in full with the 2016 UK Corporate Governance Code (the Code). We believe that compliance with the Code should be the minimum standard we aspire to, so during the year we continued to enhance the Board and our corporate governance framework to ensure that the Group has the governance procedures and processes it requires to meet the needs of its clients, employees, shareholders and other stakeholders. Additionally, we look forward to working towards full compliance with the new 2018 UK Corporate Governance Code and continuing to further progress our governance standards.

BOARD AND COMMITTEE CHANGES

There were a number of changes to the Board this year, with our Board refreshment seeing Vicky Jarman standing down and Alison Burns, Mark Brooker and Cheryl Millington all being appointed as independent non-executive Directors. More information on them and their appointments can be found in my statement in the Strategic Report on page 18.

The appointments have enhanced our Board diversity, with female Directors now making up one third of the Board, in line with the recommendation of the Hampton-Alexander Review. More importantly, our new non-executive Directors bring additional skills and experience to the Board, which are highly relevant to the Group's strategic direction.

The increase in Board membership also allowed us to review the composition of the Board Committees, increasing the number of members of some Committees while streamlining others. These changes enhance the operation of the Committees and ensure they continue to provide robust oversight of their respective areas.

BOARD VISITS

We believe that to be an effective Board, we must stay abreast of what is happening in the business and its markets. During the year, we visited three parts of the organisation: EQ Data located in Exeter (UK), EQ US located in Minneapolis (US) and EQ Credit Services located in Leeds (UK).

Visiting the Group's operations has a number of benefits for the Board. We can talk directly to the senior management concerned and see demonstrations of current products and those in development. This gives us insight into how the business is performing and what our clients need from us, both now and in the future. This in turn informs our Board discussions about strategy and helps us to reach conclusions on the strategic initiatives we are asked to approve.

CULTURE

Another advantage of spending time in the business is that it gives us a feel for the Group's culture. The Group's culture combines the entrepreneurial drive needed by a growth orientated company with the client focus and operational rigour that are essential for first-class delivery of regulated services. The Group's culture is never set in stone and needs to adapt over time, so it remains aligned to the Group's purpose and strategy. We also need to ensure that when we acquire businesses that have thrived as independents, we have a culture that allows them to continue to thrive under our ownership.

More information on our cultural initiatives and the Group's values can be found in the Strategic Report on page 38.

DIVERSITY AND INCLUSION

To us, diversity and inclusion means understanding, appreciating and valuing the visible and invisible differences in our colleagues, and understanding that these differences enrich our culture and benefit the business. Recognising this diversity and inclusion is an integral part of our cultural agenda and we are keen to operationalise our approach, with work already in progress. The Group has a range of initiatives for enhancing diversity and supporting our people, which are described on page 40.

TRAINING AND DEVELOPMENT

A key part of my role is to ensure that all Directors have access to ongoing training and development to provide them with the relevant skills and expertise for their role on the Board and its Committees. During the year, training was provided on the following:

- IFRS 15 Revenue Recognition;
- IFRS 16 Lease Accounting;
- changes to the UK Corporate Governance Code;
- the General Data Protection Regulation (GDPR) and how it affected the Group; and
- cyber security.

We also provided extensive induction programmes for the new non-executive Directors.

BOARD EVALUATION

During the year, we undertook an externally-facilitated evaluation of the Board and its Committees. Overall, the Board and its Committees were found to be operating effectively and were well managed. A consistent theme from all of the Committee evaluations was that the allocation of more time for each of the meetings would further develop the breadth and depth of coverage and enhance the wider corporate governance framework. Accordingly, where possible, the Risk Committee meetings will be held on a separate day from the main Board meeting to ensure sufficient time is provided for all of the meetings. More details about the evaluation can be found on page 69.

GOVERNANCE AND RISK

In an evolving environment, the Board recognises that it is critical that the Group has a rigorous focus on identifying, managing and mitigating the risks it faces. Through the Risk and Audit Committees, we have continued to advance our approach this year, as described in their respective reports.

The most significant change to the Group this year was the acquisition of EQ US. As a regulated business, Equiniti Trust Company (ETC) is required to have its own board of independent directors and its own board committees. We rely on this board to carry out a number of governance functions on our behalf in the US and the Board receives regular reports from ETC. To help ensure alignment between the Group and EQ US, the Board held a joint session with the board of ETC at which we discussed both the strategy for the US business and our regulatory and client commitments. ETC has a competent and committed board that is fully equipped to discharge all of our regulatory and statutory commitments in the United States, with appropriate oversight from the Group.

WORKFORCE ENGAGEMENT/EMPLOYEE VOICE

In 2016, an Employee Forum (the Forum) was established within the UK to enable our UK colleagues to meet and discuss employee concerns with senior management and the executive Directors. As part of our work to comply with the new 2018 UK Corporate Governance Code, we are extending the Forum to include representatives from India, the US, the Netherlands and South Africa. We have designated Dr Tim Miller, who chairs our Remuneration Committee, as the non-executive Director with responsibility for conveying Employee Voice.

The Forum will meet quarterly during the year, in the UK and overseas. For those members unable to attend in person, arrangements will be in place for them to attend remotely. Dr Tim Miller will attend those meetings and report back to the Board after each meeting.

Where Board meetings are held overseas, these meetings will be used as an opportunity to meet with colleagues in those locations face to face.

In addition to the Forum, we also have other methods of allowing colleagues to contact the Directors. For example, 'Ask Guy' is an open forum (via the Group's intranet system) which allows colleagues to ask Guy Wakeley any question. This method is used extensively by our colleagues across the Group.

CONCLUSION

This has been a progressive year, further strengthening the Group's corporate governance structure. Looking forward we will continue to maintain a strong and effective governance structure, to help the business to deliver its strategy, create value and safeguard our stakeholders' long-term interests.

Philip Yea
Chairman

12 March 2019

Board of Directors

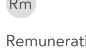
KEY

BOARD COMMITTEES

Audit Committee

Disclosure Committee

Nomination Committee


Remuneration Committee

Risk Committee

PHILIP YEA
CHAIRMAN

Appointed: July 2017 (Independent upon Appointment)

Philip was chief executive of 3i Group plc from 2004 to 2009. A qualified accountant, he is also a former finance director of Diageo plc and, as finance director of Guinness PLC, was closely involved in the creation of Diageo through Guinness's merger with GrandMet in 1997.

Skills and Experience Beneficial to the Company:
Philip is an experienced Chairman with in-depth knowledge of both the quoted and private equity sectors. With his considerable executive experience, he brings valuable skills to the Board. His knowledge of the international business environment will be of particular importance to the Company as it continues on the next stage of its growth and development as an international business.

Other Appointments:
Chairman of Greene King plc

Non-executive Director of Aberdeen Standard Asia Focus plc

Non-executive Director of Marshall of Cambridge (Holdings) Ltd

CHAIR N

D

GUY WAKELEY
CHIEF EXECUTIVE

Appointed: January 2014

Prior to joining the Company, Guy was chief executive of Morrison plc for five years and before that held divisional leadership positions with Amey, The Berkeley Group, General Electric and Rolls-Royce. Guy has an MA in Engineering Science from the University of Cambridge and a PhD in applications of artificial intelligence to engineering design.

Skills and Experience Beneficial to the Company:
Guy is an experienced chief executive, with extensive IT experience. This has enabled him to forge a strong, focused, management team for the Company. This team, led by Guy, has enabled the Company to grow from a private equity-run business to a main market, FTSE 250 business, with a clear, focused strategy for its future growth.

Other Appointments:
Non-executive Director of HgCapital Trust plc

Member of the CBI's Public Services Strategy Board

CHAIR E O Sb

D RC GC

JOHN STIER
CHIEF FINANCIAL OFFICER

Appointed: June 2015

A qualified accountant, prior to joining the Company John was the Chief Financial Officer of Northgate Information Solutions Ltd for over ten years. Prior to that, he was the Chief Financial Officer of Subterra Ltd, a subsidiary of Thames Water Plc, which delivered engineering services to businesses across Europe.

Skills and Experience Beneficial to the Company:
John's considerable finance experience, and his extensive executive experience, has been invaluable in his role as Chief Financial Officer, in managing the Company's balance sheet and ensuring it has the firm financial foundation from which it has grown from being a private-equity run business to a main market, FTSE 250 business.

Other Appointments:
None

CHAIR RC GC

D E O Sb

DARREN POPE
SENIOR INDEPENDENT DIRECTOR

Appointed: December 2016

Darren is a qualified accountant with over 30 years of experience in the financial services industry, the majority of which has been spent in retail financial services. Most recently Darren served as CFO of TSB Bank plc, having led the initial stages of its separation from Lloyds Banking Group. He was a non-executive director of Virgin Money Holdings (UK) plc prior to its merger with CYBG plc.

Skills and Experience Beneficial to the Company:
Darren's considerable accounting experience and his in-depth knowledge of the retail financial services sector, a key business sector for the Group, is beneficial to his role as Chair of the Audit Committee and as a member of the Board.

Other Appointments:
Non-executive Director of CYBG plc

CHAIR A

R N

ALISON BURNS
INDEPENDENT NON-EXECUTIVE DIRECTOR

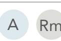
Appointed: April 2018

Alison has held executive and non-executive roles within Aviva plc, including the position of CEO of Aviva Ireland. She has extensive financial services experience, gained in senior roles with Santander, Lloyds TSB and AXA UK.

Skills and Experience Beneficial to the Company:
Alison has in-depth knowledge of the insurance and financial services sectors (two key markets for the Group). Alison's experience has provided her with an insight into the customer's viewpoint which is a skill required by the Board.

Other Appointments:
Non-executive Director of Hastings plc

A Rm



EXECUTIVE COMMITTEES

Executive Committee

Executive Risk and Compliance Committee

Sales and Bid Committee

Operating Committee

Group Investment and Change Committee

MARK BROOKER
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed: November 2018

Mark's executive career has involved senior roles in technology-centric businesses, including Betfair where he was COO and Trainline where he held a similar role, providing strong management and operations experience. He also spent 17 years in investment banking, with Rothschild, NatWest Markets, Merrill Lynch and Morgan Stanley.

Skills and Experience Beneficial to the Company:
Mark brings strong management and operational experience from technology-centric businesses and his time in investment banking is very relevant to our marketplace.

Other Appointments:
Non-executive Director of AA plc

Non-executive Director of William Hill plc

A Rm

SALLY-ANN HIBBERD
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed: August 2016

Sally-Ann previously served as COO of the international division and latterly as Group Operations and Technology Director of Willis Group, and held a number of senior executive roles at Lloyds TSB.

Skills and Experience Beneficial to the Company:
Sally-Ann's extensive experience of the financial services sector, together with her experience of the insurance sector, two key business sectors for the Group, has been beneficial when conducting her role as Chair of the Risk Committee and as a member of the Board.

Other Appointments:

Non-executive Director of IG Group Holdings plc

Non-executive Board member of Loughborough University

Advisory board member of OEE Consulting

CHAIR

R
A Rm N

DR TIM MILLER
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed: February 2015

During his 14 years at Standard Chartered Bank, Tim held a number of director level positions with global responsibility for areas including human resources, compliance, audit, assurance, financial crime and legal. Tim was also a non-executive Director of Page Group, the recruitment services provider, for nine years.

Skills and Experience Beneficial to the Company:
Tim's extensive executive experience across a range of areas, especially in human resources, has assisted him in his role as Chair of the Remuneration Committee. Tim's experience made him the ideal choice to be appointed as the Board's designated non-executive Director to engage with the Group's wider workforce.

Other Appointments:
Non-executive Director of Equiniti Financial Services Limited (the Group's most significant FCA regulated entity in the UK)

Non-executive Director of Clarkson plc and chair of its remuneration committee

Non-executive Director of Otis Gold Corporation, a Toronto Stock Exchange listed company, Chairman of the Academy of St Martin-in-the-Fields

CHAIR

Rm
R N

CHERYL MILLINGTON
INDEPENDENT NON-EXECUTIVE DIRECTOR

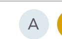
Appointed: November 2018

Cheryl's experience has been gained through her senior leadership roles in technology across a variety of sectors, including financial services and retail, most recently as Chief Digital Officer at both Travis Perkins and Waitrose. Her prior roles include CIO at Asda and senior line management roles in retail at HBOS. Cheryl was previously an independent non-executive Director of National Savings and Investments.

Skills and Experience Beneficial to the Company:
Cheryl brings deep technological, business leadership, and customer centric experience gained across a variety of sectors, including financial services and retail, which is very relevant to our marketplace.

Other appointments:

Non-executive Director of Atom Bank plc


A R

KATHY CONG
COMPANY SECRETARY

Appointed: July 2016

Prior to joining the Company, Kathy worked at FTSE 250 specialist banking group, Investec plc, for over 13 years. During her time at Investec, Kathy worked closely with senior management and subsidiary directors to ensure appropriate governance systems were established and maintained, particularly in relation to Directors' duties, relevant regulatory requirements and related party transactions, including FCA-regulated firms.

Kathy is an active industry contributor, having held the position of the Secretary of the Association of Women Chartered Secretaries and the London Money Market Association.

Other appointments:
Director of Equiniti Share Plan Trustees Limited

Company Secretary to the Equiniti Group UK subsidiary companies

D

Executive Committee

KEY

EXECUTIVE COMMITTEES

Executive Committee

Executive Risk and Compliance Committee

Sales and Bid Committee

Operating Committee

Group Investment and Change Committee

GUY WAKELEY
CHIEF EXECUTIVE

See page 58 for details

JOHN STIER
CHIEF FINANCIAL OFFICER

See page 58 for details

THERA PRINS
CHIEF OPERATING OFFICER AND CEO, EQ INVEST (INVESTMENT SOLUTIONS DIVISION)

Joined the Group in November 2016

Thera is responsible for ensuring that the Group has the resources and functions in place to deliver the Board's strategy. In addition, she manages the division that operates the various platforms that investors can use to access the market and buy, sell and hold investments in a cost effective way. Prior to joining the Group, Thera spent 20 years in retail financial services working for Visa Europe, Barclays and Lloyds Group, where she specialised in customer services, new product development solutions and global expansion initiatives.

REBECCA GRATTAN
CHIEF PEOPLE AND TRANSFORMATION OFFICER

Joined the Group in August 2018

Rebecca is responsible for Human Resources, Transformation and Change functions globally. She has had a lengthy career in consultancy and has worked with some of the largest financial services and public sector organisations, leading significant transformation programmes and specialising in the operating model and organisational design.

ADAM GREEN
CHIEF RISK OFFICER

Joined the Group in March 2015

Adam is responsible for managing the Group's global risk profile. He has a wide range of experience in financial services, risk management, regulation and business change. Adam was previously interim Head of UK Compliance for Bupa and prior to that managed a core transition workstream at the Financial Services Authority as it established the Financial Conduct Authority and Prudential Regulatory Authority.

MARK CHURLEY
CHIEF GROWTH OFFICER

Joined the Group in August 2017

Mark is responsible for growth across the Group's core markets, both in the UK and overseas, through new business origination and from established strategic accounts. Mark has over 20 years' experience in business development with NCR Corporation, Talaris, De La Rue and Lucent.

Sb E O

PAUL MATTHEWS
CEO, EQ BOARDROOM (INVESTMENT SOLUTIONS DIVISION)

Joined the Group in February 2011

Paul is responsible for working with the UK's leading businesses to deliver successful transactions including IPOs and corporate actions for a client base covering circa 50% of the FTSE 100 and circa 40% of the FTSE 250. With over 30 years of experience, his background and knowledge of the securities industry brings an important skill set to the Group's senior team, helping shape the Group's offering to listed companies both in the UK and globally.

O E

TODD MAY
CEO, EQ US (INVESTMENT SOLUTIONS DIVISION)

Joined the Group in February 2018

Todd is responsible for leading the Group's US transfer agent business. He joined Wells Fargo Shareowner Services, now EQ US, in 2007. Under his leadership, the business implemented key regulatory changes, executed significant enhancements to issuer and shareowner websites in meeting customer needs, and increased product offerings while consistently being known as a leading service provider. Todd has over 25 years' experience in financial services and corporate development.

O E

DUNCAN WATSON
CEO, EQ PAYMASTER (PENSIONS SOLUTIONS DIVISION)

Joined the Group in March 2015

Duncan is responsible for the EQ Paymaster business lines and for ensuring that its clients and their members, policyholders and employees receive outcomes that are of the highest quality.

Duncan joined the Group from Aon Hewitt where he was UK Chief Operating Officer. He is a Pensions Actuary who has worked in Financial Services for 27 years and has significant experience in both advising clients and the delivery of change and operational excellence.

O E

KEVIN O'CONNOR
CHIEF INFORMATION OFFICER

Joined the Group in January 2018

Kevin is responsible for leading the Group's digital and technology agenda. He has extensive global experience in building and leading teams that deliver and support high performance and highly secure systems for both the B2B and B2C markets, in both highly regulated and unregulated markets, across a range of industries including investment banking, gaming and travel.

E RC Sb O GC

BOARD MEMBERSHIP AND ATTENDANCE

The Board comprises a non-executive Chairman, the Chief Executive, the Chief Financial Officer and six independent non-executive Directors. The members of the Board who served during the year and as at the date of this report are shown in the table below, together with their attendance at the 13 Board meetings held during the year or those held during their tenure:

Name	Attended
Philip Yea (Chairman)	13/13
Guy Wakeley (Chief Executive)	13/13
John Stier (Chief Financial Officer)	13/13
Darren Pope (Senior Independent Director) [4]	12/13
Alison Burns[1]	11/11
Mark Brooker[2]	2/2
Sally-Ann Hibberd	13/13
Vicky Jarman[3,4]	3/4
Dr Tim Miller[5]	11/13
Cheryl Millington[2,4]	1/2

[1] Alison Burns was appointed to the Board effective from 1 April 2018.

[2] Mark Brooker and Cheryl Millington were appointed to the Board effective from 1 November 2018.

[3] Vicky Jarman stood down from the Board effective from 3 May 2018.

[4] Vicky Jarman and Cheryl Millington were each unable to attend one meeting due to illness. Darren Pope was unable to attend one meeting that was additionally scheduled during the year due to a prior commitment.

[5] Dr Tim Miller was unable to attend one meeting due to illness and one meeting that was additionally scheduled during the year due to a prior commitment.

Details of the Directors, including the skills and experience they bring to the Board can be found on pages 58 to 59.

GOVERNANCE

During the year, the Company complied in full with the 2016 UK Corporate Governance Code (the Code). The Board is aware of the new 2018 UK Corporate Governance Code and the enhanced reporting for s172 of the Companies Act 2006 which came into effect on 1 January 2019. The Company already complies with the majority of the new Code and is taking actions on other provisions. We have already implemented policies and procedures during the year to enhance our engagement with all stakeholders. We have also developed a Code Compliance dashboard that tracks the progress of actions already undertaken, and those to be undertaken during 2019, to ensure full compliance with the new Code. We will report further on our compliance with the new Code in our 2019 Annual Report and Accounts. Copies of both Codes can be found on the Financial Reporting Council's website at www.frc.org.uk.

The Board's Terms of Reference state that at least half of the Board should be made up of non-executive Directors. This requirement was complied with throughout the year. The Board considers that all of the non-executive Directors are independent and that the Chairman was independent upon appointment.

The Terms of Reference also state that one of the non-executive Directors should also be appointed as the Senior Independent Director (SID). This role was undertaken by Vicky Jarman until she stood down from the Board in May 2018 and Darren Pope was appointed SID in her place.

The Terms of Reference also state that the roles of the Chairman and Chief Executive should be exercised independently of each other and that the Chairman should not exercise the role of the Chief Executive. The Chairman is responsible for the leadership of the Board and the Chief Executive is responsible for managing and leading the business. These roles were carried out independently of each other throughout the year.

Each Director has access to the advice and services of the Company Secretary and can arrange for independent, professional advice at the Company's expense where they judge it is necessary in order to discharge their responsibilities as Directors. There is an agreed procedure enabling them to do so, which is managed by the Company Secretary. No such advice was sought during the year.

ROLE OF THE BOARD

The Board is collectively responsible for the long-term success of the business and delegates the day-to-day management to the executive management team. However, there is a schedule of matters reserved for the Board's decision, together with a delegated authority framework, to ensure that unusual or material transactions are brought to the Board for approval.

The schedule of matters reserved for the Board includes, amongst other things:

- approval of strategic plans;
- approval of annual budgets;
- approval of acquisitions and disposals;
- overseeing the Group's operations to ensure competent and prudent management, sound planning and an adequate system of internal control;
- approval of half-year and full-year results announcements;
- approval of the Company's Annual Report and Accounts; and
- the appointment or resignation of directors and the company secretary.

The delegated authority schedule sets out the financial parameters of authority, covering the delegation of all areas of the Group's activities below Board level to the executive Directors, divisional CEOs, or business unit managers. Certain authorities, such as approval of capital expenditure, have different delegated authority limits depending on whether the particular expenditure was included in the annual budget or is an additional item of expenditure where a higher degree of oversight and approval may be appropriate.

CONFLICTS OF INTEREST

The Board has an established framework for the identification, approval and recording of actual or potential conflicts of interest of its Directors and subsidiary company Directors. All conflicts of interest must be declared to the Board and are recorded in Equiniti's register of Directors' interests. The Companies Act 2006 (the Act) and the Company's Articles of Association contain detailed provisions for the proper management of conflicts of interest. The circumstances in which the Board can approve the ongoing participation by a conflicted Director in any discussions or decisions of the Board, where the Director is or may have a conflict, are clearly defined.

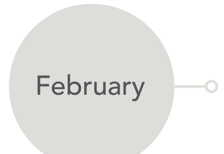
As part of the framework referred to above, towards the end of the year, each Director is provided with a copy of the information held about them – personal information, declared conflicts, shareholding in the Company, who their connected persons are – requesting that they confirm that the details held are still valid and up to date. This annual attestation process ensures that the Director is aware of the details held on them and that the details are correct.

The Board maintains oversight of each Directors' external interests, to ensure that they continue to be able to devote sufficient time to discharge their duties and responsibilities effectively and efficiently. Where there are external commitments, the Board makes sure it is satisfied that these do not have any adverse effect on the Company or the ability of any particular Director to discharge their duties fully.

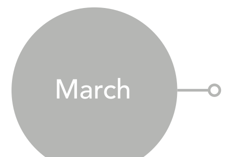
More information about members of the Board and the Executive Committee is available on pages 58 to 61.

BOARD ACTIVITIES DURING 2018

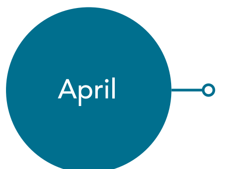
The Board met 13 times during the year and undertook the following activities during those meetings:



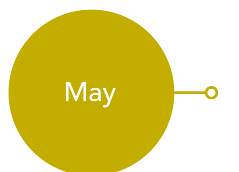
- received and discussed business updates from the Chief Executive and Chief Financial Officer;
- received a Board presentation on the WFSS acquisition;
- received a Board presentation on the Group's MiFID II readiness;
- reviewed the Compliance & Governance report; and
- reviewed the Committee and Subsidiary company update reports.



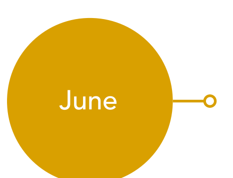
- received and discussed business updates from the Chief Executive and Chief Financial Officer;
- received and discussed the gender pay gap report;
- reviewed and approved the 2017 Annual Report and Accounts and ancillary documents;
- reviewed the Compliance & Governance report;
- reviewed the Committee and Subsidiary company update reports;
- approved the Remuneration Committee Terms of Reference; and
- approved the Audit Committee Terms of Reference.



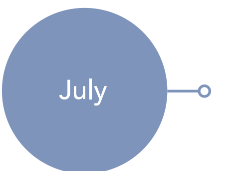
- received and discussed business updates from the Chief Executive and Chief Financial Officer;
- reviewed the Compliance & Governance report; and
- reviewed the Committee and Subsidiary company update reports.



- offsite Board meeting to discuss the Group's strategy.

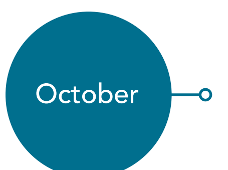


- Board meeting held offsite in Exeter;
- received and discussed business updates from the Chief Executive and Chief Financial Officer;
- received a Board presentation on EQ Digital;
- reviewed an update on the integration of EQ US;
- reviewed the Compliance & Governance report;
- reviewed the Committee and Subsidiary company update reports;
- received product demonstration and met with EQ Data management and staff; and
- discussed the Group's Culture and Values.

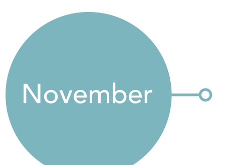


- received and discussed business updates from the Chief Executive and Chief Financial Officer;
- reviewed and approved the 2018 half-year results;
- recieved an update on the integration of EQ US;
- reviewed the Compliance & Governance report;
- reviewed the Committee and Subsidiary company update reports;
- approved the Nomination Committee Terms of Reference; and
- received and discussed the IT Transformation Programme update.

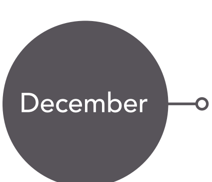
- received and discussed business updates from the Chief Executive and Chief Financial Officer;
- approved the acquisition of the Cabinet Office's 24% stake in MyCSP;
- received an update on the integration of EQ US;
- reviewed the Compliance & Governance report;
- reviewed the Committee and Subsidiary company update reports; and
- discussed the Culture Transformation Plan.



- joint offsite Board meeting with the board of Equiniti Trust Company in Minneapolis;
- met with EQ US management and colleagues; and
- participated in a tour of the US customer experience centre, Minneapolis.

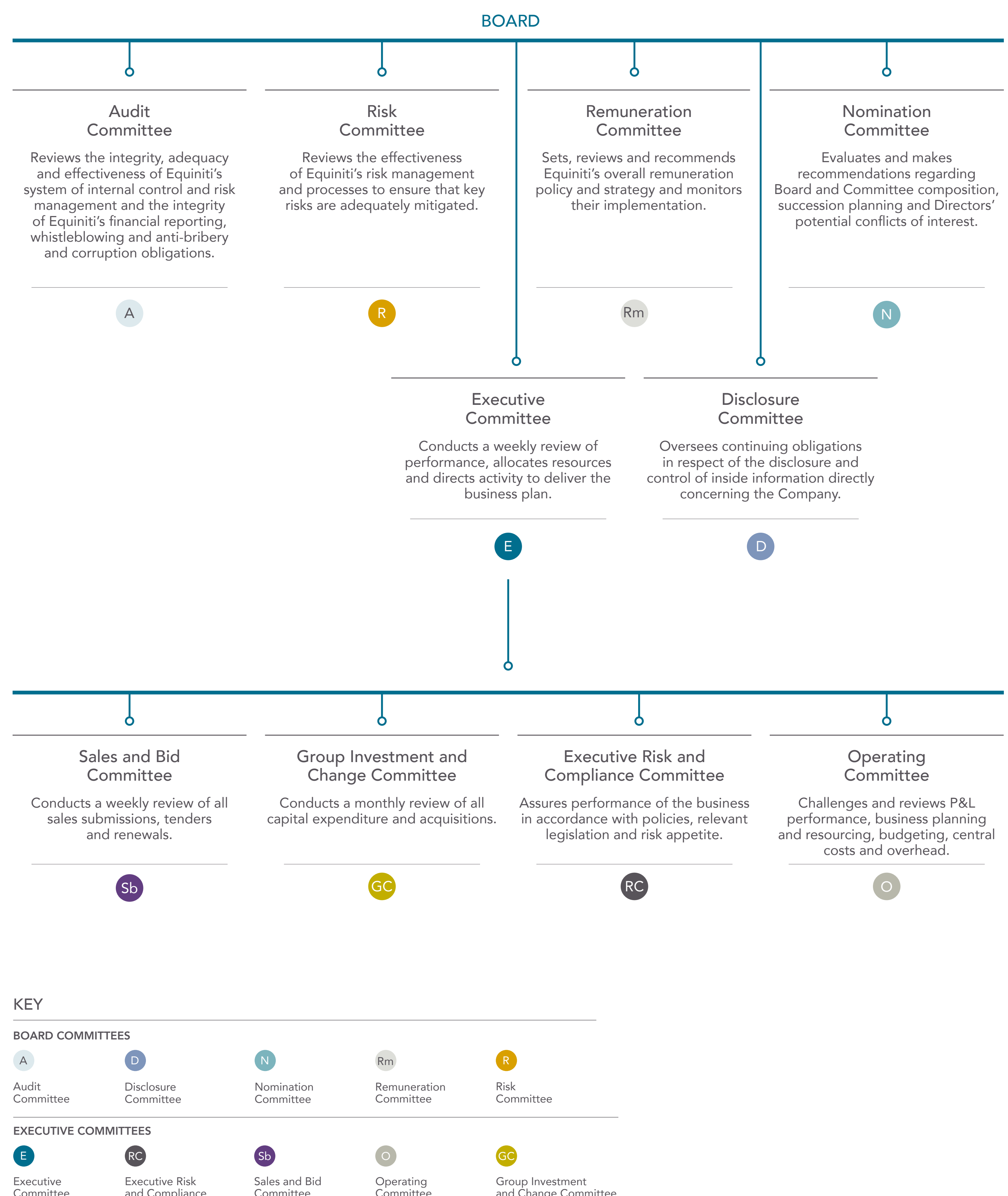


- Board meeting held offsite in Leeds;
- received and discussed business updates from the Chief Executive and Chief Financial Officer;
- received a Board presentation on EQ Paymaster;
- reviewed an update on the integration of EQ US;
- reviewed the Compliance & Governance report;
- reviewed the Committee and Subsidiary company update reports;
- received a product demonstration from the Credit Services and Data Solutions teams; and
- received a Board presentation on Regulated BPO.



- received and discussed business updates from the Chief Executive and Chief Financial Officer;
- reviewed and approved the 2019 Budget;
- received a Board presentation on IT transformation and the technology platform roadmap;
- received a Board presentation on Customer Experience and Permission;
- received an update on the integration of EQ US;
- reviewed the Compliance & Governance report; and
- reviewed the Committee and Subsidiary company update reports.

BOARD AND EXECUTIVE COMMITTEE STRUCTURE



BOARD COMMITTEES

The Board has four main Committees comprising solely non-executive Directors: Audit; Nomination; Remuneration; and Risk. The Committees' reports that follow on pages 72 to 117 set out their members, attendance, responsibilities and activities. These Committees take the lead with the following:

- the detailed oversight of the Company's internal and external audit work;
- oversight of the Company's risk identification and management;
- establishing the remuneration policy and overseeing implementation for the Group as a whole, specifically for the executive Directors and leadership team; and
- determining appropriate succession and contingency plans for the Directors and senior managers and undertaking appropriate searches for new Directors as required.

Disclosure Committee

In addition to the four main Board Committees, the Board has delegated responsibilities to the Disclosure Committee to oversee the Company's compliance with its obligations (as laid down by the FCA's Listing Rules, Disclosure Guidance and Transparency Rules and the Market Abuse Regulation) in respect of the disclosure and control of inside information directly concerning the Company. The Committee meets as and when it is deemed necessary and its members consist of the Chairman, Chief Executive, Chief Financial Officer and the Company Secretary.

Executive Committees

In addition to the oversight provided by the Board and Committees noted previously, the executive Directors are supported by a number of executive management committees, which help them to discharge their duties. These include monthly reviews with the senior and divisional management teams, covering areas such as business performance and development, financial management, risk management, HR, IT and operational performance.

The Chief Executive leads the Group's operational management and is supported by the executive management team. The executive management team gives strategic focus and is responsible for managing the operational and financial performance of the Group, by coordinating the work of the specialist business areas. This enables the efficient and effective day-to-day operation of the Group's businesses.

The Board is kept up to date with developments in the business, including the work of the leadership teams, through the Chief Executive and Chief Financial Officer's regular reports, which are discussed in detail at each Board meeting.

The Executive Committee is the most senior executive management committee. Its members are listed on pages 60 to 61.

The Executive Committee meets weekly to review performance and the allocation of resources and directs activity to deliver the business plan.

The Executive Committee is supported by four management sub-committees:

- the Sales and Bid Committee, chaired by the Chief Executive, meets weekly and is responsible for reviewing sales submissions, tenders and contract renewals. This Committee sets the commercial and pricing strategy for the Group, including brand, marketing and new product launches;
- the Operating Committee chaired by the Chief Executive, meets monthly and is responsible for reviewing performance against P&L budgets, forecasting and monitoring central costs and running the budget process;
- the Group Investment and Change Committee is chaired by the Chief Financial Officer, and meets monthly. It reviews capital expenditure requests, key priority projects and corporate development activity; and
- the Executive Risk and Compliance Committee is chaired by the Chief Financial Officer and meets at least quarterly, to ensure performance of the business is in accordance with policies, legislation and agreed risk appetite.

BOARD SKILLS

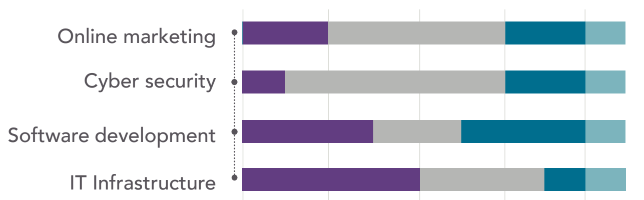
It is a core feature of good corporate governance that the Board and its Committees have an appropriate balance of skills and experience, independence and knowledge, to enable the effective discharge of their duties and responsibilities, whether individually or collectively. Part of the role of the Chairman and the Nomination Committee is to keep the balance of skills and expertise on the Board and its Committees under review and make recommendations to the Board where changes are appropriate to maintain that balance.

As part of the Board evaluation that was undertaken during the year (details of which are provided on page 69), the skills of the Directors, as a whole, were collated to illustrate the Board's in-depth knowledge and experience of the sectors in which the Company operates.

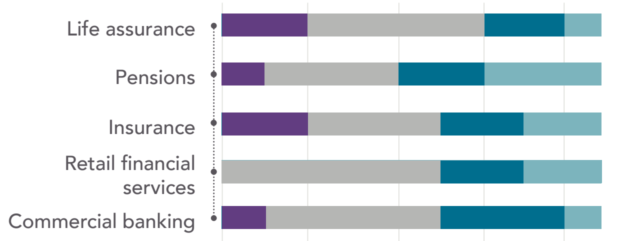
The individual experience and background of each Director is set out in their biographies on pages 58 to 59. The Board considers that the range of skills, experience and background of each of the Directors is sufficiently relevant and complementary to allow appropriate oversight, challenge and review of the Company's progress in achieving its corporate goals.

The following charts illustrate the broad spectrum and depth of experience that the nine members of the Board have and how, collectively, they cover the sectors and businesses in which the Group operates.

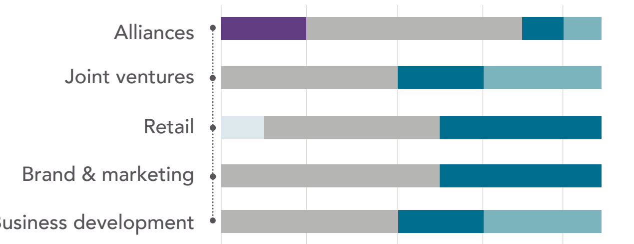
TECHNICAL SKILLS



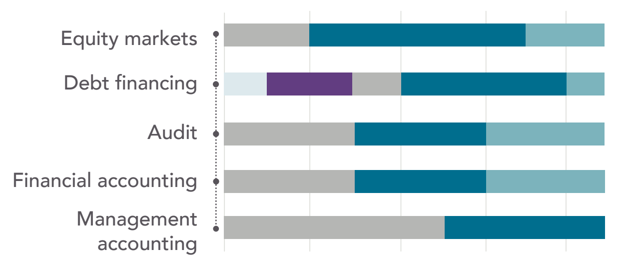
SECTOR EXPERIENCE



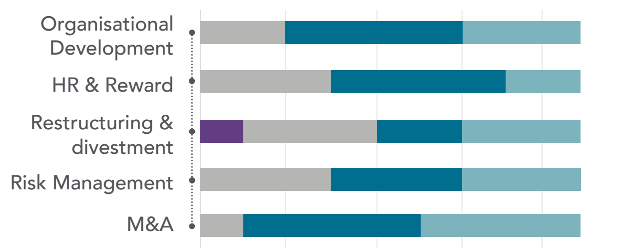
SALES SKILLS



FINANCE SKILLS



OTHER SKILLS



KEY

BOARD SKILLS

NOT APPLICABLE | Not so familiar | Somewhat familiar | Very familiar | Extremely familiar

DIVERSITY

The Board, supported by the Nomination Committee, values diversity in its broadest sense and when considering new non-executive Director appointments will, in addition to considering gender, age, disability, ethnicity, geography or experience, look to maintain within the boardroom the appropriate balance of skills, experience, independence and knowledge of the Company and the industry as a whole.

The Board notes the aims of the Hampton-Alexander Review and the aspiration to achieve at least 33% representation of women on FTSE 350 boards by 2020. The Board is currently comprised of nine Directors', three of whom are women. Accordingly, the Company itself has reached the 33% representation level. The Board continues to strengthen the pipeline of senior female executives within the business, and ensure that there are no barriers to women succeeding at the highest levels within the Group. Further details on the Company's gender diversity statistics as at 31 December 2018 are set out on page 41 and details of the Group's diversity and inclusion policy can be found on page 40.

BOARD AND COMMITTEE EVALUATIONS

2017 Key Recommendations – how did we address them?

As reported in the 2017 Annual Report and Accounts, it was noted that more time should be allowed for Board discussion by extending the average length of meetings and simplifying and summarising key information packs. This was addressed and the summaries have been found to be very helpful to the Directors. More time has also been spent on considering medium-term issues and a schedule of future topics was agreed to help manage meetings. An adverse impact of lengthening the Board meetings is that on occasion Committee meetings have felt compressed, an item which has been picked up through the 2018 Board and Committee Evaluation process. As indicated in the 2017 Annual Report and Accounts, we used an external consultant to lead the 2018 Board and Committee Evaluation process, which we discuss in the following section.

2018 Board and Committee Evaluations

Questions → Analysis → Interviews → Evaluation & Report → Discussion → Action Points

A formal evaluation of the Board, its Committees and the performance of each Director was undertaken during 2018. Lintstock, an independent third-party provider of board evaluation services, was engaged to assist with the evaluation of the Board and its Committees. Lintstock does not undertake any other services for the Company. The evaluation followed the process summarised above and expanded on below:

Questions

For the Board evaluation, Lintstock circulated a questionnaire to each Director and the Company Secretary which listed 33 questions covering the following main topics:

- board composition;
- stakeholder oversight;
- board dynamics;
- management of meetings;
- board support;
- focus of meetings;
- a case study on the Board's meeting in the US;
- strategic oversight;
- risk management and internal control;
- succession planning and human resource management; and
- priorities for change.

For the Committee evaluations, Lintstock circulated a smaller questionnaire of ten questions covering the following main topics:

- time management and composition;
- committee processes and support;
- the work of the Committee; and
- priorities for change.

Lintstock also evaluated the Chairman's performance, asking: how constructive the Chairman's relationships were with each member of the Board; how well meetings were managed; and how well the inputs of the various members were handled during meetings.

Analysis

The responses received from each Director and the Company Secretary were analysed by the team at Lintstock and grouped by common themes.

Interviews

The initial analysis was provided to the Chairman who then met with each Director and the Company Secretary to discuss the analysis and gather further information and feedback. The Chairman also discussed each Director's individual performance. The Chairman's review was undertaken by the Senior Independent Director.

Evaluation and Report

All of the responses, from both the questionnaires and interviews, were further analysed and reports for the Board and each of its four Committees were produced by Lintstock. The skills of the Board were also mapped and charts produced showing the Board's familiarity with them.

Discussion

The reports were discussed by the Board and each of its Committees. Overall, the Board and its Committees were found to be operating effectively and were well managed. The relationships between individual Directors' and between the Board and management were rated highly. The overall value of the Board's visit to the US was rated very highly and was a great opportunity to interact with US management and visit the US operational sites. A consistent theme from all of the Committee evaluations was that more time could be allocated to the meetings.

Key Recommendations from the 2018 Evaluation:

- where possible, certain Committee meetings should be held the day before or separate to the Board meeting to ensure that sufficient time is provided to all of the meetings;
- attention should be paid to managing the integration of the new non-executive Directors and the new composition of the Committees;
- the Board should monitor closely the enhancement of the audit and risk functions for EQ US;
- further steps should be taken to allow the Directors to meet with a greater number of talented employees below the senior management level;
- the Company should ensure that the proposed new Remuneration Policy is effectively communicated to, and supported by, shareholders;

- ensure that the proposed new Remuneration Policy is applied, matching reward to both performance and behaviour;
- a strategic view of the risk profile over the next four to five years should be developed;
- reviewed changes in corporate governance to ensure that the Board and its Committees are compliant; and
- the Board should continue its support and involvement in the programme regarding the culture and behaviours of the Group.

BUSINESS MANAGEMENT

The Chief Executive is responsible for delivering the Company's agreed strategy and, with the Chief Financial Officer, prepares the annual budget, which is subject to formal scrutiny and approval by the Board. Progress in delivering this annual budget is reported on at each Board meeting.

Monthly business forecasts are prepared by the operating divisions to identify variances against the annual budget at the earliest opportunity, reflecting changes in expectations and market conditions. Negative variances to budget are subject to rigorous challenge at Operating Committee meetings prior to progress updates being reported to the Board.

There are clear policies outlining delegated authority limits for all types of business transactions and associated authorised signatories. The authority limits and processes are verified by reviews undertaken by compliance and Group internal audit. Additional detail on the work of the compliance and internal audit functions is set out on page 77.

All employees are required to undergo an objective-based personal appraisal process, with individual objectives derived from the corporate strategy and the objectives of their line managers and set within the context of the Company's corporate goals and annual budget.

THE BOARD'S REVIEW OF THE SYSTEM OF INTERNAL CONTROL

The Board has responsibility for the Company's overall approach to risk management and internal controls and considers their effectiveness fundamental to the achievement of the Company's strategic objectives. During 2018, the Board, through its Audit and Risk Committees, built upon its 2017 review of the process for identifying, evaluating and managing the principal risks faced by the Group.

The Group internal audit function advises the executive management team on the extent to which systems of internal control are adequate and effective for managing business risk, safeguarding the Company's resources, and ensuring compliance with Group policies and legal and regulatory requirements, as well as advising on ways in which areas of risk can be addressed. It provides objective assurance on risk and controls to senior management, the Audit Committee and the Board. The Group internal audit's work is focused on the Group's principal risks. The mandate and programme of work of the Group internal audit team is considered and approved by the Audit Committee. Based on the approved internal audit plan, a number of internal audits took place across the Group's divisions to facilitate improvement of the Group's internal controls. Findings were reported to the relevant operational management and the Audit Committee. The Group internal audit follows up on the implementation of recommendations and reports on progress to senior management and to the Audit Committee.

The Group Chief Audit Executive, Group Internal Audit, reports regularly to the Chair of the Audit Committee and attends each Audit Committee meeting to present the internal control findings from the internal audits performed. The Audit Committee reviews and discusses the effectiveness of internal audits on an annual basis with the Group Chief Audit Executive. This is done by the review of the internal audit plan of work for the year and monitoring progress against the plan and actions identified by internal audit. The Group Chief Audit Executive meets with the Audit Committee at least twice a year, without executive Directors present, and is a regular attendee at the Risk Committee meetings.

REGULATED ACTIVITIES

A number of the Group's businesses include regulated activities, with several of the Company's subsidiaries being regulated. Two of these are major businesses within the Group.

The first such business is Equiniti Financial Services Limited (EFSL), which has a Board consisting of two independent non-executive Directors, two non-executive Directors and three executive Directors. The Board is supportive of the EFSL Board, to ensure that appropriate governance is followed in respect of all FCA regulated activities. The Board maintains oversight of these regulated activities by receiving regular reports, and specifically through the ICAAP process and risk appetite and framework within EFSL, from the Chief Executive and the Chief Risk Officer. Copies of the EFSL board and committee minutes are made available to the Board.

The second such business is Equiniti Trust Company in the US. This is governed by its own independent board. The Board and the US board work closely together and held a very successful joint board meeting during the year. The Board maintains oversight of the US business by receiving regular reports and presentations from the Chief Executive and Chief Financial Officer, who are non-executive Directors of Equiniti Trust Company, and also directly from the US senior management team.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Company 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 Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and IFRSs as adopted by the European Union have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;

- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business. A copy of the financial statements is available on Equiniti's website: http://investors.equiniti.com/investors

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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.

Directors' Confirmations

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in pages 58 to 59 confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

As required by section 418 of the Act, each Director has approved this report and confirmed that, so far as they are aware, there is no relevant audit information (being information needed by the auditor in connection with preparing its audit report) of which the Company's auditor is unaware. They have also confirmed that they have taken all the steps they ought to as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

GOING CONCERN

The Company's business activities, together with factors likely to affect its future development, performance and position, are set out in the Strategic Report on pages 20 to 29. The financial position of the Company, its cash flows, liquidity position and borrowing facilities, as well as the Company's objectives, policies and processes for managing capital, are described on pages 30 to 37. Financial risk management objectives, details of financial instruments and hedging activities, and exposures to credit risk and liquidity risk are described in notes 5 and 6.10 – 6.13 to the Accounts on pages 161 and 169 to 174.

During the year, the Directors assessed the viability of the Company over a three-year period, taking into account the Group's current financial position and the principal risks, particularly those that could threaten the business model and the ability of the Group to renew its receivable finance. The Directors consider that the Company's business activities and financial resources ensure that it is well placed to manage its business risks successfully. The Group viability statement can be found on page 52.

The Directors are satisfied that:

- the Company's and the Group's activities are sustainable for the foreseeable future, and that the business is a going concern; and
- it is appropriate to continue to adopt a going concern basis in the preparation of the financial statements.

Philip Yea
Chairman

12 March 2019

Audit Committee Report

Dear Shareholder

I am pleased to present the Audit Committee (the Committee) Report for the year ended 31 December 2018.

During the year, Vicky Jarman stood down from the Committee when she retired from the Board in May 2018 and we welcomed Alison Burns who was appointed to the Board and became a Committee member in April 2018. Following a review of the composition of all Board Committees in November, this resulted in Dr Tim Miller standing down from the Committee and Cheryl Millington and Mark Brooker being appointed. I look forward to working with Alison, Cheryl and Mark and would like to thank Vicky and Tim for their invaluable contributions to the Committee over the years.

During the year we also had a change in our PwC audit partner with Darren Meek being appointed. The Committee undertook a rigorous selection process and are pleased to have Darren as audit partner. He brings a wealth of experience and we look forward to working with him.

CHANGES IN FINANCIAL REPORTING

Throughout the year there have been some significant changes in financial reporting in respect of the implementation of new International Financial Reporting Standards (IFRS) on Revenue from contracts with customers (IFRS 15) and Financial Instruments (IFRS 9). The Committee has reviewed the impact of the new standards on the 2018 financial statements and disclosures.

In addition, the Committee has received training on key areas of revenue recognition that affect the Group and on the expected impact of IFRS 16 Leases which is effective from 1 January 2019.

The Committee has reviewed the findings of the Financial Reporting Council's thematic review for 2018 which was issued in November 2018 and focused on disclosures around IFRS 15, IFRS 9 and on reporting by smaller listed and AIM quoted companies. A number of improvements in the Group's financial reporting disclosures were identified which have been implemented in this Annual Report and Accounts including a reconciliation of cash from operations to working capital movements and an explanation of the changes made as a result of the implementation of IFRS 15.

EFFECTIVENESS OF THE AUDIT COMMITTEE

An external evaluation of the Committee was undertaken during the year by Lintstock. Details of the evaluation and its results can be found on page 69.

PRIORITIES FOR 2018

In addition to its normal business undertaken throughout the year, the Committee spent time focusing on the following key areas:

- ensuring that the Group Internal Audit function is fully resourced and has a clear mandate and methodology to follow;
- focusing on the integration of EQ US into the work of the Committee with a particular focus on the building of a US internal audit team;
- understanding and preparing for the introduction of IFRS 15 and IFRS 16;
- reviewing the Group's accounting policies and public announcements with the intention to continuously improve the clarity and depth of disclosure where appropriate; and
- reducing the number of overdue high-risk audit issues.

These are important to the business and good progress has been made on them.

PRIORITIES FOR 2019

In addition to continuing to focus on the areas stated in the paragraph above, we will focus on the implementation of IFRS 16 to ensure that these are implemented smoothly. We will also focus on ensuring that the Committee complies with its obligations under the new 2018 UK Corporate Governance code.

I would like to thank my fellow Committee members, the finance and internal audit teams within the Group, and the team at PwC for their work during the year.

Darren Pope
Chair of the Audit Committee

12 March 2019

COMMITTEE MEMBERSHIP AND ATTENDANCE

The Committee is made up exclusively of independent non-executive Directors. The members of the Committee who served during the year and as at the date of this report are shown in the table below, together with their attendance at the six committee meetings held during the year or those held during their tenure:

Name	Attended
Committee Chair: Darren Pope	6/6
Alison Burns[1]	4/4
Mark Brooker[2]	1/1
Sally-Ann Hibberd	6/6
Vicky Jarman[3,4]	1/2
Dr Tim Miller[2,4]	4/5
Cheryl Millington[2]	1/1

[1]Alison Burns was appointed to the Committee effective from 1 April 2018.
[2]Mark Brooker and Cheryl Millington were appointed to, and Dr Tim Miller stood down from, the Committee effective from 1 November 2018.
[3]Vicky Jarman stood down from the Committee effective from 3 May 2018.
[4]Vicky Jarman and Dr Tim Miller were each unable to attend one meeting due to illness.

GOVERNANCE

The Committee acts independently of management and reports and makes recommendations directly to the Board.

The Committee structure requires the inclusion of at least one member with significant, recent and relevant financial experience and competence in accounting or auditing (or both). The Committee Chair fulfilled this requirement during the year.

The Committee structure also requires at least one member of the Committee to also be a member of the Company's Risk Committee. Sally-Ann Hibberd is the Risk Committee Chair and Darren Pope and Cheryl Millington are also members of the Risk Committee. This facilitates efficient cross-communication between the two committees, which ensures that all audit and risk issues are addressed effectively.

All committee members are expected to be financially literate and to have an understanding of the following areas:

- key aspects of the Company's operations including corporate policies and the Group's internal control environment;
- the principles of, and developments in, financial reporting including the applicable financial reporting standards and statements of recommended practice;
- matters which may influence the presentation of the figures and disclosures in the Annual Report and Accounts;
- the role of internal and external auditors; and
- the regulatory framework for the Company's business.

The Committee as a whole has competence relevant to the sectors in which the Company operates.

The Company Secretary acts as secretary to the Committee and attends all meetings. The Committee invites the Chief Financial Officer, the Chief Executive, Group Chief Audit Executive and senior representatives of the external auditor to attend its meetings in full, although it reserves its rights to request any of those individuals to withdraw. Other senior managers are invited to present such reports as are required for the Committee to discharge its duties.

The Committee has unrestricted access to Company documents and information, as well as to employees of the Company and the external auditor.

During the year, the Committee met with the senior representatives of the external auditor, and also with the Group Chief Audit Executive, without management and/or any executive member of the Board being present.

Although it chose not to do so during 2018, the Committee may take independent professional advice on any matters covered by its Terms of Reference, a copy of which can be found in the investor section of the Company's website: http://investors.equiniti.com/investors/shareholder-services/corporate-governance

ROLE OF THE AUDIT COMMITTEE

In accordance with its Terms of Reference, the Committee provides an independent overview of the effectiveness of the internal financial control systems and financial reporting processes. Its responsibilities include:

Financial Reporting

- monitoring the integrity of the financial statements of the Company, including the annual and half-year results announcements and other formal announcements relating to its financial performance and positions;
- reviewing the accounting principles, policies and practices adopted throughout the period;
- reporting to the Board on any significant financial issues and judgements;

External Auditor

- monitoring and overseeing the relationship with the external auditor;
- recommending the external auditor's appointment, re-appointment and removal to the Board for approval by shareholders;
- ensuring that at least every ten years, in compliance with all relevant legislation, the external audit is put out to tender;
- reviewing and approving the annual audit and half-year review plans;
- recommending the external auditor's remuneration;
- reviewing and approving the non-audit services policy and fees;
- reviewing the effectiveness and objectivity of the audit process on an annual basis, including the quality control procedures and considering the expertise and resources of the external auditor;

Internal Control

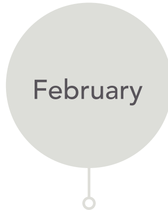
- in conjunction with the Risk Committee reviewing the adequacy and effectiveness of the Group's internal financial controls, and the whistleblowing policy;
- reviewing the manner in which management ensure and monitor the adequacy of the nature, extent and effectiveness of internal controls;
- ensuring that the review covers all material controls including financial, operational, and compliance;

Internal Audit

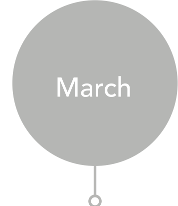
- monitoring and reviewing the effectiveness of the Group's internal audit (GIA) function;
- reviewing and approving the internal audit programme at least annually and when significant changes occur;
- reviewing the GIA reports and procedures to ensure timely implementation by management of audit recommendations;
- approving the charter of the GIA function and ensuring the function has the necessary resources and access to information to enable it to fulfil its mandate, and is equipped to perform to appropriate professional standards for internal auditors; and
- monitoring the working relationship, co-ordination and exchange of information between the external and internal audit teams ensuring there are no inappropriate restrictions.

COMMITTEE ACTIVITIES DURING 2018

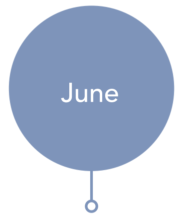
The Committee met on six occasions during the year. At those meetings, the Committee carried out its remit which primarily included the following:



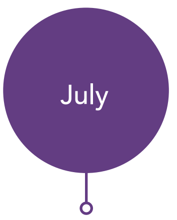
- reviewed the GIA quarterly report;
- approved the internal audit plan for 2019;
- reviewed and approved the new GIA methodology and quality assurance programme;
- approved the internal audit resource plan, including developing the team;
- reviewed the whistleblowing policy and report;
- reviewed the independence and objectivity of the external auditor;
- approved the exemption of audits for certain subsidiary companies under s479 of the Company Act 2006 and UK GAAP FRS101;
- reviewed the key judgements for the 2017 Annual Report and Accounts;
- reviewed the progress made in producing the 2017 Annual Report and Accounts; and
- reviewed a initial report from the external auditor on the progress of the 2017 audit.



- reviewed the GIA assurance report on the internal control environment, covering internal audit, risk and compliance, and financial operations;
- reviewed and approved the draft viability and going concern statements for inclusion within the 2017 Annual Report and Accounts;
- approved the significant judgements statement in the 2017 Annual Report and Accounts;
- reviewed the external auditor's report for the 2017 financial year;
- reviewed the 2017 Annual Report and Accounts, including the financial statements, disclosures and notes and recommended their approval to the Board; and
- reviewed the Committee's Terms of Reference.

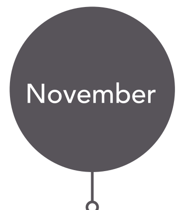


- reviewed the GIA quarterly report;
- approved the annual update to the internal audit charter;
- reviewed arrangements for client disbursement accounts;
- reviewed the external auditor's half-year review plan; and
- reviewed the report on the effectiveness of the external auditor.



- reviewed an update to the GIA quarterly report;
- reviewed an update on the GIA quality assurance programme;
- undertook a mid-year review of the 2018 internal audit plan;
- approved the payment practices report;
- reviewed the key management judgements on the interim financial reporting;
- reviewed the Group's accounting policies and disclosures for interim financial report;
- reviewed the external auditor's interim review report; and
- reviewed the half-year results announcement and recommended its approval to the Board.

- reviewed the GIA quarterly report;
- received an update on the integration of EQ US; and
- received training on:
  - IFRS 15 Revenue Recognition;
  - IFRS 16 Lease Accounting; and
  - a technical update from PwC on corporate governance, the Committee's responsibilities, and Audit Committee best practice.



- reviewed the GIA quarterly report;
- received an update from the GIA and management on the compliance of technology infrastructure;
- approved the 2019 internal audit plan;
- received an update on the integration of EQ US;
- reviewed the external auditor's year-end audit plan including the acceleration of certain areas of work so they were completed in advance of the balance sheet date;
- reviewed the Company's year-end audit readiness plan;
- received an accounting policy update on non-operating costs and contract renewal; and
- reviewed the Company's approach to IFRS 15 and the controls in place to manage compliance with this standard.

SIGNIFICANT JUDGEMENTS AND ESTIMATES RELATING TO THE FINANCIAL STATEMENTS

In considering the financial results contained in the 2018 Annual Report and Accounts, the Committee reviewed the significant judgements and estimates made by management to determine those results. These are set out in the following table:

AREA OF FOCUS	WHY WAS THIS SIGNIFICANT?	HOW DID THE COMMITTEE ADDRESS THIS?
Capitalisation of software development costs and related assessment of carrying value	The Group has invested in software development relating to its acquisition of EQ US. Sirius, the UK in-house software share registration platform, is being developed for use in the US. The timeline over which this is being developed has been extended in order to focus on widening the product offering to US customers first. Judgement has been applied in assessing whether the costs of software development meet the criteria of IAS 38 which allows for costs to be capitalised.	Management presented the accounting judgements relating to the capitalisation of the development costs to the Committee. Evidence was provided and discussed to show that the judgements satisfied criteria under accounting standard IAS 38. Management also considered the scope of the project to review whether any costs capitalised to date require impairment.
Revenue recognition on software contracts	The Group has entered into a number of software contracts. These arrangements can include multiple performance obligations, including licence delivery. As a result revenue recognition in connection with these contracts can involve a significant degree of management judgement around the allocation of revenue to performance obligations and the timing of the revenue in accordance with IFRS 15 and the Group's stated accounting policy for such items.	Management presented the accounting judgement relating to material transactions that included multiple performance obligations and significant licences to the Committee. Evidence was provided and discussed to support how these transactions aligned to the Group's accounting policy and IFRS 15.
Corporate action revenue recognition	The Group acts as registrar for clients who can be involved in major corporate actions. These corporate actions can be complex and cross accounting year-end dates. Revenue is recognised in line with the agreed contractual terms, typically on a stage of completion method, by referencing costs incurred to date against the total anticipated project costs. Management judgement is required in assessing the costs to complete the actions as this impacts the percentage of the contract value that has been recognised as revenue.	Management presented their judgement to the Committee on how much time had been spent on a significant project and how much time was forecast for the project to complete and were satisfied that revenues were recognised in step with the costs that were incurred.
Employee benefit expenses	Employee benefit expenses, relating to the Group's LTIPs, required judgement in assessing how many options are expected to vest based on the potential satisfaction of performance conditions and attrition of eligible employees.	The Committee discussed, and agreed with, the assumptions used by management in calculating the expenses figure relating to the LTIP.
US Corporate Action Income	The methods clients use to pay for corporate actions in the UK and US are different. In the US, contracts are often structured so that the fee for performing the work is received from interest earned on holding the client's funds. This interest income is specific for performing a task and is not incidental interest. Therefore such income received from corporate actions is recognised as fee income.	Management presented their proposal on the classification of interest earned in the US from holding clients funds as part of a corporate activity. This was compared to the Group's treatment of interest received in the UK from activities such as administering SAYE schemes. It was agreed that such income should be recognised as fee income. After due discussion, it was agreed that other US interest income, which was not received as compensation for services performed, would be treated in the same manner as interest earned in the UK from client money held .

AREA OF FOCUS	WHY WAS THIS SIGNIFICANT?	HOW DID THE COMMITTEE ADDRESS THIS?
Accounting for the acquisition of EQ US including the determination of goodwill and other acquisition related intangibles	A fair value had to be assigned to the net assets acquired as well as determining the fair value of acquisition related intangibles such as customer related contracts. The fair value of customer related contracts is determined using a discounted cash flow model which has a number of assumptions around forecast data, growth rates and discount rates.	The Committee discussed the assumptions used by management in calculating the fair value of the net assets acquired in the US.
Consideration of the carrying value of goodwill and related impairment assessments	Goodwill is generated on business combinations where the price paid for the business exceeds the fair value of the net assets acquired. Goodwill is not amortised and therefore needs to be tested for impairment at least annually. The book value of goodwill and other net assets related to each cash generating unit, was compared to the present value of its future expected cash flows to determine whether there is any indication of impairment. This requires estimations of the long-term growth rates and the suitable discount rate.	Management has produced discounted cash flow models for each cash generating unit and compared this to the book value of goodwill and other net assets. The Committee discussed, and agreed with, the assumptions used by management in producing the discounted cash flow model and discussed the sensitivity of the results to reasonable changes in these estimates.

INTERNAL AUDIT

The Group has a dedicated in-house Internal Audit team (GIA). During 2018, GIA implemented an enhanced and formalised quality assurance programme designed to evidence ongoing compliance with international internal audit professional standards, and to promote a culture of continuous improvement. This included an ongoing internal self-assessment which is reported to the Committee every six months and showed GIA to be materially in conformance with relevant standards throughout 2018, with improvements evident during the year as the programme matured.

In addition, during 2018, GIA leveraged the specialist expertise of KPMG LLP, as co-source internal audit partner, for 11 audits which represented 16% of the total number of audits completed. In addition, GIA continued to partner with KPMG on further developing the function as a whole, including through incorporating KPMG's input into initiatives to enhance the internal audit risk assessment and annual planning approach and through provision of training to all members of the GIA.

The Group Chief Audit Executive reports directly to the Committee Chair and in addition reports on an administrative basis to the Chief Financial Officer.

GIA principally review the design and effectiveness of governance, risk management and controls operating within the business by undertaking an agreed schedule of independent audits each year.

The Committee determines the nature and scope of the annual internal audit programme (which is derived from an audit universe including financial and commercial processes, governance considerations and key corporate risks) and revises it from time to time, in response to changes to business circumstances and risk profiles.

The findings of the internal audits are reported to executive management, and any necessary corrective actions are agreed and tracked. Summaries of these reports are presented to, and discussed with, the Committee on a quarterly basis, along with details of progress against management action plans as appropriate.

The Committee agrees the annual Internal Audit plan for the year and ensures that GIA has appropriate resources available to it to complete that plan. The Committee approved the strengthening of the team through adding a Deputy Chief Audit Executive role and additional Management Information capability. In addition, a Director of Internal Audit and IT Auditor have been added to cover the business acquired in the US.

During 2018, the internal audit team completed fieldwork for 96% of the approved audit plan, in line with the agreed Key Performance Indicator. All overdue actions relating to high risk internal audit observations are reported to the Committee. The Committee remains very focused on timely completion of agreed management action plans to address audit findings.

RISK MANAGEMENT & INTERNAL CONTROLS

The Audit Committee and the Risk Committee both support the Board when considering the nature of the Group's risks, its risk management framework and its risk appetite. Details of these are included within the Risk Committee report which can be found on pages 80 to 85. Details of the Group's principal risks and uncertainties can be found in the Strategic Report on pages 48 to 51.

The Committee has overall oversight of the Group's systems of financial controls, including their design, implementation and effectiveness and details of these controls can be found on page 84.

Having considered reports from Risk, Finance and GIA, the Committee is satisfied that the internal controls over financial reporting and risk management systems were appropriately designed and were operating effectively in all material respects.

WHISTLEBLOWING AND ANTI-BRIBERY

The Group is committed to the highest standards of quality, honesty, openness and accountability.

Accordingly, the Group has whistleblowing, anti-bribery and corruption risk policies in place. The Committee reviewed the whistleblowing policy during the year.

Further details on these policies can be found in the Strategic Report on page 45.

EXTERNAL AUDITOR

The Committee is responsible for overseeing the Group's relationship with its external auditor, PricewaterhouseCoopers LLP (PwC). During the year, the Committee undertook a rigorous selection process to appoint a new PwC audit partner which resulted in Darren Meek being appointed.

The Committee considers the nature, scope and results of PwC's work and reviews, develops and implements the policy on the supply of any non-audit services that are to be provided by PwC. The Committee receives and reviews reports from PwC relating to the Company's Annual Report and Accounts and the external audit process including the auditor's work at the half-year review.

Effectiveness and Independence

During the year, an assessment of the quality and effectiveness of the external audit process was undertaken by GIA. The team sought the views of the divisional finance directors, the Group finance team, the Chief Financial Officer, the Chair of the Audit Committee, and members of the Executive Committee who had interacted with PwC to assess whether the audit had been conducted in a comprehensive, appropriate and effective manner.

The report was then discussed by the Committee at its meeting in June 2018, with the Committee concluding that the audit had been conducted in a challenging and robust manner and that the audit plan agreed by the Committee had been followed.

The Committee also reviewed PwC's objectivity and independence and confirmed that sufficient procedures are in place to safeguard those.

Tenure

The Committee undertook a full tender of the Company's external audit services in 2016, following which the recommendation to approve the reappointment of PwC as external auditor was approved by the Board and subsequently by shareholders at the 2017 AGM. The Committee is not looking to re-tender the external audit services within the near term and will be recommending PwC be re-appointed the Company's external auditor for a further year at the 2019 AGM.

Non-audit Services Policy and Fees

While the insight gained as the Group's auditor may sometimes make it logical for PwC to undertake work outside of the annual audit, the Committee recognises that engaging PwC to provide non-audit services to the Group risks affecting PwC's independence.

Accordingly, the Group has established a policy which governs the provision of any non-audit services. The policy specifies services which cannot be carried out by PwC as external auditor (primarily activities which would involve PwC taking up management responsibilities) and sets the framework within which non-audit work may be provided. The policy states that PwC will only be able to perform non-audit work in limited circumstances and where approved by the Committee.

The Group paid £523,000 (2017:£235,000) in audit and audit related fees, and £264,000 (2017: £278,000) in non-audit related fees, for the financial year ended 31 December 2018. This work was primarily services performed in relation to the CASS audit of Equiniti Financial Services Limited (EFSL).

The CASS audit of EFSL is required by the Financial Conduct Authority (FCA) to provide it with assurance on client assets. Under the guidance issued by the FCA, the auditor undertaking a CASS audit should obtain an understanding of the firm's business model that is sufficient to enable the CASS auditor to establish expectations about the existence or otherwise of client assets, including:

- the nature of the services it provides to clients;
- how it is remunerated for those services and other ancillary services;
- the nature of any transactions which it undertakes with or on behalf of, or facilitates or advises on, for clients and how those transactions are executed or settled;
- the nature of relationships within a group and with other related parties;
- the sources and destinations of cash and other asset inflows and outflows in its own accounts and any accounts it holds or controls on behalf of clients and other parties; and
- the role of sub-custodians and third party administrators.

Given that PwC is EFSL's auditor and had the knowledge required by the FCA to undertake the CASS audit, it was logical for it to undertake this work. The nature of the work is independent assurance and therefore wholly consistent with PwC's role as our auditor.

The Group has committed to seeking to the ratio of audit to non-audit fees to 70% of the average statutory audit fee. For further information on how the non-audit fees are broken down, and the ratio of audit to non-audit fees, please see note 7.4 on page 178.

VIABILITY STATEMENT

The viability statement can be found on page 52. The Committee reviewed management's work in conducting a robust assessment of the business model, the risks that could threaten the model, and the future viability of the Company. This assessment included assessing a reasonable time period for the review, reviewing financial forecasts for that period, identifying plausible downside scenarios consistent with our principal risks, as well as considering their interdependencies and scenarios involving multiple risks.

These assessments also included consideration of potential Brexit scenarios and their impact on the Group.

To support the final conclusion on viability, the assessment also took into account the mitigations available to the Company to protect against these downside scenarios and also the adequacy of the internal control environment. Based on this analysis, the Committee recommended to the Board that it could approve and make the viability statement.

STATEMENT OF COMPLIANCE

Having tendered the audit in 2016, the Company confirms that it has complied with the terms of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 (the Order) throughout the year.

In addition to requiring mandatory audit re-tendering at least every ten years for FTSE 350 companies, the Order provides that only the Audit Committee, acting collectively or through its Chair, and for and on behalf of the Board is permitted:

- to the extent permissible in law and regulation, to negotiate and agree the statutory audit fee and the scope of the statutory audit;
- to initiate and supervise a competitive tender process;
- to make recommendations to the Directors as to the auditor appointment pursuant to a competitive tender process;
- to influence the appointment of the audit engagement partner; and
- to authorise an auditor to provide any non-audit services to the Group, prior to the commencement of those non-audit services.

FAIR, BALANCED AND UNDERSTANDABLE

The Board is committed to ensuring that all external financial reporting presents a fair, balanced and understandable assessment of the Group's performance, position and prospects. In line with provision C.3.4 of the Code, the Committee has been requested by the Board to consider whether it supports the view that the Company's Annual Report and Accounts, when taken as a whole, is fair, balanced and understandable and, further, that it provides shareholders with the information necessary to assess the Company's position and performance, business model and strategy.

In forming its view, the Committee has considered the processes undertaken to prepare for, and produce, the Annual Report and Accounts and how consideration was given for each of the fair, balanced and understandable criteria in the compilation of the narrative and presentation of the numbers, themes and highlights. To support this, the Committee received a detailed briefing note as an integral part of the Annual Report and Accounts sign-off process, which set out how this had been achieved by the internal teams who prepared the report. Furthermore the Committee received briefings and updates during the course of the year, appraising them of the Code requirements and business performance, and spent time discussing the Annual Report and Accounts with senior management.

The Committee was presented with a draft of the 2018 Annual Report and Accounts with sufficient time to review, challenge and provide feedback.

The briefing note:

- explained how the process of preparing and compiling the report was collaborated across the business's internal teams (Investor Relations, Finance, HR and Company Secretariat) and also involved specialist advisors with the requisite skills to structure and review the 2018 Annual Report and Accounts;
- explained how the 2018 Annual Report and Accounts was designed to be understandable, with consistent presentation of key messages throughout the report. In arriving at its conclusion the Committee also noted that internal reporting aligned to the KPIs, key financial measures and narrative themes as presented in the 2018 Annual Report and Accounts; and
- demonstrated that the 2018 Annual Report and Accounts was put together in a balanced manner, with the narrative aligning to the business model, strategy and financial performance. This was achieved through our business leaders reviewing and signing off on the content.

When taken with the assessment of the significant judgements on pages 76 to 77, the Committee concluded that the 2018 Annual Report and Accounts are presented in a fair, balanced and understandable manner, allowing shareholders to assess the Group's performance, strategy, risk and business as a whole.

Darren Pope
Chair of the Audit Committee

12 March 2019

Risk Committee Report

Dear Shareholder

I am pleased to present the Risk Committee Report for 2018, which provides an update on the Committee's work during the year. In our 2017 report, we set out five objectives for the Committee in 2018. These were to:

- continue to oversee the implementation and embedding of the Enterprise-wide Risk Management Framework within the Group;
- review the risk skills and experience within the risk and compliance functions and the business divisions;
- continue to monitor progress with implementing changes brought in by MiFID II, GDPR and the EU Data Protection Regulation, as well as other relevant regulatory and legislative changes;
- review the time allocated to Committee meetings, to ensure sufficient time to cover all matters under review; and
- review the embedding of the EQ US business into the Group and consider any risks that may arise as a result.

The Committee met all of its objectives during the year. The work to embed the risk management tool within the business has gone well and, having reviewed the risk skills and experience in the Group, we have put additional resources into our operations, which provide the first line of our three lines of defence risk management model. The success of this work is reflected in our external benchmarking, which shows that Equiniti's risk management maturity has steadily improved during the year. The process of embedding our risk management tool will continue in 2019.

The Group successfully met the challenges of MiFID II, GDPR and EUDPR during 2018. The major regulatory and legislative changes ahead of us are now posed by Brexit, which continues to evolve. We have a Brexit planning committee which continually reviews the risks. Whilst we do not consider that Brexit has a material direct operational impact on our business, the influence that it will potentially have on the UK economy and particularly on the core markets through which the Group transacts for customers in 2019 will require close monitoring. During 2018 we have undertaken detailed assessments of the potential Brexit scenarios and their impact on the Group, and have developed operational plans to mitigate areas of potential disruption. The ability of the Group to manage a range of Brexit market stresses has been reviewed during the year, and as part of the 2018 viability statement on pages 52 to 53.

The acquisition of EQ US completed in February 2018. Since then, we have begun to implement our risk management framework in the US, with this programme continuing into 2019. EQ US already had a strong risk management culture, reflecting its history as part of a major bank. The Board and the Committee also spent time during the year reviewing the plan to integrate the business and implement our Sirius platform in the US. We are satisfied that the decision to implement Sirius following the separation from Wells Fargo has reduced the risk profile of the integration process.

In addition to the objectives listed, cyber security was an important focus for the Committee during the year. The risk here is constantly evolving, so the Group must stay ahead of the threat while continuing to bring the businesses it acquires within its cyber security defences. We have confidence in our information security team and had several presentations during the year to update the Committee on progress in this area.

EFFECTIVENESS OF THE RISK COMMITTEE

An external evaluation of the Committee was undertaken during the year by Lintstock by means of a questionnaire. Details of the evaluation and its results can be found on page 69.

2019 PRIORITIES

For 2019, our areas of focus will be:

- continuing to embed our Enterprise-wide Risk Management Framework and risk management tool within the Group;
- continuing to enhance the corporate governance processes within EQ US; and
- to develop a long-term strategic view of the risk profile for the next four to five years.

More information on the Committee's activities and the Group's risk structures are provided in this report and in the Principal Risks and Uncertainties section on pages 48 to 51.

Sally-Ann Hibberd
Chair of the Risk Committee

12 March 2019

COMMITTEE MEMBERSHIP AND ATTENDANCE

The Committee is made up exclusively of independent non-executive Directors. The members of the Committee who served during the year and as at the date of this report are shown in the table below, together with their attendance at the five committee meetings held during the year or those held during their tenure:

Name	Attended
Committee Chair: Sally-Ann Hibberd	5/5
Alison Burns[1]	2/2
Vicky Jarman[2,4]	1/2
Tim Miller	5/5
Cheryl Millington[3,4]	1/2
Darren Pope [4]	3/5

[1]Alison Burns was appointed to the Committee effective from 1 April and then stood down on 1 November 2018 as part of the reorganisation of all committee memberships.

[2]Vicky Jarman stood down from the Committee effective from 3 May 2018.

[3]Cheryl Millington was appointed to the Committee effective from 1 November 2018.

[4]Vicky Jarman was unable to attend one meeting due to illness. Darren Pope was unable to attend one meeting due to illness and one meeting (added during the year) due to prior commitments. Cheryl Millington was unable to attend her first meeting due to prior commitments.

For those Directors' unable to attend a meeting, they are able to feedback any comments they may have on the papers to the Chair and are advised of any decisions taken during the meeting.

GOVERNANCE

The Committee acts independently of management and reports and makes recommendations directly to the Board.

The Committee's Terms of Reference requires the participation by the Chair of the Audit Committee and Darren Pope is a member of the Committee. Sally-Ann Hibberd and Cheryl Millington are also members of the Audit Committee. This facilitates efficient cross-communication between the two committees, which ensures that all audit and risk issues are addressed effectively.

The Company Secretary acts as secretary to the Committee and attends all meetings. The Committee invites the Chairman, Chief Executive, Chief Financial Officer, Chief Risk Officer and Group Chief Audit Executive to attend its meetings in full, although it reserves its rights to request any of those individuals to withdraw. Other senior managers are invited to present such reports as are required for the Committee to discharge its duties.

During the year, the Committee regularly met with the Chief Risk Officer, without management and/or any executive member of the Board being present.

The Committee has unrestricted access to Company documents and information, as well as to employees of the Company.

The Committee may take independent professional advice on any matters covered by its Terms of Reference, a copy of which can be found in the investor section of the Company's website: http://investors.equiniti.com/investors/shareholder-services/corporate-governance

ROLE OF THE RISK COMMITTEE

In accordance with its Terms of Reference, the Committee provides an independent overview of the effectiveness of the internal operational and financial control systems. Its responsibilities include:

Risk Strategy

- advising the Board on development of the Company's overall current and future risk appetite, tolerance and strategy;
- overseeing and advising the Board on the current and emerging risk exposures;

Risk Assessment

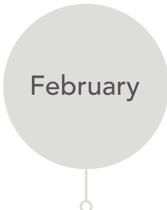
- in conjunction with the Audit Committee, keeping under review the Company's overall risk assessment processes that inform the Board's decision making;
- regularly reviewing and approving the parameters used in these measures and the methodology adopted;
- setting standards for the accurate and timely monitoring of large exposures and certain risk types of critical importance;
- reviewing the Company's ability to identify and manage new risk types;

Internal Control

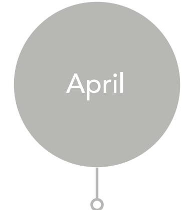
- in conjunction with the Audit Committee, reviewing the adequacy and effectiveness of the Group's internal controls;
- overseeing the Enterprise-Wide Risk Management Framework;
- reviewing reports on any material breaches of risk limits and the adequacy of proposed action;
- reviewing the manner in which management ensures and monitors the adequacy of the nature, extent and effectiveness of internal controls;
- reviewing the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters;
- reviewing the Company's procedures for managing material compliance requirements, including fraud, bribery and corruption, financial crime, data protection, health and safety, and financial services regulatory compliance; and
- considering and approving the remit of the risk management function and ensuring it has adequate resources and appropriate access to information to enable it to perform its function effectively.

COMMITTEE ACTIVITIES DURING 2018

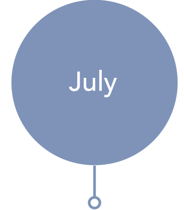
The Committee met on five occasions during the year. At those meetings, the Committee carried out its remit which primarily included the following:



- reviewed the quarterly report on risk and compliance;
- reviewed the risk acceptance approval process;
- reviewed the compliance monitoring report;
- received training on the General Data Protection Regulation (GDPR) and how it affected the Group; and
- reviewed risk committee updates from the Executive Risk and Compliance Committee (ERCC) and the EFSL Risk Committee.



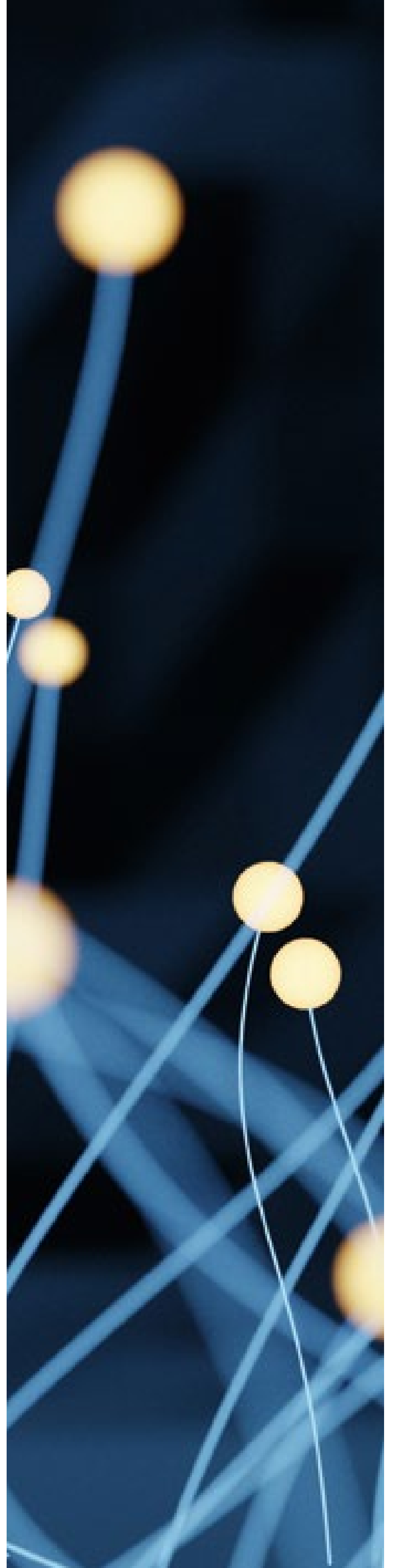
- reviewed and approved proposed amendments to risk categories;
- reviewed the 2018 risk plan update;
- reviewed and approved the EQ US risk model and the implementation of its risk matrix and structure;
- received a progress update on the implementation of GDPR;
- received and discussed an in-depth presentation on Group-wide IT risk;
- reviewed the Committee's Terms of Reference; and
- reviewed risk committee updates from the ERCC and the EFSL Risk Committee.



- reviewed the Group's self-assessment attestation report, noting the use of internal measures, and external benchmarking, to measure the Group's risk maturity and capability;
- reviewed the developments in the risk management approach;
- reviewed and approved updated risk acceptances;
- recommended the approval of the following policies: Whistleblowing, Conflicts of Interests, Business Continuity Management and Vulnerable Customer;
- received training on cyber security;
- received an update on Group-wide IT risks; and
- reviewed risk committee updates from the ERCC and the EFSL Risk Committee.

- reviewed the Risk Templating update which is used to assist in the establishment of the inherent risks within the business;
- received an update on GDPR;
- recommended the approval of a suite of financial crime policies, such as Anti-Bribery & Corruption, Anti-Money Laundering;
- recommended the approval of a suite of Data Protection policies, such as Data Protection, Documents & Data Retention, CCTV;
- recommended the approval of the updated Compliance & Risk Charter;
- recommended the approval of the Human Rights, Corporate Social Responsibility, Ethical Business and Environmental and Modern Slavery statements;
- received training on Equiniti's risk identification programme, preventing data leakage and how Brexit may affect the business;
- received the annual Money Laundering Reporting Officer's report; and
- reviewed risk committee updates from the ERCC and the EFSL Risk Committee.

- reviewed the Chief Risk Officer's report, including the risk and control framework schematic;
- assessed the top ten Group risks;
- reviewed and approved the 2019 Second Line Assurance plan;
- reviewed the management summaries and ongoing action points for compliance monitoring and business continuity; and
- reviewed risk committee updates from the ERCC and the EFSL Risk Committee.



RISK MANAGEMENT AND INTERNAL CONTROLS

Our Approach to Risk Management

The Group has a complex risk landscape and to manage this, the Group has its Enterprise-Wide Risk Management (EWRM) Framework in place. This is a stable platform from which the Group can assess, prioritise and mitigate this risk landscape The EWRM Framework is based on the following model:

Third Line of Defence – Risk Committee
A committee report is created providing a status of risk management.

Second Line of Defence - Risk & Compliance Oversight and Challenge
Every quarter, the ERCC reviews and challenges the top ten risks for each business.

First Line of Defence - Operational Management
The businesses CEOs (our risk leaders) are responsible for proactive risk identification and application of systems and controls in line with policy.

1. Our risk leaders are responsible for proactive risk identification and application of systems and controls in line with the EWRM Framework. Using our online risk management tool, risks are inputted and actions taken to mitigate those risks monitored to ensure they are on track. The risk management tool also enables oversight of those "accepted" risks which are outside the Group's risk appetite but where no mitigation is taking place.
2. Our risk leaders attend quarterly ERCC meetings chaired by the Chief Financial Officer and attended by the Chief Executive, the Chief Risk Officer and the Group Chief Audit Executive. At these meetings, the EWRM Framework is reviewed to ensure that it remains effective, risks for each business are raised, discussed, and actions to mitigate these risks approved. Where new risks are identified, these are ranked from low to high in probability and impact so that they can be included within the EWRM Framework for ongoing tracking.
3. While the Board has ultimate responsibility for the system of risk management and internal control, it has delegated authority for overseeing and directing the EWRM Framework's development to the Risk Committee. The Chief Risk Officer oversees the risk management system as a whole and, together with the Group Chief Audit Executive, ensures that all parts of the business, with regards to compliance monitoring and internal audit reviews, are covered and regularly reviewed. Members of the ERCC attend the Risk Committee meetings and the Chief Risk Officer presents his report to the Risk Committee for its review.

Principal Risks and Uncertainties

For details of our principal risks and uncertainties, please see pages 48 to 51. These principal risks and uncertainties are linked to KPIs and the Remuneration Committee reviews those KPIs with the Chief Risk Officer when considering the remuneration and bonuses of the executive Directors and members of the Executive Committee.

Governance of UK Regulated Entities and Prudential Capital Risk

In the UK we have subsidiary companies which are subject to FCA regulatory capital requirements where they must maintain minimum levels of capital in order to manage their affairs.

The Group's most significant FCA regulated entity is Equiniti Financial Services Limited (EFSL). EFSL is categorised as a P2 prudentially significant firm, which means that its disorderly failure would have a significant impact on the functioning of the market in which it operates. It must ensure that it can meet its regulatory capital requirements and has sufficient liquidity to meet its liabilities as they fall due, including under potentially highly-stressed circumstances. It must also comply with a range of other regulatory obligations, such as the FCA's conduct of business rules and the need for periodic regulatory supervisory visits.

To help it meet these requirements, EFSL has its own governance structure. This includes a Board with an independent chair, who also chairs EFSL's Audit Committee. One of the Group's independent non-executive Directors, Dr Tim Miller, is also a non-executive Director of EFSL and chairs the EFSL Risk Committee.

EFSL has monthly Board meetings and quarterly Risk and Audit Committee meetings, with its Remuneration and Nomination Committees meeting biannually. EFSL's Risk Committee reviews and challenges EFSL's risk assessment and log, which flow up from its executive management and risk processes. This is reviewed by the Chief Risk Officer, to ensure risk management is consolidated across all of Equiniti.

A detailed description of EFSL's risk management approach, risk governance and risk appetite can be found in its Capital Requirement Directive "Pillar 3 disclosures", which are available on our website at https://equiniti.com/uk/about-us/statutory-and-regulatory-reports/capital-requirements-directive-2018/

The second such subsidiary company is Paymaster (1836) Limited (Paymaster). Paymaster is categorised as a P3 prudentially non-significant firm, which means that its failure, even if disorderly, would be unlikely to have a significant impact on the market in which it operates. As a MiFID exempt firm, Paymaster is not bound to comply with the Capital Requirements Directive. Paymaster does, however, assess its capital requirements and is subject to Equiniti's EWRM and three lines of defence risk management model.

In July 2018, the FCA granted Paymaster an e-money licence. The licence enables the company to provide payment services and issue digital cash alternatives, which can then be used to make card, internet or phone payments globally. Post year-end, Equiniti Global Payments Limited also obtained an e-money licence.

Governance of US Regulated Entities

In the US we have a subsidiary company, Equiniti Trust Company (ETC), that is regulated by the New York State Department of Financial Services (DFS). ETC is approved by the DFS as a fully-licenced limited purpose trust company bank under the New York State Banking Laws and has its capital requirements set by the DFS.

To help meet its regulatory requirements, ETC has its own governance structure which include a Board with independent non-executive Directors; an Examination Committee; an Audit Committee; and a Remuneration and Nominations Committee. ETC has monthly Board and quarterly Examination Committee meetings which review risk, compliance and audit matters.

The Examination Committee is chaired by a senior independent non-executive Director of ETC. These ETC committees and the Board challenge the company's risk assessments and operational framework across ETC and escalate and inform the Equiniti Group-level consolidated views.

FINANCIAL RISK MANAGEMENT

The 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 and cash balances. The EWRM Framework seeks to limit the adverse effects on the Group's financial performance, by monitoring levels of cash and debt finance and the related financial impact.

The Group's principal financial instruments comprise sterling and US dollar cash and bank deposits, bank term loans and a revolving credit facility, and a portfolio of interest rate swaps, together with trade debtors and trade creditors that arise directly from its operations.

Cash Flow Interest Rate Risk

The Group is exposed to interest rate risk in three main respects and protected against this as outlined below:

- floating rates are generally earned on client and corporate cash balances, which are partially fixed by interest rate derivatives with maturities to September 2023;
- the mid-term risk of change in long-term interest rate swaps, through which income is earned on our SAYE share-plan products, is protected by notional fixed rate interest rate swap agreements; and
- expenses relating to our bank term loans which incur interest at a variable rate and includes the £250m and $92m term facilities are offset by interest income earned on unhedged cash balances. The Group does not hedge the revolving credit facility as this is a flexible instrument and the drawn proportion of the facility is offset by cash we hold for day-to-day trading matters.

Credit Risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations to the Group. The Group's principal financial assets are bank deposits, cash and trade debtors. These represent our maximum exposure to credit risk in relation to financial assets.

We have strict controls around, and regularly monitor, the credit ratings of institutions with which we enter transactions, either on our own behalf or for clients. Although our credit risk arises mainly from our receivables from clients, this risk is not significant as it is spread across a large and diverse client base and the majority of our trade receivables are with FTSE 350 companies and public sector organisations. The Group does have Trade Credit Insurance against some key customers. The amounts presented in the consolidated statement of financial position are net of allowances for doubtful debts, which are estimated by management based on prior experience and an assessment of the current economic environment. Losses have only occurred infrequently in previous years and have never been material.

Foreign Currency Risk

There is some exposure to foreign currency risk, particularly in relation to the Group's operations in the US and India. This risk is hedged on a rolling basis. The Group will continue to monitor both its exposure to, and management of, this risk.

Price Risk

Price risk results from changes in market prices such as interest rates, foreign exchange rates and equity dealing prices, which influence our income or the value of our financial instruments.

The Group earns income in relation to client monies as well as interest on its own deposits. We are therefore exposed to movements in the interest rate in both our intermediary fee revenue and net finance costs. Intermediary fee revenue is primarily linked to the bank base rate, while both our term and revolving credit facilities are linked to LIBOR.

As noted previously, interest rate swaps are used to manage medium-term exposure to movements in interest rates.

In 2017 and 2018 Equiniti entered into interest rate swaps for a total of $700m and £1,025m, agreeing to receive fixed rate income in exchange for variable rates for a range of maturities to September 2023.

We continually review these risks and identify suitable instruments where applicable.

CAPITAL RISK MANAGEMENT

During the IPO in 2015, funds were raised to reduce the overall level of debt. Our objectives when managing capital are to maximise shareholder value while safeguarding our ability to continue as a going concern. We continue to proactively manage our capital structure (for example through debt repayment, share issuance and repurchase or management of dividend payments), while maintaining flexibility to take advantage of opportunities 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.

LIQUIDITY RISK AND GOING CONCERN

Liquidity risk is the risk that the Group will be unable to meet its financial obligations as they fall due. Our approach to managing liquidity is to ensure, as far as is possible, that we will have sufficient liquidity at all times to meet the Group's liabilities when due, under both normal and stressed conditions.

We have used our business plan as the basis for projecting cash flows and measured the resulting outcomes on cash availability and bank covenant test points for the next three years. The Group has a very high level of client retention, which gives us a high degree of comfort about the certainty of our revenue.

Our principal uncertainties about our income relate to activities that are more difficult to predict, such as corporate action income. These depend on the specific activities of corporate clients, the timing of which may be influenced by underlying market conditions.

During the three-year period covered by the business plan we expect to remain compliant with all covenants. As such, the Board is 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.

Sally-Ann Hibberd
Chair of the Risk Committee

12 March 2019

Nomination Committee Report

Dear Shareholder

I am pleased to present the Nomination Committee Report for 2018. In my last report, I set out four main areas of focus for the Committee this year. These were to:

- successfully recruit and induct a new non-executive Director;
- grow our talent pool;
- continue monitoring and refreshing the succession plans for both the Board and senior leadership team; and
- monitor progress with implementing the Diversity and Inclusion Policy and the feedback received on this from employees.

As explained further within this report, we exceeded the first objective by recruiting two new non-executive Directors during the year. We also enhanced our talent pool, linking this to our succession planning, and progressed the implementation of our Diversity and Inclusion Policy throughout the Group.

EFFECTIVENESS OF THE NOMINATION COMMITTEE

An external evaluation of the Committee was undertaken during the year by Lintstock. Details of the evaluation and its results can be found on page 69.

For 2019, our focus areas will be:

- to continue developing and growing our talent pool;
- to continue to assess, benchmark and develop our senior executive team;
- to monitor the progress of the Culture Transformation Plan;
- to assist management in managing the Gender Pay Gap within the Group; and
- to continue to monitor the progress being made in the implementation of the Diversity and Inclusion Policy within the Group.

I look forward to reporting on our progress in our next report.

Philip Yea
Chair of the Nomination Committee

12 March 2019

COMMITTEE MEMBERSHIP AND ATTENDANCE

The Committee comprises only non-executive Directors and is chaired by the Chairman of the Board, Philip Yea.

The members of the Committee who served during the year and as at the date of this report are shown in the table below, together with their attendance at the four committee meetings held during the year or those held during their tenure:

Name	Attended
Committee Chair: Philip Yea	4/4
Alison Burns[1]	2/2
Sally-Ann Hibberd	4/4
Vicky Jarman[2]	1/2
Dr Tim Miller[3]	3/4
Darren Pope[4]	2/4

[1] Alison Burns was appointed to the Committee effective from 1 April and then stood down on 1 November 2018 as part of the reorganisation of all committee memberships.

[2] Vicky Jarman stood down from the Committee effective from 3 May 2018. She was unable to attend one meeting due to illness.

[3] Dr Tim Miller was unable to attend one meeting due to illness.

[4] Darren Pope was unable to attend two meetings that were additionally scheduled during the year due to prior commitments.

GOVERNANCE

The Committee acts independently of management and reports and makes recommendations directly to the Board.

The Committee's Terms of Reference state that the Committee shall be comprised of at least three independent non-executive Directors and this was complied through out the year.

The Company Secretary acts as Secretary to the Committee and attends all meetings. The Committee invites the Chief Executive and the Chief People & Transformation Officer to attend its meetings in full, although it reserves its rights to request either of those individuals to withdraw. During the year, the Committee met with the Chief People & Transformation Officer without management and/or any executive member of the Board being present.

The Committee has unrestricted access to Company documents and information, as well as to employees of the Group. It can obtain assurances and, when appropriate, reports from the directors of subsidiary companies which have appointed separate nomination committees.

The Committee may take independent professional advice on any matters covered by its Terms of Reference, a copy of which can be found in the investor section of Equiniti's website: http://investors.equiniti.com/investors/shareholder-services/corporate-governance.

ROLE OF THE NOMINATION COMMITTEE

In accordance with its Terms of Reference, the Committee develops and maintains a formal, rigorous and transparent procedure for recommending appointments and reappointments to the Board.

Its responsibilities include:

Board and Senior Leadership Team Structure and Composition

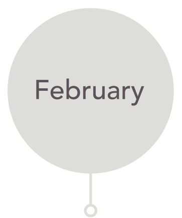
- regularly reviewing the structure, size and composition of the Board to ensure it has an appropriate balance of skills, independence, knowledge, experience and diversity;
- regularly reviewing the knowledge, skills and experience of individual members of the Board;
- regularly considering the succession plans for Directors and senior executives;
- identifying and nominating for approval of the Board, candidates to fill Board and senior executive vacancies, as and when they arise;
- ensuring the necessary due diligence and conflicts of interest checks have been undertaken before an appointment is made;
- ensuring that an annual evaluation is undertaken of the effectiveness of the Board, each committee of the Board, and the contribution of each Director, such evaluation to be externally facilitated at least once every three years;

Group Policies and Best Practices

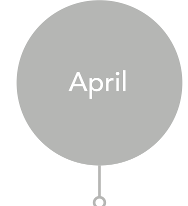
- having regard to established and evolving best practice corporate governance standards, including where relevant, standards set by voting agencies and voluntary codes;
- monitoring whether satisfactory induction is provided for new Directors, with respect to their Board and Committee responsibilities;
- ensuring an appropriate ongoing training programme is in place for existing Directors;
- in conjunction with the Remuneration Committee, monitoring the progress with addressing the Group's Gender Pay Gap issues; and
- conducting an annual review of the Group's conflicts register.

COMMITTEE ACTIVITIES DURING 2018

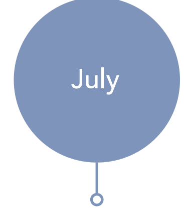
The Committee met four times during the year. At those meetings, the Committee carried out its remit, which primarily included the following:



- reviewed the draft Nomination Committee report for the 2017 Annual Report and Accounts;
- considered and recommended the appointment of Alison Burns as a new non-executive Director;
- noted that Vicky Jarman would be standing down as a non-executive Director of the Company;
- approved the role specification for a new non-executive Director; and
- approved the appointment of Lygon Group (Lygon) as the Company's executive search firm, to recruit a new non-executive Director.



- reviewed the leadership team succession and contingency plan within the Group;
- reviewed the resourcing requirements for each division;
- focused on the US management structure, to ensure that it met its requirements;
- reviewed the senior executives' performance;
- reviewed and approved the updated Diversity and Inclusion programme;
- reviewed and discussed the Committee's evaluation report; and
- reviewed the Committee's Terms of Reference.



- reviewed the ongoing recruitment process for a new non-executive Director;
- discussed the shortlist of candidates (with each Director having met the preferred candidates);
- gave authority to the Chairman to enter into discussions with two proposed final candidates; and
- subject to satisfactory results from the due diligence process, recommended to the Board their appointments as non-executive Directors.

- noted and discussed the proposed external assessment to be undertaken on the senior management team as part of the talent and succession planning for 2019;
- reviewed the results of the annual talent and succession planning for 2018 for each 'enabling Function' and 'Division';
- approved the employee screening and security vetting policy, to be rolled out Group-wide;
- received updates on Diversity and Inclusion;
- received an update on the Culture Transformation Plan;
- reviewed the 2018 Board and Committee evaluation; and
- received an update on Gender Pay Gap.

RECRUITMENT OF NON-EXECUTIVE DIRECTORS

Appointment Process

Executive Search Firm Selected	Specifications Agreed	Shortlist Prepared	Interviews Conducted	Due Diligence and Recommendation
The Committee selected Lygon* as the executive search firm. Lygon knows the Company well, having previously assisted with the recruitment of Philip Yea, Sally-Ann Hibberd and Darren Pope.	The Committee agreed specifications for the roles, based on the criteria for new non-executive Directors.	Lygon provided a long list of candidates to the Chairman for feedback. This was whittled down to a shortlist of candidates to interview.	The Chairman and the Chief Executive conducted interviews with the selected candidates. The preferred candidates then met the remainder of the Board.	Following a satisfactory conclusion to the thorough due diligence and referencing process, together with CRB checks, the Committee recommended the appointment of the preferred candidates to the Board for approval.

*Lygon is a signatory to the voluntary code of conduct for executive search firms, to address gender diversity on corporate boards and best practice for the related search processes. It has acted for the Company before in recruitment to the Board but has no other connection with the Company.

During the year, Alison Burns, Mark Brooker and Cheryl Millington joined the Board as independent non-executive Directors. Details of their backgrounds and the dates of their appointments are set out in the Chairman's Statement on page 18.

The Chairman led the process to appoint the new non-executive Directors. The appointment process is described in the diagram above.

In assessing potential candidates, the Committee looked for people who:

- had a diverse mix of experience, recognising the importance of diversity in its widest sense in Board effectiveness;
- could make a genuine contribution to the Board and all its Committees and add value by offering wise counsel and advice, based on their experience and track record;
- could support the Chairman in ensuring that the Board provides effective direction for and oversight of management and its compliance with its statutory and regulatory responsibilities; and
- could help set the Group's values and standards and ensure that its obligations to its clients, shareholders, finance providers, regulators and others are understood and met.

In the recruitment process that led to Alison Burns' appointment, the Committee was seeking someone who had held an executive role or had related business experience and capabilities, particularly in relation to financial services and/or customer focus, and who could provide input on strategic, operational or customer service matters. Alison Burns was the outstanding candidate in that regard and the Committee recommended her appointment to the Board.

In the recruitment process that led to the appointment of Mark Brooker and Cheryl Millington, the Committee was seeking candidates with knowledge and skills from the IT sector, with strong financial services and commercial experience also being valuable. Cheryl Millington had a strong IT background, while Mark Brooker's commercial and financial services experience also stood out. As a result, the Committee recommended to the Board that both should be appointed as non-executive Directors.

Directors' Induction and Training

The Chairman and Company Secretary designed a tailored induction programme for each new Director, prior to their appointment to the Board.

Inductions take account of the Director's existing knowledge of the industry, specific areas of expertise and proposed Committee appointments. The new Director is typically provided with information on director duties, the UK Corporate Governance Code, Board and Committee composition, operational and management structure, key policies and procedures, strategy and financials, matters reserved for the Board, Committee Terms of Reference, forward agendas, previous Board and Committee meeting minutes, and the Board and Committee meetings schedule.

The induction process also includes detailed briefings with the Chairman, Chief Executive, the Company Secretary and Committee Chairs and meetings with the rest of the Board and key individuals from the senior leadership team. This enables new Directors to fully understand the issues being discussed at Board and Executive Committee levels.

The process also includes meetings with the Company's external auditor, PwC, and one of the Company's external corporate advisers. This enables new Directors to be given an overview of current audit affairs, market and sector comparatives and to be advised of any observations and key challenges facing the Company.

These meetings take place not only in the Company's London office, but also at other UK sites such as Lancing and Birmingham. In June and November, the Board held meetings at the Exeter and Leeds offices to better understand the business operations within these locations. In October, the Board meeting was held in Minneapolis in the US.

Throughout the year, the Chairman discusses training requirements with the Board and the Company Secretary, and arranges meetings, site visits or information to be provided. As part of their ongoing development, Directors are supplied with appropriate information in a suitable format. All Directors have access to the advice and services of the Company Secretary and independent professional advice.

Talent Management

The Committee recognises that the people strategy is fundamental to achieving the Group's strategic goals. The new Chief People & Transformation Officer, who is leading our people agenda, has refreshed the Group's people strategy, including the approach to managing learning and talent.

New talent is brought into the Group at apprentice level, as well as through the recruitment of experienced people. The Rising Stars programme is designed to accelerate the progress of talented employees. This is combined with investment in learning, which focused on developing leadership and sales capabilities in 2018. The Committee is satisfied that the learning and talent programmes are working well and contributing to the strength and depth of the Group's talent pool. This will remain an area of focus in 2019.

More information on each of these areas can be found on pages 38 to 41 of the Strategic Report.

Succession Planning

One of the Committee's key roles is to ensure that the Group has appropriate plans for progressively refreshing the Board and identifying and developing people with the potential to take on Board and Executive Committee positions in the future.

The Group's succession plan sets out short- to long-term leadership succession and contingency planning, over the following periods:

Short term – emergency cover

Medium term – within the next 12 months

Long term – within the next two to three years

The succession plan is linked to the talent development and learning programmes described previously. The Committee continued to review the succession plan during the year, ensuring that both the Board and the Committee have visibility of a wide range of individuals with leadership potential, together with their individual development plans. This will remain a focus area for 2019.

Diversity and Inclusion

The Board and Committee recognise the benefits that a diverse workforce brings. Specifically, it enables the Group to:

- make objective decisions about how we organise and optimise resources and work, by eliminating structural and cultural barriers and bias, so we can work together effectively;
- protect and enhance our reputation by recognising, respecting and harnessing the needs and interests of diverse stakeholders;
- deliver strong performance and growth by attracting, engaging and retaining diverse talent;
- innovate by drawing on the diversity of perspectives, skills, styles and experience of our employees and stakeholders; and
- adapt and respond effectively to societal changes.

The Group is committed to ensuring that it treats its employees fairly and with dignity. This includes being free from any direct or indirect discrimination, harassment, bullying or other form of victimisation. The Whistleblowing Policy and associated policies encourage employees to speak up about any inappropriate practices or behaviour, including through an independent whistleblowing contact facility.

The Board approved a Diversity and Inclusion (D&I) policy in February 2017. During 2018, the Group continued to implement the policy, with a range of initiatives across the Group. There has been good engagement and awareness of the policy throughout the Group and there has been a number of positive outcomes with the creation of four employee network groups, including a disability taskforce, by staff who are interested in supporting D&I. As D&I becomes more embedded within the Group, it evolves and the business has to adapt. Accordingly, the Committee approved an updated policy in April 2018. More information can be found in the Strategic Report on page 40.

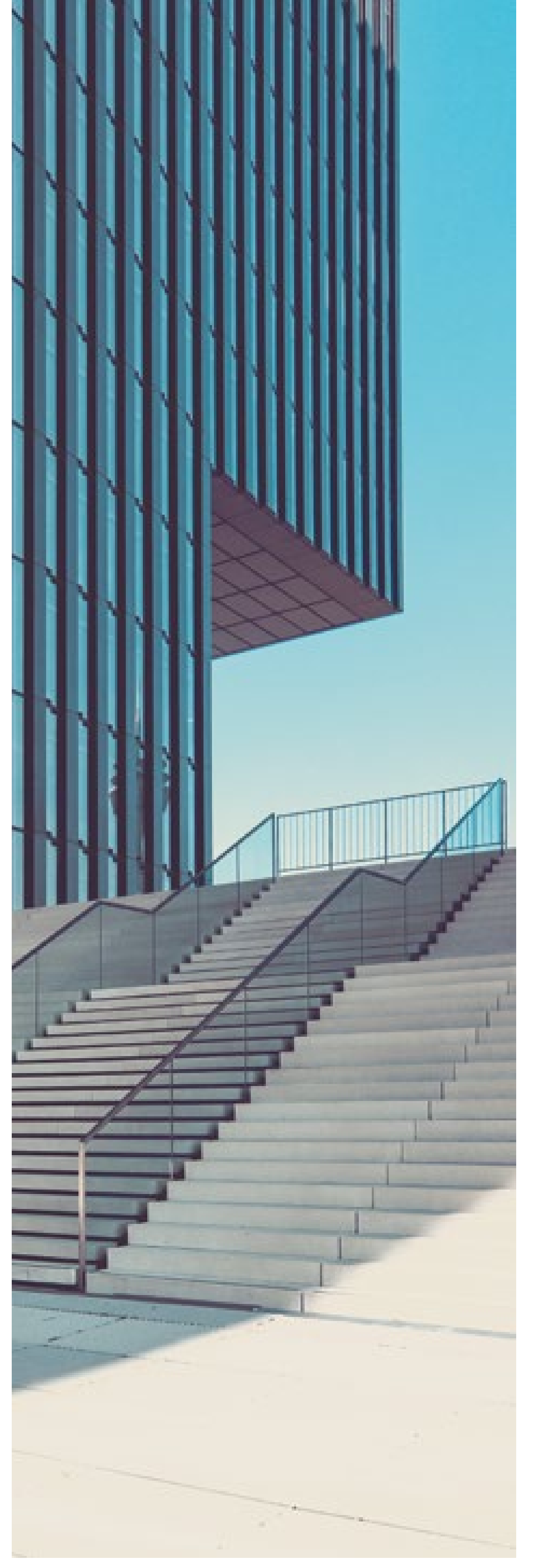
Board Diversity

The Company has nine Directors, three of whom are women, representing 33% of the Board. The Board therefore meets the 25% target established by the Davies Report and the increased target of 33% by 2020 established by the Hampton-Alexander Review.

In addition to considering gender, age, disability, ethnicity, geography and experience, the Committee seeks to ensure that the Board has an appropriate balance of skills, experience, independence and knowledge of Equiniti and the industry as a whole. A similar approach is used for the senior leadership team.

Our Culture Programme

Towards the end of the year, the Board launched our culture programme which will be implemented during 2019. Further details on the plan can be found in the Strategic Report on page 38. The Committee will monitor the plan's progress and the feedback received from employees.



Directors' Remuneration Report

Dear Shareholder

I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2018 (the Report).

The Report includes the following:

- this introductory letter;
- the proposed new Remuneration Policy that, subject to shareholder approval, will apply to executive and non-executive Directors;
- how the Remuneration Policy approved in 2016 was implemented during the year; and
- the amounts earned by our executive and non-executive Directors.

The proposed new Remuneration Policy, on pages 95 to 103 is subject to a shareholder approval vote at the Annual General Meeting in May 2019. The remainder of the Report is subject to a shareholder advisory vote at the same meeting.

It has been a busy year for the Remuneration Committee which has focused on the following key priorities during the year:

RENEWAL OF REMUNERATION POLICY (POLICY)

In order to prepare for the renewal of our Policy, the Committee undertook a comprehensive review of the approach to remuneration for our executive Directors and senior leadership team. The review included an assessment of our Policy in the context of the Company's culture and strategic priorities, practice in the UK listed environment, the continued development of external expectations together with the new 2018 UK Corporate Governance Code which is applicable from 1 January 2019 (2018 Code). During the review, the Committee was also mindful of the remuneration policies and practices that will apply to the broader workforce population.

The outcome of this review confirmed that our existing remuneration framework continued to be appropriate and aligned with the Company's culture and strategic priorities, which has supported our performance to date. As a result, we are not proposing to make any substantial changes to the overall opportunity or structure of remuneration, except for some minor amendments to align with best practice developments, including the 2018 Code.

The full Policy can be found on pages 95 to 103. In summary, our Policy is aligned with best practice and comprises:

- Base salaries, with increases normally aligned with the general increase for the broader workforce population.
- Pension, currently set at 15% of salary for executive Directors, which will reduce to 10% of salary for new hires.
- Annual bonus of up to 150% of salary based on financial performance as well as individual objectives incorporating risk, customer and strategic measures (including conduct and behaviours). 30% of bonus awards are deferred into shares for three years.
- Performance Share Plan (PSP) award (normal award level of 150% of salary). Awards based on a financial measure (currently earnings per share (EPS)) and total shareholder return (TSR), with a holding period of two years following vesting.

The approach taken for executive Director pay is cascaded below the Board, as appropriate. This has been an important feature of the Company's Policy and ensures that the senior leadership team is focused on the delivery of the same objectives and success is shared appropriately.

Looking at our wider workforce population, the Committee continues to believe that employee shareholding is central to the Company's working culture. We are therefore pleased that during the year we have launched a new cycle of our sharesave plan for our UK employees to participate in, and have extended participation to all of our employees based in India, the Netherlands, South Africa and the US. This follows the successful vesting of the previous plan that was introduced in 2015 shortly after the Company's IPO.

In recognition of the provisions of the new 2018 UK Corporate Governance Code and investor sentiment, the Committee is proposing a number of minor amendments to our Policy from 2019, which we believe shareholders will find positive:

- **Reduction in pension –** The level of pension benefits offered to new appointments will be capped at 10% of salary in line with the contribution rates for other employees. This is a reduction from the current pension allowance of 15% of salary.
- **Discretion –** We have built into our new Policy and our PSP documentation the ability for the Committee to apply discretion to adjust the formulaic outcome for PSP awards but always within plan limits as determined by the approved Policy. This was already part of the annual bonus plan and the Committee has used discretion in previous years to reduce outcomes. Any use of discretion would be clearly explained in the Remuneration Report.
- **Post-employment shareholding –** We have introduced a post-employment shareholding policy which will apply from 2019 onwards under which executive Directors will normally be required to retain a shareholding in the Company for a period of two years after leaving at the lower of the shareholding requirement in place prior to departure or the actual shareholding on departure. Further details are set out in this report on page 114.

The Policy is being proposed for shareholder approval at the AGM to be held on 2 May 2019 and we recommend shareholders to vote in favour of it.

CHANGE IN REMUNERATION ADVISER

As part of the process for reviewing the Policy, the Committee also undertook a tender of the remuneration adviser. This resulted in Deloitte being appointed as the Company's new remuneration adviser and it has assisted in the review of the Policy. I would like to thank New Bridge Street for its advice to the Committee over the last three years. Further details of the tender process can be found on page 105.

EFFECTIVENESS OF THE REMUNERATION COMMITTEE

An external evaluation of the Committee was undertaken during the year by Lintstock. Details of the 2018 evaluation and its results can be found on page 69. As highlighted as an area to address in the 2017 evaluation, the Committee has benefited from improved Committee papers, both in terms of the quality of the information provided and in the timing of being delivered to the Committee.

REMUNERATION FOR 2018

2018 was a year of pleasing progress against the Company's strategic objectives, with record organic growth of 7.3% and a successful entry into the attractive US market. Despite the uncertain operating environment, the Company continued to grow its revenues ahead of expectations.

The launch into the US is proving successful, with the EQ US acquisition giving the Company a capability in the world's largest market for our services. Market share has been gained and new services are being introduced as EQ US's relatively narrow client product set is being expanded.

In the UK, the Company has continued to strengthen its share registration business and has won around 70% of UK main-market IPO mandates, including the largest new issues such as Aston Martin and Avast. The Company has also won additional mandates from its competitors. All divisions have been successful in winning new clients.

The Committee reviewed performance against the targets set for the annual bonus in 2018. As in previous years, these targets were profit before tax, revenue and operating cash flow conversion, together with personal objectives agreed at the start of the year.

Taking into account the strong performance achieved in revenue, profit, and cash terms, the Chief Executive and Chief Financial Officer were awarded 69% of their total potential bonus for the year. In line with our policy, 30% of the award will be deferred for three years.

Of the PSP award granted in March 2016, 88.75% of the award will vest in March 2019, reflecting the average annual growth in earnings per share growth of 10.2% over the performance period, together with our total shareholder return performance relative to the FTSE 250.

In addition, the PSP award granted to Directors on IPO of the Company in 2015 vested during the year in October. In line with reporting requirements, half of this award was included in the single figure table last year, with the balance shown this year. Based on our earnings per share and TSR performance, this award vested in full.

Both sets of PSP awards are subject to a further two year holding period.

REMUNERATION FOR 2019

The Committee has approved an increase in base salaries for the executive Directors of 2.5% in line with the increase awarded to employees throughout the Group.

There will be no change in the maximum award levels under the annual bonus or PSP for 2019. For the bonus, the weighting of measures has been reviewed, together with the specific targets which will apply under the PSP. Further details are set out in the 'At a Glance' table on the following page.

RESPONSE TO 2018 UK CORPORATE GOVERNANCE CODE

During the year, the Committee discussed the 2018 Code. We have made good progress in implementing the remuneration related provisions of the 2018 Code, including the changes to our Policy to reduce the pension provision for new hire of executive Directors, to provide the opportunity for additional discretion over remuneration outcomes and the introduction of a post-employment shareholding requirement. The Committee's remit is already consistent with the 2018 Code, but we are exploring ways in which the Committee may have greater visibility of pay and policies for the wider workforce population. We will keep this under review and will report fully on this next year.

SHAREHOLDER ENGAGEMENT

The Committee considers investor feedback and the AGM voting results each year and we were pleased to receive a high level of support for the 2017 Remuneration Report with over 99% of votes cast in favour.

We undertook a consultation with our major institutional shareholders and proxy advisors concerning the proposed Policy, soliciting their feedback on the proposals. I would like to thank those shareholders for their helpful input, which plays an important part in developing responsible pay practices.

I would like to thank my fellow Committee members, and those who support the Committee, for their commitment and guidance during the year.

I look forward to receiving your continued support at the AGM to be held in May.

Dr Tim Miller
Chair of the Remuneration Committee

12 March 2019

AT A GLANCE: IMPLEMENTATION OF REMUNERATION POLICY FOR 2019 AND KEY DECISIONS FOR 2018

The table below summarises how key elements of the Remuneration Policy will be implemented in 2019 and key decisions taken by the Committee in relation to base pay and incentives for executive Directors in respect of the year ended 31 December 2018.

Element	Chief Executive Guy Wakeley	Chief Financial Officer John Stier
Base salary from 1 April 2019	£471,500	£328,000
Pension	15% cash in lieu of pension	15% cash in lieu of pension
Annual bonus	Maximum: 150%	Maximum: 150%
Annual bonus measures	• Financial: Reported profit before tax (40%); Total reported revenues (40%); and Operating Cash Flow Conversion (20%). • Non-financial: Performance against the individual non-financial metrics act as a multiplier ranging from 0 to 150%, determined through the Remuneration Committee's review of performance against personal objectives, with a multiplier of 100% for good performance. • A cap on the overall bonus pool to ensure above target bonus payments do not exceed 40% of incremental profit in excess of budget.	
Deferred Annual Bonus Plan	30% of earned bonus is compulsorily deferred into an award over shares, which normally vest after three years.	
Performance Share Plan (PSP)	Maximum 150%	Maximum 150%
PSP measures	• Three year vesting period. • EPS (50% of award) – average normalised EPS growth over three financial years. An EPS growth range of 6% to 12% will apply to the 2019 awards. • TSR (50% of award) – relative to the FTSE 250 index (excluding investment trusts).	
Holding requirement	Vested shares from the PSP to be held for two years post vesting (after payment of tax).	
Shareholding requirement	• 200% of salary within five years of appointment to the Board. • A post-employment shareholding requirement will also apply.	
Malus and clawback	• Recovery and withholding mechanisms apply for a period of three years from the date of payment for the annual bonus. • Recovery and withholding mechanisms apply for a period of at least three years from the date on which an award vests under the PSP. • At the Remuneration Committee's discretion.	
Changes for 2019	• Change in bonus weightings, as detailed above. • The threshold EPS target for the 2019 PSP awards will revert to 6% p.a in line with the 2015, 2016 and 2017 awards.	
Year-end decisions made:		
1 April salary review	2.5%	2.5%
2018 Bonus outcome:		
• Value	£476,404	£329,494
• % of salary	104%	103%
• % of maximum	69%	69%
Non-executive directors		
	No change	

DIRECTORS' REMUNERATION POLICY

Our first Remuneration Policy was approved by our shareholders at our AGM on 26 April 2016. Shareholders are now being asked to approve a new Remuneration Policy (2019 Remuneration Policy) at our AGM on 2 May 2019 which it is intended will apply for the next three financial years. During 2018, the Committee reviewed the 2016 Remuneration Policy to ensure that the policy continues to be aligned with best practice.

The Committee consulted with our largest shareholders in respect of the proposed changes and took shareholders' feedback into account when finalising the revised 2019 Remuneration Policy. The paragraph below provides an overview of the main changes that are proposed in respect of the 2019 Remuneration Policy.

The full 2019 Remuneration Policy that shareholders are asked to approve is set out on pages 95 to 103.

DIFFERENCES BETWEEN THE 2019 AND 2016 POLICIES

The differences between the 2019 Remuneration Policy and the Directors' Remuneration Policy approved at the Company's Annual General Meeting held on 26 April 2016 are:

- the reduction of pension benefits for newly appointed executive Directors from 15% to 10% of salary, in line with the level of benefit for the wider workforce;
- the introduction of the discretion to override formulaic outcomes under the Company's Performance Share Plan, in line with the 2018 UK Corporate Governance Code;
- the introduction of a post-employment shareholding requirement; and
- minor changes to the drafting of the 2019 Remuneration Policy in accordance with market practice and best practice guidance.

FUTURE POLICY TABLE

The following table sets out each element of reward and how it supports the Company's short and long-term strategic objectives.

Element	Purpose and link to policy	Operation (including framework used to assess performance)	Opportunity
Base Salary	Provides a competitive and appropriate level of basic fixed pay, to help attract and retain Directors with the skills and experience required to deliver Equiniti's strategic goals and business objectives. Reflects an individual's experience, performance and responsibilities within the Group.	Set at a level which provides a fair reward for the role and which is competitive amongst relevant peers. Normally reviewed (but not necessarily increased) annually with any changes taking effect from 1 April each year. Set taking into consideration individual and Group performance, the responsibilities and accountabilities of each role, the experience of each individual, his or her marketability and Equiniti's key dependencies on the individual. Reference is also made to salary levels amongst relevant peers and other companies of equivalent size and complexity. The Committee considers the impact of any basic salary increase on the total remuneration package.	There is no formal maximum. However, increases will normally be in line with the general increase for the broader employee population. More significant increases may be awarded from time to time, to recognise, for example, development in an individual's role and change in position or responsibility. Current salary levels are disclosed in the Annual Report on Remuneration.
Benefits	Provides a competitive, appropriate and cost effective benefits package.	The main benefits provided currently include a company car allowance, private medical insurance and life assurance. The benefits provided may be subject to minor amendment from time to time by the Committee within this policy. In addition, executive Directors are eligible for other benefits which are introduced for the wider workforce on broadly similar terms. Equiniti may also reimburse any reasonable business related expenses (including tax thereon) incurred in connection with their role, if these are determined to be taxable benefits.	A car allowance of £15,000 is provided. The cost of the provision of other benefits varies from year to year depending on the cost to Equiniti and there is no prescribed maximum limit. However, the Committee monitors annually the overall cost of the benefits provided, to ensure that it remains appropriate.

Element	Purpose and link to policy	Operation (including framework used to assess performance)	Opportunity
Pension	Provides a competitive, appropriate and cost effective pension package.	Each executive Director has the right to participate in one of Equiniti's defined contribution pension plans or elect to be paid some or all of their contributions in cash.	Pension contributions and/or cash allowances in lieu of pension contributions are capped at 15% of salary for current executive Directors. Pension benefits for new appointments will be capped at 10% of salary in line with the level of benefit for the wider workforce.
Annual Bonus	Incentivises the execution of key annual goals, by driving and rewarding performance against individual and corporate targets. Compulsory deferral of a proportion into Equiniti shares provides alignment with shareholders.	Paid annually, the bonus is subject to achievement of a combination of stretching corporate financial and personal performance measures. Financial measures determine the majority of the annual bonus opportunity. The Committee has overall discretion to adjust the extent to which bonuses are paid (in line with the 2018 UK Corporate Governance Code). 30% of bonus earned will be deferred into awards over shares under the Deferred Annual Bonus Plan (the DABP), with awards normally vesting after a three-year period. The Committee has the discretion to increase the deferral percentage if required. Awards are subject to malus and clawback provisions as set out in the notes to this table.	The maximum bonus payable to executive Directors is 150% of base salary. The bonus payable at the minimum level of performance varies from year- to-year and is dependent on the degree of stretch in the targets set.
Performance Share Plan (PSP)	Rewards the achievement of sustained long-term financial performance and shareholder returns and is therefore aligned with the delivery of value to shareholders. Facilitates share ownership to provide further alignment with shareholders. Granting of annual awards aids retention.	Annual awards of performance shares which normally vest after three years, subject to performance conditions and continued service. Performance is normally tested over a period of at least three financial years. Awards are subject to a financial growth measure and total shareholder return (TSR) relative to the constituents of a relevant comparator index or peer group. 25% of the award vests at threshold, with straight-line vesting for performance between threshold and maximum. From 2019 awards onwards, the Committee has the overall discretion to adjust the extent to which awards will vest (in line with the 2018 UK Corporate Governance Code). Following vesting, a further holding period (normally two years) will apply to the awards whereby executive Directors will be restricted from selling the net of tax shares which vest. Awards are subject to malus and clawback provisions, as set out in the notes to this table.	The maximum opportunity for executive Directors is 150% of base salary. In exceptional circumstances, this may be increased to 300% of salary.

Element	Purpose and link to policy	Operation (including framework used to assess performance)	Opportunity
All-employee share plans	Encourages employee share ownership and therefore increases alignment with shareholders.	Equiniti may from time to time operate all-employee share plans (such as the HMRC approved Save As You Earn Option Plan and Share Incentive Plan) for which executive Directors are eligible to participate on the same terms as other employees.	The schemes are subject to the limits set by HMRC from time to time.
Shareholding guideline	Encourages executive Directors to build a meaningful shareholding in Equiniti, so as to further align interests with shareholders.	Each executive Director must build up and maintain a shareholding in Equiniti equivalent to 200% of base salary within five years of their appointment to the Board.	Not applicable.

MALUS AND CLAWBACK

Malus and clawback provisions apply to the annual bonus and PSP awards in the case of: gross misconduct; material misstatement of Equiniti's results or accounts; an error made in assessing the satisfaction of any performance conditions applicable to the award; or other such adverse circumstances determined by the Committee (which might include fraud, material reputational damage and/or corporate failure). These provisions apply in respect of annual bonus awards within three years of the date of payment (cash and DABP), and in respect of PSP awards for a period up to three years of vesting.

PERFORMANCE MEASURES AND TARGETS

The table below sets out the rationale for the performance conditions chosen for annual bonus and PSP and how the targets are set.

Element	Performance measures and rationale	How targets are set
Annual bonus	Financial and personal performance measures. Financial measures are set taking account of Equiniti's key operational objectives but will typically include measures of revenue, profitability and a cash flow metric as these are KPIs aligned with Equiniti's strategy. Personal performance objectives are agreed by the Committee at the beginning of the year and will typically include measures relating to risk, client and/or key strategic goals, as well as individual conduct and behaviours.	The Committee reviews the focus each year and varies them as appropriate to reflect the priorities for the business in the year ahead. A target range is set for each performance measure to encourage continuous improvement and challenge the delivery of stretch performance and budgeted performance against the financial metrics.
Performance Share Plan	Financial growth measure and TSR performance. Relative TSR has been selected as it reflects comparative performance against a broad index of companies. It also aligns the rewards received by executives with the returns received by shareholders. Average growth in normalised EPS has been used as a performance measure as it rewards improvement in Equiniti's underlying financial performance and is a measure of Equiniti's overall financial success.	The Committee will review the choice of performance measures and the appropriateness of the performance targets and TSR peer group prior to each PSP grant. Different performance measures and/or weightings may be applied for future awards as appropriate. However, the Committee will consult in advance with major shareholders prior to any significant changes being made.

USE OF DISCRETION

The Committee operates various incentive plans according to their respective rules. To ensure the efficient operation and administration of these plans, the Committee retains discretion in relation to a number of areas. Consistent with market practice, these include (but are not limited to) the following:

- selecting the participants;
- the timing of grant and/or payment;
- the size of grants and/or payments (within the limits set out in the Policy Table);
- the form of awards (granting awards as conditional awards, nil-cost options (exercisable up to the tenth anniversary of the grant date), or equivalent instruments);
- the extent of vesting based on the assessment of performance and any other factors the Committee considers relevant;
- determination of a good leaver and where relevant the extent of vesting in the case of the share-based plans;
- treatment in exceptional circumstances such as a change of control, in which the Committee would act in the best interests of Equiniti and its shareholders;
- making the appropriate adjustments to awards required in certain circumstances (such as rights issues, corporate restructuring events, variation of capital and special dividends);
- cash settling awards in exceptional circumstances where it is not commercially feasible to settle awards in shares; and
- the annual review of performance measures, weightings and setting targets for the discretionary incentive plans, from year to year.

Any performance conditions may be amended or substituted if one or more events occur which cause the Committee to reasonably consider that the performance conditions would not, without alteration, achieve their original purpose. Any varied performance condition would not be materially less difficult to satisfy in the circumstances.

Awards granted under the Company's share plans may incorporate the right to receive the value of dividends, which would have been paid on the shares that vest in respect of dividend dates occurring during the vesting period and (where awards are subject to a holding period the holding period). This amount will normally be delivered in shares but may be delivered in cash in exceptional circumstances where it is not commercially feasible to deliver in shares. The amount may be calculated assuming the dividends had been reinvested in the Company's shares.

LEGACY AWARDS

The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments), notwithstanding that they are not in line with the 2019 Remuneration Policy, where the terms of the payment were agreed:

i. before 26 April 2016 (the date on which the Company's first shareholder-approved Directors' Remuneration Policy came into effect);

ii. before the 2019 Remuneration Policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved Directors' Remuneration Policy in force at the time they were agreed; or

iii. at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company.

For these purposes 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.

REMUNERATION POLICY FOR OTHER EMPLOYEES

The policy described in the previous table applies specifically to the executive Directors of Equiniti. In practice, the Committee also has responsibility for setting the policy for, and determining the remuneration of senior management roles at Equiniti, being those roles on the Executive Committee and the Operating Committee, including the Company Secretary. In all cases, the Committee is mindful of the remuneration policy which applies for the broader workforce and seeks to ensure that the underlying principles which form the basis for decisions on executive Director and senior management pay are consistent with those on which pay decisions for the rest of the workforce are taken. For example, the Committee takes into account the general salary increase for the broader employee population when conducting the salary review for the executive Directors. The range of information reviewed by the Committee on broader workforce remuneration and related policies will be extended during 2019 in line with the 2018 UK Corporate Governance Code.

The Committee believes that the structure of senior management reward at Equiniti should be linked to Group strategy and performance. A greater proportion of the package for senior leadership roles is therefore based on performance-based pay through the quantum and participation levels in incentive schemes. This ensures the remuneration of the executive Directors and the senior leadership team is aligned with the performance of Equiniti and therefore the interests of shareholders.

For the broader workforce, we have a commitment to responsible levels of pay in all of our geographies including a long-term commitment to paying the Real Living Wage in the UK. All-employee share ownership is encouraged through the use of all-employee share plans. During 2018, a new cycle of the Sharesave Plan launched with participation extended to all of our key international locations. Circa 66% of the Group's employees are currently participating in these all-employee share plans

The table below explains how the 2019 Remuneration Policy has been cascaded below executive Directors, to achieve alignment of policy across the Company.

Element	Difference in remuneration policy for other employees
Base salary	The same principles and considerations that are applied to the executive Directors are, as far as possible, applied to all employees.
Benefits	Equiniti has provisions for market-aligned benefits for all employees.
Pension	The Group operates a number of defined benefit and defined contribution schemes. The maximum company contribution under the defined contribution schemes is 10% of salary.
Annual bonus	Approximately 500 members of the management team are eligible for a bonus award under The Leadership Incentive Scheme.
Deferred Annual Bonus Plan (DABP)	Members of the Executive Committee normally have 30% of their earned bonus deferred into an award over shares on the same terms as the executive Directors.
Performance Share Plan (PSP)	The PSP is typically awarded to members of the Executive Committee and key individuals in the Senior Management Team.
Sharesave	An all-employee plan. Options are normally granted at a discount to the market value.
Share Incentive Plan	An all-employee plan. Employees can typically purchase up to £1,800 of partnership shares each year from gross salary. For every three partnership shares participants purchase they normally receive two free matching shares, on the first £180 that they invest annually.

CONSIDERATIONS OF CONDITIONS ELSEWHERE IN THE GROUP

In line with Equiniti's broader remuneration framework, which is intended to ensure consistency and common practice across Equiniti, and in determining the overall levels of remuneration of the executive Directors, the Committee also pays due regard to pay and conditions elsewhere in the organisation.

The Committee did not consult directly with the broader workforce on the 2019 Remuneration Policy. Following the changes to the UK Corporate Governance Code, during 2019 the Board will be putting in place arrangements to facilitate engagement with the broader workforce on a range of matters including remuneration.

The Committee reviews the design of all share incentive plans operated by Equiniti for approval by the Board and shareholders where appropriate. For such plans, the Committee determines each year whether awards will be made and, if so, the overall amount of such awards, the individual awards to executive Directors and other senior management, and the performance targets to be used. The Committee is responsible for determining the proportion of share based awards which vest following the end of the relevant performance period. The Committee also reviews the recommendations of the Equiniti Financial Services Limited Remuneration Committee and approves, where appropriate, certain Code Staff bonus and salary recommendations.

CONSIDERATIONS OF SHAREHOLDER VIEWS

Equiniti values and is committed to dialogue with its shareholders. The Committee regularly considers investor feedback and the voting results received in relation to relevant AGM resolutions each year. As part of the development of the 2019 Remuneration Policy the Committee engaged with a number of Equiniti's largest shareholders before finalising the proposed changes and the views of those shareholders informed the final 2019 Remuneration Policy.

APPROACH TO RECRUITMENT REMUNERATION

In the event of hiring a new executive Director, the ongoing remuneration package would be set in accordance with the terms of the approved Directors' Remuneration Policy at the time of appointment and the maximum limits set out therein.

Salaries may be set below market level initially with a view to increasing them to the market rate subject to individual performance and developing into the role by making phased above-inflation increases.

Benefits will be provided in line with those offered to other executive Directors, although these may be varied for an overseas appointment taking account of local market practice.

Annual bonus payments will not exceed 150% of base salary and PSP payments will not normally exceed 150% of base salary (not including any arrangements to replace forfeited entitlements). In all cases, PSP awards will be within the overall 300% of base salary exceptional limit in the plan.

Where necessary, specific annual bonus and PSP targets and different vesting and/or holding periods may be used for an individual for the first year of appointment, if it is appropriate to do so to reflect the individual's responsibilities and the point in the year in which they joined the Board. A PSP award can be made shortly after an appointment (assuming Equiniti is not in a close period).

The Committee retains flexibility to offer additional cash and/or share based awards on appointment, to take account of remuneration or benefit arrangements forfeited by the individual on leaving a previous employer. If shares are used, such awards may be made under the terms of the PSP or as permitted under the Listing Rules.

Such payments would take into account the nature of awards forfeited and would reflect (as far as possible) performance conditions, the expected value foregone and the time over which they would have vested or been paid. Awards may be made in cash if Equiniti is in a close period at the time an executive joins.

The Committee may agree that Equiniti will meet certain relocation, legal, tax equalisation and any other incidental expenses as appropriate so as to enable the recruitment of the best people including those who need to relocate.

Where a new executive Director is an internal promotion, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms, and adjusted as relevant to take into account the appointment. In addition, any other ongoing remuneration obligations existing prior to appointment may continue.

Element of remuneration	Maximum percentage of salary
Maximum variable pay comprising:	300% (450% in exceptional circumstances)
• Annual bonus	150%
• Performance Share Plan (PSP)	150% (300% in exceptional circumstances)
Pension	10% pension contributions / cash in lieu of pension

Note: Maximum percentage of salary for annual bonus and PSP excludes compensation for awards forfeited.

SERVICE CONTRACTS AND LOSS OF OFFICE PAYMENTS

The policy for service contracts for executive Directors is shown in the table below. Copies of the executive Directors' service contracts are available for inspection at Equiniti's registered office during normal business hours and will be available for inspection at the AGM.

Provision	Detailed terms
Notice period	• 12 months' notice from the Company • 12 months' notice from the Director

Provision	Detailed terms
Termination payment	• An executive Director's employment may be terminated by a payment in lieu of notice comprising: • Base salary • Benefits • Pension allowance • Any payment in lieu of notice may be paid in instalments and be subject to mitigation should the executive Director find alternative employment during any unexpired notice period. • An executive Director's service contract may be terminated summarily without notice and without any further payment or compensation, except for sums accrued up to the date of termination, if they are deemed to be guilty of gross misconduct or for any other material breach of the obligations under their employment contract. • If the employment of an executive Director is terminated in other circumstances, compensation may include base salary due for any unexpired notice period, pro-rata bonus (subject to the performance conditions having been achieved) in respect of the proportion of the financial year up to the date of termination and any amount assessed by the Committee as representing the value of other contractual benefits and pension which would have been received during the period. • Equiniti may choose to continue providing some benefits instead of paying a cash sum representing their cost. • Any statutory entitlements or sums to settle or compromise claims in connection with a termination (including, at the discretion of the Committee, reimbursement for legal advice and provision of outplacement services) would be paid as necessary.
Treatment of annual bonus on termination under plan rules	• Any bonus paid to a departing executive would normally be paid in cash, at the normal payment date, and reduced pro-rata to reflect the actual period worked.
Treatment of unvested share-based entitlements	• Any share-based entitlements granted to an executive Director under Equiniti's share plans will be treated in accordance with the relevant plan rules. • Usually, any outstanding awards lapse when the individual ceases to be a director or employee of the Group. However, in certain prescribed circumstances, such as death, injury, disability, retirement with the consent of the Committee, the sale of the entity that employs him or her by Equiniti or any other circumstances at the discretion of the Committee, 'good leaver' status may be applied. • Where good leaver treatment applies under the PSP, outstanding unvested awards will normally vest at the original vesting date to the extent that the performance condition has been satisfied, and would normally be reduced on a pro-rata basis to reflect the period of time which has elapsed between the grant date and the date on which the participant ceases to be employed by Equiniti as a proportion of the vesting period. • The Committee retains the discretion to vest awards (and measure performance accordingly) on cessation and/or to dis-apply time pro-rating. • If an executive Director leaves holding vested awards subject to a holding period, the holding period will normally continue to apply to these awards, unless the Committee decides to bring the holding period to a close. • Under the DABP, unvested awards will vest at the original vesting date unless the Committee exercises its discretion and allows the award to vest in full on or shortly following the date of cessation. • In determining whether a departing executive Director should be treated as a 'good leaver', the Committee will take into account the performance of the individual and the reasons for their departure.
Change of control	• Outstanding PSP awards on a takeover, winding up, or, if the Committee considers it appropriate, any other corporate event which will materially affect the Company's share price, will vest and be released from any relevant holding period early to the extent that the performance condition, as determined by the Committee in its discretion, has been satisfied, and could be reduced on a pro-rata basis to reflect the period of time which has elapsed between the grant date and the date of the relevant corporate event, as a proportion of the vesting period. • The Committee would retain discretion to waive time pro-rating, if it felt it was appropriate to do so. • DABP awards will vest in full at the time of the corporate event. • In the event of an internal corporate reorganisation, awards will be replaced by equivalent new awards over shares in a new holding company, unless the Committee decides that awards should vest on a basis which would apply in the case of a takeover.
Exercise of discretion	• In determining whether a departing executive Director should be treated as a 'good leaver', the Committee will take into account the performance of the individual and the reasons for their departure.

POST-EMPLOYMENT SHARE INTERESTS

The Committee has a policy to promote interests in share awards following cessation of employment to enable former executive Directors to remain aligned with the interest of shareholders for an extended period after leaving the Company. Further details of this policy are set out in the Annual Report on Remuneration on page 114.

THE CHAIRMAN AND NON-EXECUTIVE DIRECTORS' FEES

The table below sets out the 2019 Remuneration Policy for the Chairman and non-executive Directors. For a new Chairman or non-executive Director, the fee arrangement would be set in accordance with the approved remuneration policy in force at that time.

Element	Purpose and link to policy	Operation (including framework used to assess performance)	Opportunity
Non-executive Director fees	To attract and retain a high-calibre Chairman and non-executive Directors by offering market competitive fee levels.	The Chairman is paid a single consolidated fee. The non-executive Directors are paid a basic fee with additional fees paid to reflect extra responsibilities and/or time commitments, for example the Chairs of the main Board committees and the Senior Independent Director. If there is a temporary yet material increase in the time commitments for non-executive Directors, the Board may pay extra fees on a pro-rata basis to recognise the additional workload. The level of fees is reviewed periodically by the Committee and Chief Executive for the Chairman and by the Chairman and executive Directors for the non-executive Directors and set taking into consideration market levels in comparably sized FTSE companies, the time commitment and responsibilities of the role and to reflect the experience and expertise required. The Chairman and the non-executive Directors are not eligible to participate in incentive arrangements or to receive benefits, save that they are entitled to reimbursement of reasonable business expenses and tax thereon. They may also receive limited travel or accommodation related benefits in connection with their role as a Director (including tax thereon if these are determined to be taxable benefits).	The fees are subject to maximum aggregate limits, as set out in Equiniti's Articles of Association (£2m). The Committee is guided by the general increase for the broader employee population, but on occasions may need to recognise, for example, changes in responsibility, and/or time commitments. Current fee levels are disclosed in the Annual Report on Remuneration.

CHAIRMAN AND NON-EXECUTIVE DIRECTOR TERMS OF APPOINTMENT

The Chairman and non-executive Directors have letters of appointment with Equiniti for an initial period of three years subject to annual re-election at the Company's AGM.

The appointment of each non-executive Director may be terminated at any time with immediate effect if he or she is removed as a Director by resolution at a general meeting or pursuant to the Articles. At other times, three months' notice is required from either party. The non-executive Directors are not entitled to receive any compensation on termination of their appointment.

Directors' letters of appointment are available for inspection at Equiniti's registered office during normal business hours and will be available for inspection at the AGM.

ILLUSTRATIVE OUTCOMES FOR EXECUTIVE DIRECTORS UNDER THE REMUNERATION POLICY

Under the Directors' Remuneration Policy, a significant proportion of total remuneration is linked to Equiniti's performance. The following charts illustrate how the executive Directors' total pay package varies under four different performance scenarios:

1. Fixed pay only
2. On-target performance
3. Maximum performance
4. Maximum performance with 50% share price growth

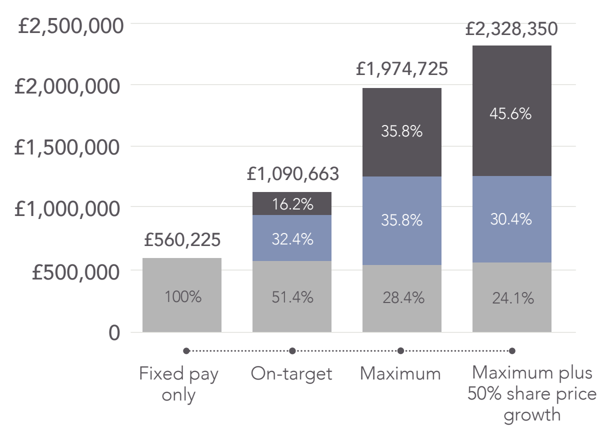
Under scenarios 1, 2 and 3 no share price growth is applied. Dividends are excluded under all scenarios.

All assumptions made under these scenarios are noted below:

	Fixed pay only	On-target	Maximum	Maximum plus 50% share price growth
Salary	2019 salary	2019 salary	2019 salary	2019 salary
Benefits	Estimated value of ongoing benefits	Estimated value of ongoing benefits	Estimated value of going benefits	Estimated value of ongoing benefits
Pension	15% of salary	15% of salary	15% of salary	15% of salary
Annual bonus	–	75% of salary (budget performance and 100% multiplier)	100% payout of maximum opportunity (150% of base salary)	100% payout of maximum opportunity (150% of base salary)
PSP	–	25% of maximum award (37.5% of salary)	100% of maximum award (150% of salary)	100% of maximum award (150% of salary)
Share price growth applied to PSP award	–	0%	0%	50%

The executive Directors can participate in all-employee share schemes on the same basis as other employees. The value that may be received under these schemes is subject to tax approved limits. For simplicity, the value that may be received from participating in these schemes has been excluded from the below charts.

CHIEF EXECUTIVE



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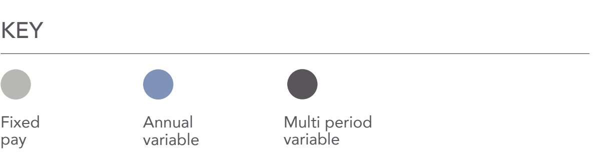
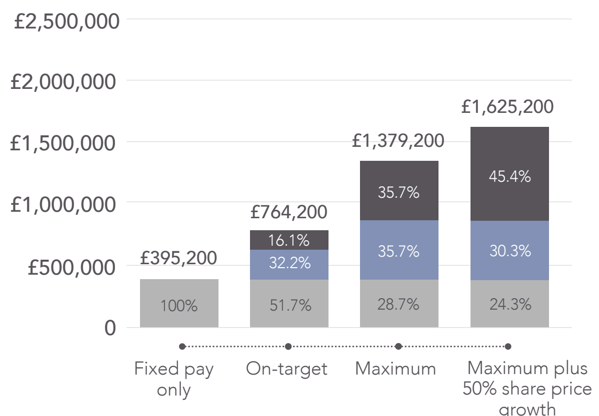


CHIEF FINANCIAL OFFICER



ANNUAL REPORT ON REMUNERATION

This part of the Directors' Remuneration Report sets out on pages 104 to 117 a summary of how the 2016 Directors' Remuneration Policy was implemented during the financial year ended 31 December 2018. This part is subject to an advisory vote at the AGM to be held on 2 May 2019. Details of how we intend to operate our proposed 2019 Remuneration Policy and the remuneration earned by executive and non-executive Directors, the outcome of the incentive schemes, together with the link to the Company's performance, are provided in this part.

Where stated, disclosures regarding the Directors' remuneration have been audited by the Company's independent external auditor, PwC.

COMMITTEE MEMBERSHIP AND ATTENDANCE

The Committee comprises only independent non-executive Directors and is chaired by Dr Tim Miller.

The members of the Committee who served during the year and as at the date of this report are shown in the table below, together with their attendance at the ten committee meetings held during the year or those held during their tenure:

Name	Attended
Committee Chair: Dr Tim Miller	10/10
Mark Brooker[1]	2/2
Alison Burns[1]	8/8
Sally-Ann Hibberd	10/10
Vicky Jarman[2]	1/3

[1]Mark Brooker and Alison Burns were appointed to the Committee effective from 1 November and 1 April respectively.

[2]Vicky Jarman stood down from the Committee effective from 3 May 2018. She was unable to attend one meeting due to illness and another due to a prior commitment.

GOVERNANCE

The Committee acts independently of management and reports and makes recommendations directly to the Board.

The Committee's Terms of Reference state that the Committee shall be comprised of at least three independent non-executive Directors, one of whom should be Chairman of the Committee, and this was complied with in full during the year.

The Company Secretary, or their nominee, acts as Secretary to the Committee and attends all meetings. The Committee invites the Chief Executive, the Chief People & Transformation Officer and the external remuneration adviser to attend its meetings in full, although it reserves its rights to request any of those individuals to withdraw. During the year, the Committee met with the Chief People & Transformation Officer without management and/or any executive member of the Board being present.

The Committee has unrestricted access to Company documents and information, as well as to employees of the Group. It can obtain assurances and, when appropriate, reports from the directors of subsidiary companies which have appointed separate remuneration committees.

The Committee may take independent professional advice on any matters covered by its Terms of Reference, a copy of which can be found in the investor section of Equiniti's website: http://investors.equiniti.com/investors/shareholder-services/corporate-governance.

ROLE OF THE REMUNERATION COMMITTEE

In accordance with its Terms of Reference, the Committee considers, agrees and recommends to the Board an overall remuneration policy and governance framework for executive Directors that is aligned to the Company's long-term business strategy and interests, business objective and values.

It sets the over-arching principles and parameters of the policy and determines the remuneration of the Chairman, the Board and senior executives. The Committee also determines and recommends to the Board the remuneration strategy of the Company as it applies to the broader workforce. The Committee currently receives information on wider pay practices and policies across the Group, but work will be undertaken during 2019 to broaden and deepen the Committee's understanding in this area.

Its responsibilities include:

Remuneration Policy

- working with the Board, senior management and internal teams (including human resources, risk and audit) to set, approve and implement a remuneration policy for the Group's senior executives (executive Directors and members of the Executive Committee);
- ensuring that it adopts a coherent approach to remuneration in respect to the broader workforce;
- determining the contracts of employment, terms of service and remuneration of the Board chairman and executive Directors;
- determining the pensions policy for the broader workforce;
- approving the design of, and determining targets for, all performance related pay schemes operated by Equiniti and approving the total annual payments made under such schemes;
- reviewing the design of all share incentive plans for approval by the Board and shareholders. For any such plans, the Committee determines each year whether awards will be made and, if so, the overall amount of such awards, the individual awards to executive Directors and other senior management, and the performance targets to be used;
- ensuring performance objectives for executive Directors are transparent, stretching and rigorously applied and take due account of risk;
- reviewing and approving decisions made by the Remuneration Committee of Equiniti Financial Services Limited (EFSL);

Remuneration Policy Monitoring

- periodically reviewing, at least every three years, the overall appropriateness and effectiveness of all remuneration policies for the Company and its subsidiaries; and
- having regard to applicable good practices such as the Investment Association and Pensions and Lifetime Savings Association guidelines on executive contracts and severance and taking into account the Group's statutory duties in relation to equal pay and non-discrimination.

EXTERNAL REMUNERATION ADVISER

The Committee has access to external advice as required. During the year, Deloitte was appointed following a competitive tender process, replacing New Bridge Street, part of Aon plc. Both Deloitte and New Bridge Street are signatories to the Remuneration Consultants' Code of Conduct which requires that its signatories provide objective and impartial advice. The Code of Conduct can be found at www.remunerationconsultantsgroup.com.

Deloitte has provided advice and support around the following key areas:

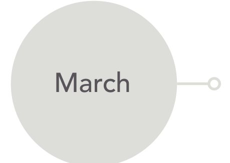
- reviewing the proposed new Remuneration Policy;
- advising on the performance share plan and deferred annual bonus plan;
- informing the Committee on market practice and governance issues; and
- responding to general and technical queries.

Both remuneration advisers were paid during their respective periods of appointment on a time worked basis. The total fees paid to New Bridge Street were £19,345 and to Deloitte were £91,700.

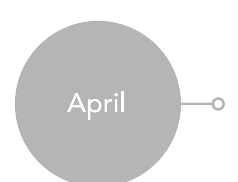
During its period of appointment, New Bridge Street was also the appointed remuneration adviser to the remuneration committee of EFSL, an FCA regulated company within the Group. New Bridge Street did not provide any other services to the Group during their period of appointment. Deloitte has provided other share scheme related advice to the Group during the year.

COMMITTEE ACTIVITIES DURING 2018

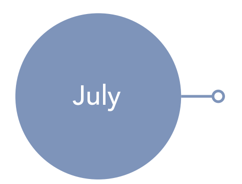
The Committee met on ten occasions during the year. At those meetings, some of which were telephone meetings, the Committee carried out its remit which primarily included the following:



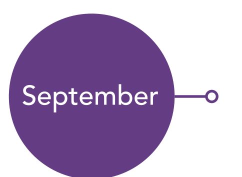
- reviewed and approved the 2017 performance review report, including feedback from the Chief Risk Officer, Group Chief Audit Executive and Group HR Director;
- reviewed and approved the leadership incentive scheme out-turn;
- reviewed and approved the 2018 remuneration recommendations, including objectives;
- reviewed and approved the 2018 Performance Share Plan grant;
- approved the 2018 Deferred Annual Bonus Plan awards;
- reviewed and approved the Directors' Remuneration report for inclusion within the 2017 Annual Report and Accounts;
- reviewed the Remuneration Policy;
- reviewed and approved the Committee's Terms of Reference; and
- received an update report from EFSL's remuneration committee.



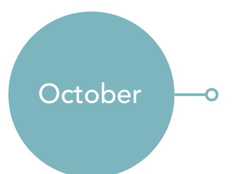
- reviewed the 2018 leadership incentive scheme structure and weightings; and
- reviewed the tender process for the remuneration adviser role.



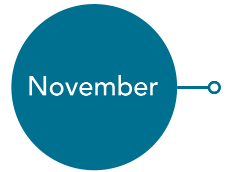
- following the remuneration adviser tender, determined and recommended, to the Board, the appointment of Deloitte as the Committee's remuneration adviser; and
- reviewed the current Remuneration Policy and discussed its renewal.



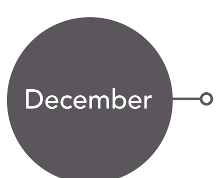
- reviewed the proposed Remuneration Policy, taking into account the new 2018 UK Corporate Governance Code and its reporting requirements.



- reviewed and approved a grant of options under the Save-As-You-Earn scheme; and
- approved the vesting of the 2015 grant of options under the Performance Share Plan.



- reviewed and discussed a draft of the proposed 2019 Remuneration Policy;
- reviewed and approved amendments to the incentive scheme documents; and
- approved and ratified certain senior executives remuneration.



- reviewed performance updates against objectives for the share plans and leadership incentive schemes during the year;
- reviewed 2019 pay proposals for the workforce and senior leaders; and
- received an update on the 2019 Remuneration Policy consultation.

SINGLE TOTAL FIGURE OF REMUNERATION (AUDITED INFORMATION)

		Fixed Pay £'000s			Variable Pay £'000s			
		Salary or Fees	Benefits[1]	Pension Contributions[2]	Annual Bonus[3]	PSP[4]	SAYE[5]	Total
Executive Directors								
Guy Wakeley	2018	460	18	69	476	2,503	4	3,530
	2017	460	47	69	545	1,557	1	2,679
John Stier	2018	320	18	48	329	1,660	4	2,379
	2017	308	18	46	367	1,033	1	1,773
Non-executive Directors								
Philip Yea	2018	200	–	–	–	–	–	200
	2017	100	–	–	–	–	–	100
Mark Brooker[6]	2018	9	–	–	–	–	–	9
	2017	–	–	–	–	–	–	–
Alison Burns[7]	2018	41	–	–	–	–	–	41
	2017	–	–	–	–	–	–	–
Sally-Ann Hibberd	2018	65	–	–	–	–	–	65
	2017	65	–	–	–	–	–	65
Vicky Jarman[8]	2018	22	–	–	–	–	–	22
	2017	73	–	–	–	–	–	73
Dr Tim Miller[9]	2018	115	–	–	–		–	115
	2017	115	–	–	–	–	–	115
Cheryl Millington[6]	2018	9	–	–	–	–	–	9
	2017	–	–	–	–	–	–	–
Darren Pope[10]	2018	72	–	–	–	–	–	72
	2017	57	–	–	–	–	–	57
Kevin Beeston[11]	2018	–	–	–	–	–	–	–
	2017	158	1	–	–	–	–	159
John Parker[12]	2018	–	–	–	–	–	–	–
	2017	56	–	–	–	–	–	56

[1]Benefits - executive Directors are entitled to taxable benefits as described below:

£'000	Car Allowance	Private Medical Insurance	Life Assurance	Total
Guy Wakeley	15	2	1	18
John Stier	15	2	1	18

[2]A cash allowance of 15% of base salary is received in lieu of pension contributions. No executive Director participates in, or is a deferred member of, an Equiniti pension plan.
[3]30% of the bonus shown above will be deferred into shares. Further details of the DABP can be found on page 111.
[4]The PSP value for 2017 includes the EPS element of 2015 PSP awards. The performance of this element was measured to 31 December 2017. For details of the performance conditions see page 112.The value shown is based on the share price on vesting on 27 October 2018 of £2.213. The PSP value for 2018 includes the TSR element of 2015 PSP awards and the full value of 2016 PSP awards. The performance of the TSR element of 2015 PSP awards was measured to 27 October 2018. For details of the performance conditions see page 112.The value shown is based on the share price on vesting on 27 October 2018 of £2.213. The performance of the 2016 PSP awards was measured to 31 December 2018. For details of the performance conditions see page 113.The value shown is based on an estimated share price of £2.184, the three month average share price to 31 December 2018. The values for 2018 include the impact of share price movements and dividends paid between grant and vesting, £660,994 for Guy Wakeley and £438,133 for John Stier.
[5]Both executive Directors participate in the Sharesave Scheme and the first invitation matured on 1 January 2019. The value shown is that at the end of the three-year savings period. There are no performance conditions for this Scheme save being an employee of the Group at the maturity date.
[6]Mark Brooker and Cheryl Millington both joined the Board effective from 1 November 2018.
[7]Alison Burns joined the Board effective from 1 April 2018.
[8]Vicky Jarman stood down from the Board effective from 3 May 2018.
[9]The fees for Dr Tim Miller include the £50,000 that he receives for serving on the board of EFSL.
[10]Darren Pope was appointed Audit Chair in November 2017 and Senior Independant Director in May 2018
[11]Kevin Beeston stood down from the Board effective from 29 September 2017.
[12]John Parker stood down from the Board effective from 30 September 2017.

ANNUAL NON-EXECUTIVE DIRECTOR FEES

	Year Ending 31 December		
	2019	2018	% Change
Board Chairman	£200,000	£200,000	0
Basic Fee	£55,000	£55,000	0
Additional fee for Senior Independent Director	£10,000	£10,000	0
Additional fee for Committee Chair	£10,000	£10,000	0

VARIABLE PAY OUTCOMES (AUDITED INFORMATION)

Annual Bonus

For the financial year ended 31 December 2018, annual bonuses for the executive Directors were based on corporate financial and personal objectives. A bonus of up to 150% of salary could be earned. The Committee reviewed the achievements against the targets for the year through the annual performance review process. The tables on pages 109 and 110 show the achievement against the financial and personal performance measures and the resulting bonus payments.

Corporate Financial Objectives

The corporate financial metrics were based on profit before tax (50%), revenue (30%) and operating cash flow conversion (20%).

Individual Personal Objectives and Individual Multiplier

The individual personal objectives were set following consultation between the Committee and each executive Director, and are detailed in the table on page 110. The individual multiplier ranges from 0 to 150%, determined through the Committee's review of performance against personal objectives, with a multiplier of 100% for good performance. The performance breakdown and resulting multiplier is shown in the table opposite:

Performance Rating	Maximum multiplier
Outstanding	150%
High	125%
Good	100%
Off track	50%
Low	0

A cap on the overall bonus pool will apply to ensure that bonus payments which are above target do not exceed 40% of incremental profit in excess of budget.

OUTCOME OF PERFORMANCE AGAINST INDIVIDUAL PERSONAL OBJECTIVES ACTS AS A MULTIPLIER WITH ANNUAL BONUS CALCULATED USING THE FOLLOWING FORMULA:

The executive Directors have a target bonus opportunity of 100% of salary. If budget performance is achieved against the corporate financial measures together with an individual multiplier of 100% for good performance, this would result in a bonus of 75% of salary.

Corporate Financial Outcome

Performance measures	Weighting (%)	Threshold target (£000s)	Budget target (£000s)	Maximum target (£000s)	Actual performance (£000s)	% of target bonus payable
		0%	75%	125%		
Profit before tax	50	23,157	25,730	30,876	24,643	21.7
Revenue	30	475,741	500,780	525,819	530,920	37.5
Operating cash flow conversion	20	90.0%	95.0%	100.0%	101.8%	25.0
Total						84.2

The performance of each of the executive Directors was assessed through the annual performance review process. Based on their achievements the Committee has determined that each Director's performance was high for the personal element relating to their 2018 objectives, resulting in multipliers of 123% for Guy Wakeley and 122% for John Stier. Further details of the objectives set and progress in the year are set out on page 110.

Individual multiplier	Guy Wakeley	John Stier
Multiplier awarded	123%	122%

2018 Bonus	Guy Wakeley	John Stier
Bonus amount achieved as % of salary	104%	103%
Bonus amount achieved	£476,404	£329,494
Paid in cash (70%)	£333,483	£230,646
Deferred in shares (30%)	£142,921	£98,848

Individual non-financial objectives

Guy Wakeley's objectives focused on:	Evidenced by:
Delivering a successful entry to the US market through the transition of the Wells Fargo Shareowner Services business (now called EQ US)	Successful entry into the US market, with no material clients being lost and new business being won. The transition to Sirius has not yet been achieved, but there has been a flawless delivery of service since day one. Technical separation from Wells Fargo almost completed. US colleagues' energy and engagement is high.
Maintaining sustainable earnings and dividend progression	Sustainable earnings have been increased by single digit growth and the dividend has increased by double digits.
Increasing sales progression through the cross-sale of products and services	Divisional organic growth has increased by over 5%. Good progress has been made with the cross-sale of products. There has been an increase in sales of the Group's regulation, data and cyber products.
Driving the simplification of Group strategy and structure to improve delivery of customer requirements and shareholder value	The Group strategy was communicated to investors and analysts in September 2018. The strategy is well understood within the business and amongst the investor base.
Materially improving the delivery of technology and change	An IT transformation programme has been created and resourced and has delivered £3m of gross savings in 2018. Full digitisation of our Corporate Shareholder Nominee product has been delivered. A new share plan portal and client portals for the US are now in test.
Improving customer satisfaction and advocacy for B2B and D2C customers	Corporate satisfaction of 94% and customer satisfaction of 98%. Superbrand status now awarded for 'Equiniti' and 'EQ'.
The delivery of the next stages of improvement in Risk, Audit and Compliance effectiveness	The Group risk framework significantly advanced in 2018, with divisional risk leaders being appointed and the Xactium risk framework deployed. There is increased ownership and visibility of audit actions. GDPR compliance has been delivered.
Demonstrating the ability to connect, inspire and deliver leadership in support of the EQ Leadership model	Group leadership training programme launched and delivered for two cohorts. Quarterly leadership evenings are now running and clear objectives have been set for 2019. 43% of vacancies are now filled by internal candidates.

John Stier's objectives focused on:	Evidenced by:
Concluding the implementation of the HR and finance systems for Equiniti Trust Company, and building a platform roadmap for the UK	The Workday finance and HR systems had been rolled out within the US according to plan. The new US billing system was on schedule to go live by the end of the first quarter in 2019.
Improving free cash flow yield through improvement in working capital, tax, interest payable and return on investment	Budgeted cash flow was outperformed and cash conversion of 102% was delivered.
Supporting the negotiation and structuring of further material combination opportunities	The focus during the year was the integration of EQ US, which was due to complete by June 2019.
Delivering a closing year end net leverage position of less than 2.6x inclusive of the US transformation costs	This was out-performed, with very strong cash management. Leverage was 2.5x against the budget of 2.6x.
Driving further benefit from Group procurement and property functions, with particular focus on offshore operations and the IT estate	Annualised savings of over £5m were delivered. A new property strategy has been implemented for the business to drive savings.
Ensuring that compliance and audit items were closed on a definitive and timely basis	All items had been closed in a timely manner during the year.
Demonstrating the ability to connect, inspire and deliver leadership in support of the EQ Leadership model	During the year, a finance conference was launched, together with quarterly web briefings for the finance team. A succession plan has been put in place for the finance team.

DEFERRED ANNUAL BONUS PLAN (AUDITED INFORMATION)

30% of the bonus awarded in respect of the 2017 financial year was deferred into shares for three years (subject to continued service and malus and clawback) and is summarised along with previous awards in the table below.

	Award and Vesting date	1 January 2018	Granted (number)[1]	Lapsed (number)	31 December 2018	Market price at date of grant (pence)[2]
Guy Wakeley	21/03/18 – 21/03/21	–	52,329	–	52,329	312.5
	21/03/17 – 21/03/20	34,429	–	–	34,429	194
John Stier	21/03/18 – 21/03/21	–	35,220	–	35,220	312.5
	21/03/17 – 21/03/20	25,782	–	–	25,782	194

[1]At the time of grant, the value of the number of shares awarded is equal to the gross value of the bonus deferred.

[2]The market price at date of grant was calculated using the prior day's closing price

PERFORMANCE SHARE PLAN (PSP) (AUDITED INFORMATION)

The table below details the PSP awards granted to the executive Directors during the year together with those which were unvested at 31 December 2018. The awards made were in line with the existing Remuneration Policy.

		Maximum Award				Shares Vesting		
	Award and Vesting date	Number of options awarded[1]	% of salary	Face value at grant £'000	Market price at grant (pence)[2]	Threshold	Maximum	End of Performance Period
Guy Wakeley	21/03/18 – 21/03/21	220,800	150	£690	312.5	25%	100%	31/12/20
	21/03/17 – 21/03/20	379,833	150	£737	194	25%	100%	31/12/19
	24/03/16 – 24/03/19	464,407	150	£737	158.67	25%	100%	31/12/18
John Stier	21/03/18 – 21/03/21	148,608	150	£464	312.5	25%	100%	31/12/20
	21/03/17 – 21/03/20	251,845	150	£489	194	25%	100%	31/12/19
	24/03/16 – 24/03/19	307,922	150	£489	158.67	25%	100%	31/12/18

[1] Due to the rights issue in October 2017, the number of options awarded in 2016 and 2017 were adjusted and increased in line with market practice.

[2] When PSP options are granted, the market price at date of grant is calculated using the prior day's closing share price. This is used to calculate the number of options to be granted to the participant and is not the price the participant has to pay to receive the options once they have vested. The options are 'nil-cost' options which means that there is no price to be paid to receive them once they have vested. However, the participant will have to pay income tax and national insurance at their respective tax rate on the overall market value of the vested award, priced at the time of exercise.

[3] Following vesting, a further two year holding period applies to the PSP awards, details of which are provided in this report.

Awards granted under the PSP are nil-cost options and are subject to the following performance measures:

Performance Measure	Weighting of Measure	Performance Target
EPS growth	50%	Average annual growth in the Company's fully diluted normalised earnings per share (EPS) over three financial years. For 2015, 2016 and 2017 awards, if average growth in EPS over three financial years is 6% or more, 25% of the award will vest. The award will vest in full for average growth of 12%, with payment on a sliding scale in between these points. No award will vest if growth is below 6%. For 2018 awards only, the threshold EPS target over three financial years was increased to 8% to reflect the impact of the WFSS acquisition in the first year of the performance period.
Relative TSR	50%	Total shareholder return (TSR) performance over three financial years relative to the constituent companies of the FTSE 250 Index (excluding investment trusts) on date of grant. Vesting of 25% of the award will occur for median ranking and the award will vest in full for upper quartile or above ranking, with straight line vesting in between these points based on ranking. No award will vest if TSR ranks below the median.

Vesting of 2015 PSP Award

The first set of PSP awards granted in November 2015 vested in October 2018. The Committee reviewed the performance conditions for the award and determined that 100% of the award vested in total. Performance against both conditions is summarised below. The EPS performance condition was based on the average annual growth in the Company's fully diluted normalised earnings per share over the 2016 and 2017 financial years, measured from a proforma EPS for the financial year ending 31 December 2015 of 13.5p. The TSR performance condition was measured over three years from November 2015 to October 2018.

Measure	Weighting	Vesting scale	Base EPS	Fully diluted normalised EPS for year ended 31 December 2017	Average annual growth	% of this element of the award vesting
Average annual growth in the Company's fully diluted normalised EPS	50%	No vesting if average EPS growth is below 6%, 25% vests if average EPS growth is equal to 6%, 100% vests if average EPS growth is 12% or more. Straight line pro rata vesting from 25% to 100% for average EPS growth between 6% and 12%	13.5p	16.9p	12.03%	100%

Measure	Weighting	Vesting scale	Performance achieved	% of this element of the award vesting
Relative TSR	50%	No vesting if TSR ranks below the median. 25% vests if TSR is median ranking, 100% vests if TSR is upper quartile or above. Straight line pro rata vesting from 25% to 100% for TSR ranking between median and upper quartile	Above upper quartile	100%

The number of shares that vested in October 2018 for each of the executive Directors as a result of this performance is shown in the

table below:

Measure	Number of shares subject to award	% that vested based on EPS and TSR performance	Number of shares that vested*	Value of shares at vesting
Guy Wakeley	1,339,775	100%	1,407,537	£3,114,870
John Stier	888,329	100%	933,258	£2,065,300

*This number includes dividend equivalent shares accrued during the three year vesting period as follows: 67,762 for Guy Wakeley and 44,929 for John Stier.

In accordance with the Regulations, the portion of the award based on EPS, being 50% of the values above, was included in the single figure table in the 2017 Annual Report.

Vesting of 2016 PSP Award

The PSP awards granted in March 2016 will vest in March 2019. The Committee reviewed the performance conditions for the award and determined that 88.75% of the award vested in total. Performance against both conditions is summarised below. The EPS performance condition was based on the average annual growth in the Company's fully diluted normalised earnings per share over the 2016, 2017 and 2018 financial years. The TSR performance condition was measured over three years from January 2016 to December 2018.

Measure	Weighting	Vesting scale	Base EPS	Fully diluted normalised EPS for year ended 31 December 2018	Average annual growth	% of this element of the award vesting
Average annual growth in the Company's fully diluted normalised EPS	50%	No vesting if average EPS growth is below 6%, 25% vests if average EPS growth is equal to 6%, 100% vests if average EPS growth is 12% or more. Straight line pro rata vesting from 25% to 100% for average EPS growth between 6% and 12%	13.5p	17.9p	10.2%	77.5%

Measure	Weighting	Vesting scale	TSR performance	Relative performance achieved	% of this element of the award vesting
Relative TSR	50%	No vesting if TSR ranks below the median. 25% vests if TSR is median ranking, 100% vests if TSR is upper quartile or above. Straight line pro rata vesting from 25% to 100% for TSR ranking between median and upper quartile	42.5%	Above upper quartile	100%

The number of shares that will vest in March 2019 for each of the executive Directors as a result of this performance is shown in the table below:

Measure	Number of shares subject to award	% that vested based on EPS and TSR performance	Number of shares that will vest*	Estimated value of shares at vesting**
Guy Wakeley	464,407	88.75%	433,005	£945,683
John Stier	307,922	88.75%	287,100	£627,026

*This number includes dividend equivalent shares accrued during the three year vesting period as follows: 23,486 for Guy Wakeley and 15,572 for John Stier.

**The value of the market price of the shares at vesting has been estimated based on the average market value over the last three months of 2018.

Post-vesting holding period

Following vesting, a further two-year holding period will apply to the PSP awards, whereby executive Directors will be restricted from selling their interest in the net of tax shares which vest. These vested shares will be held in an Equiniti investment product for the duration of the holding period.

SAVE-AS-YOU-EARN SCHEME (SHARESAVE)

The Company offers a Sharesave scheme to all employees, including executive Directors. Participants can save a sum of money each month for a period of three years. Under the tax-approved limits, the maximum that each participant can save each month is £500, however this can be reduced and capped if the Sharesave is oversubscribed. At the end of the three-year period, the money saved can either be returned to the participant or used to acquire shares in the Company at a price set at a 20% discount to a market price being an amount equal to the average of the daily middle-market quotation of a share over the three dealing days prior to the grant date.

2015 Grant

The first grant under the Sharesave was when the Company listed in 2015. The Sharesave was oversubscribed and the monthly limit was capped at £100 per month. The grant price is £1.19 per share. The original price, with the 20% discount was £1.27, however this was reduced to £1.19 following the rights issue on 17 October 2017.

The first grant matured on 1 January 2019. Details of the number of shares are included in the Directors' shareholding table on page 115.

2018 Grant

The second grant under the Sharesave was made on 27 September 2018. Again, the Sharesave was oversubscribed and the monthly limit was capped at £100 per month. The grant price is £1.77. The Sharesave will mature in 2021.

The 2018 Grant was offered to all of our employees, including those in India, the Netherlands, South Africa and the US. The terms of the Sharesave were the same for all participants, except for those in the US. In the US, the savings period is only for a period of two years. At the end of the two-year savings period, US employees are able to exercise their options, but are restricted from dealing in the shares for a further 12 month period. The discount to the market price is also less for US participants (15%) and therefore the grant price for US participants is £2.23.

SHARE INCENTIVE PLAN

Executive Directors may participate in the Company's Share Incentive plan on the same basis as all other eligible employees. Employees can purchase up to £1,800 of partnership shares each year from gross salary. For every three partnership shares participants purchase, they receive two free matching shares on the first £180 that they invest annually.

DIRECTORS' SHAREHOLDING REQUIREMENTS AND SHARE INTERESTS (AUDITED INFORMATION)

To align the interests of the executive Directors with shareholders, each executive Director must build up and maintain a beneficial shareholding, excluding share options, in the Company equivalent to 200% of base salary. Executive Directors must meet the shareholding guideline within five years of appointment to the Board.

From 2019 onwards, executive Directors will normally be required to retain a shareholding in the Company for a period of two years after leaving at the lower of the shareholding requirement in place prior to departure or the actual shareholding on departure. This applies to shares acquired from incentive plans and may include the net value of outstanding DABP awards and PSP awards subject only to a holding period. The Committee will have discretion to operate the policy flexibly and may waive part or all of the requirement where considered appropriate, for example in compassionate circumstances. It is intended that the policy will be supported by the use of nominee accounts.

As at 31 December 2018, the Chief Executive beneficially held shares with an equivalent value of 1,213% of his base salary and the Chief Financial Officer beneficially held shares with an equivalent value of 864% of his base salary. Accordingly all executive Directors have met the shareholding requirements.

Director	Beneficial Share Interest		Unvested share options			Total Interest
	At 31 Dec 18 / Leaving date	Vested PSP subject to holding period	PSP with conditions	DABP with conditions	SAYE without conditions	
Guy Wakeley[1]	1,170,574	1,407,537	1,065,040	86,758	5,059	3,734,968
John Stier[1]	333,852	933,258	708,375	61,002	5,059	2,041,546
Philip Yea	160,000	–	–	–	–	160,000
Mark Brooker	–	–	–	–	–	–
Alison Burns	–	–	–	–	–	–
Sally-Ann Hibberd	–	–	–	–	–	–
Vicky Jarman[2]	34,175	–	–	–	–	34,175
Dr Tim Miller	150,783	–	–	–	–	150,783
Cheryl Millington	–	–	–	–	–	–
Darren Pope	–	–	–	–	–	–

[1] The Partnership, Matching and Free shares that Guy Wakeley and John Stier hold in the Share Incentive Plan are included in the figure for beneficially owned shares
[2] Vicky Jarman stood down from the Board effective from 3 May 2018.

On 2 January 2019, Guy Wakeley and John Stier both exercised 3,026 shares each from the 2015 Sharesave which matured on 1 January 2019. These shares are included in the SAYE without conditions figures above. There have been no further changes between 3 January 2019 and the date of this report.

PERFORMANCE GRAPH AND TABLE

The following graph shows the Company's TSR performance from listing in October 2015 to the end of the 2018 financial year, against the FTSE 250 index. The FTSE 250 (excluding investment trusts) has been selected as it comprises companies of a comparable size and complexity and provides a good indication of the Company's relative performance.

CHIEF EXECUTIVE'S PAY IN THE LAST FIVE FINANCIAL YEARS

The total remuneration of the Chief Executive over the last five years in shown in the table below:

	Year Ended 31 December				
	2018	2017	2016	2015	2014
Total Remuneration (£000)	3,529	3,106	965	2,743	528
Annual Bonus (as % of maximum opportunity)	69%	70%	57%	65%	37%
PSP vesting (as % of maximum opportunity)	95%[1]	100%[2]	N/A	N/A	N/A

[1] 2018 PSP vesting includes the weighted average of vesting outcomes for the TSR element of the 2015 PSP awards (100% of maximum) and 2016 PSP awards (88.75% of maximum).

[2] 2017 PSP vesting includes the EPS element of the 2015 PSP awards.

PERCENTAGE CHANGE IN CHIEF EXECUTIVE'S REMUNERATION

The table below shows the percentage change in each of the Chief Executive's salary, taxable benefits and annual bonus earned in 2018 and 2017, compared to that for the average employee of the Group (on a per capita basis):

	Guy Wakeley, Chief Executive	Average Employee
	% change	% change
Salary	0	2.89
Benefits	(62)	0
Annual Bonus	(12.6)	10.33

The Chief Executive declined a salary increase for 2018, whereas the average increase for employees was 2.89%. The Chief Executive's benefits level declined 62% due to the repayment by him during 2018 of the loan made by the Company. There were no changes in the level of benefits offered to employees.

RELATIVE IMPORTANCE OF SPEND ON PAY

The table below details the percentage change in dividends and overall expenditure on pay compared with the previous financial year:

	2018 vs 2017	2018	2017
Total dividend paid	+17%	5.32p	4.55p
Total employee remuneration	+26%	£219.8m	£174.6m

PAYMENTS FOR LOSS OF OFFICE (AUDITED INFORMATION)

There were no payments for loss of office made in 2018.

PAYMENTS TO PAST DIRECTORS (AUDITED INFORMATION)

There were no payments made to any past Directors during the year.

EXECUTIVE DIRECTORS SERVING AS NON-EXECUTIVE DIRECTORS

Since March 2018, Guy Wakeley has served as a non-executive director of HgCapital Trust plc, for which he received a fee of £29,967 during the 2018 financial year. He retained this fee in full.

OTHER SHAREHOLDING INFORMATION (AUDITED INFORMATION)

Share Price

The closing share price of the Company's ordinary shares at 31 December 2018, was 216.5p and the price range for financial year was 196.8p to 326.5p.

Shareholder Dilution

Awards granted under the Company's share plans may be satisfied by shares purchased in the market or by the issue of new shares when awards vest. The Board monitors the number of shares issued under the various share plans and the impact on dilution limits. The relevant dilution limits established by the Investment Association in respect of share plans is 10% in any rolling ten-year period and in respect of discretionary share plans is 5% in any ten-year rolling period.

Based on the Company's issued share capital as at 31 December 2018, and assuming that all current awards made under the Company's share plans as at that date vest in full, the dilution level was 4.59% against all share plans and 2.72% against discretionary schemes.

Director Loans

As disclosed in previous Annual Reports, Advent transferred shares to certain Directors of the Group on IPO in 2015, in recognition of their contribution and management of the IPO process. The shares were subject to lock up arrangements, as disclosed in the price range prospectus. As the shares vested immediately, and were therefore taxable at the point of grant. The Company lent three of those Directors who received the shares monies to cover their income tax and national insurance liabilities. These loans were all subject to relevant approvals through the IPO process and were treated as a benefit in kind to the receiving individuals. All benefiting individuals had entered into a loan agreement with the Company with these loans having to be repaid no later than April 2018. All loans were repaid by this date and no amount remains outstanding.

DIRECTORS' SERVICE CONTRACTS

	Date of appointment	Date of current contract/ letter of appointment	Notice from Company	Notice from Director	Unexpired period of service contract
Executive Directors*					
Guy Wakeley	27 October 2015	7 September 2015	12 months	12 months	Rolling contract
John Stier	27 October 2015	11 September 2015	12 months	12 months	Rolling contract
Non-executive Directors**					
Philip Yea	3 July 2017	30 June 2017	3 months	3 months	19 months
Mark Brooker	1 November 2018	16 October 2018	3 months	3 months	34 months
Alison Burns	1 April 2018	22 February 2018	3 months	3 months	27 months
Sally-Ann Hibberd	27 June 2016	27 June 2016	3 months	3 months	6 months
Dr Tim Miller	9 October 2015	23 April 2018	3 months	3 months	34 months
Cheryl Millington	1 November 2018	16 October 2018	3 months	3 months	34 months
Darren Pope	6 October 2016	6 October 2016	3 months	3 months	9 months

*Guy Wakeley joined the Group in January 2014 and John Stier joined the Group in June 2015. When the Company listed in October 2015, they entered into new service contracts and their date of appointment to the listed company was 27 October 2015.

**Non-executive Directors are appointed for an initial term of three years, renewable for a subsequent term of three years.

STATEMENT OF VOTING

The voting outcome at the 2018 Annual General Meeting in respect of the 2017 Annual Report on Remuneration reflected very strong shareholder support.

Shares voted	293,910,020	80.64% of shares in issue
In Favour	292,353,295	99.47% of shares voted
Against	1,556,725	0.53% of shares voted
Withheld	152,141	–

The Company's current Remuneration Policy was approved by shareholders at the Company's AGM held on 26 April 2016 with a very strong majority vote in favour.

Shares voted	227,611,057	75.87% of shares in issue
In Favour	227,483,414	99.94% of shares voted
Against	127,643	0.06% of shares voted
Withheld	Nil	–

Dr Tim Miller
Chair of the Remuneration Committee

12 March 2019

Directors' Report

INTRODUCTION

Equiniti Group plc (the Company) is incorporated as a public limited company, limited by shares, and is registered in England with the registered number 07090427. The Company is the holding company for the Equiniti Group of companies (the Group). The Company's registered office is Sutherland House, Russell Way, Crawley, West Sussex, RH10 1UH and its registrar is Equiniti Limited which is situated at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA.

The Directors' present their report and audited financial statements of the Group for the year ended 31 December 2018, in accordance with section 415 of the Companies Act 2006. The FCA's Disclosure Guidance and Transparency Rules and Listing Rules also require the Company to make certain disclosures, some of which have been included in other appropriate sections of the Annual Report and Accounts.

The Directors' Report comprises pages 118 to 121, and the following cross-referenced material is incorporated into this Directors' Report:

Item	Page
Future Developments of the Business	21
Viability Statement	52
Employees	38
Greenhouse Gas Emissions	46
Governance Report	56
Statement of Directors' Responsibilities	70
Going Concern Statement	71
Statement of Disclosure of Information to Auditors	71
Financial Instruments and Financial Risk Management	85

The 2018 Annual Report and Accounts have been drawn up and presented in accordance with UK Company law and the liabilities of the Directors' in connection with the report shall be subject to the limitations and restrictions provided by such law.

DIRECTORS

The Directors' who have held office during the year ended 31 December 2018 and to date are as follows:

Philip Yea
Guy Wakeley
John Stier
Mark Brooker – appointed 1 November 2018
Alison Burns – appointed 1 April 2018
Vicky Jarman – resigned 3 May 2018
Sally-Ann Hibberd
Dr Tim Miller
Cheryl Millington – appointed 1 November 2018
Darren Pope

Biographical details of the Directors are set out on pages 58 to 59.

DIRECTORS' RETIREMENT AND REAPPOINTMENT

All of the current Directors will retire and offer themselves for re-appointment at the 2019 AGM.

The Company's Articles of Association regulate the appointment and removal of Directors, as does the Companies Act 2006 and related legislation. In general, the Directors may fill any casual vacancy in the number of Directors, subject to reappointment by shareholders at the next Annual General Meeting. The Articles of Association also contain authority for shareholders by ordinary resolution to remove any Director from office regardless of the terms of their appointment. The Articles of Association may only be amended by special resolution of the shareholders. The powers of the Directors are described in the Governance Report on pages 62 to 63.

DIRECTORS' DUTIES

The Directors of the Company, as those of all UK companies, must act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006 which is summarised as follows:

'A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole and, in doing so have regard (amongst other matters) to:

- the likely consequences of any decisions in the long-term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between shareholders of the Company.'

As part of their induction, a Director is briefed on their duties and they can access professional advice on these, either from the Company Secretary or, if they judge it necessary, from an independent adviser. It is important to recognise that in a large organisation such as ours, the Directors fulfil their duties partly through a governance framework that delegates day-to-day decision-making to employees of the Company and details of this can be found in our Governance Report on pages 66 to 67.

The following paragraphs summarise how the Directors' fulfil their duties:

Risk Management

We provide business-critical services to our clients, often in highly regulated environments. As we grow, our business and our risk environment also become more complex. It is therefore vital that we effectively identify, evaluate, manage and mitigate the risks we face, and that we continue to evolve our approach to risk management.

For details of our principal risks and uncertainties, and how we manage our risk environment, please see pages 48 to 51 and our Risk Committee report on pages 80 to 85.

Our People

The Company is committed to being a responsible business. Our behaviour is aligned with the expectations of our people, clients, investors, communities and society as a whole. People are at the heart of our specialist services. For our business to succeed we need to manage our people's performance and develop and bring through talent while ensuring we operate as efficiently as possible. We must also ensure we share common values that inform and guide our behaviour so we achieve our goals in the right way.

For further details on our people, please see pages 38 to 41.

Business Relationships

Our strategy prioritises organic growth, driven by cross-selling and up-selling services to existing clients and bringing new clients into the Group. To do this, we need to develop and maintain strong client relationships. We value all of our suppliers and have multi-year contracts with our key suppliers.

For further details on how we work with our clients and suppliers, please see pages 42 to 43.

Community and Environment

The Company's approach is to use our position of strength to create positive change for the people and communities with which we interact. We want to leverage our expertise and enable colleagues to support the communities around us.

For further details on how with interact with communities and the environment, please see pages 44 to 46.

Culture and Values

The Board recognises the importance of having the right corporate culture. Our long-term success depends on achieving our strategic goals in the right way, so we look after the best interests of our clients, people and other stakeholders. Through the use of employee and management workshops, we identified four core values that govern how we act as a business. Details of these, plus further details on our corporate culture, can be found on pages 38 to 39.

Shareholders

The Board is committed to openly engaging with our shareholders, as we recognise the importance of a continuing effective dialogue, whether with major institutional investors, private or employee shareholders. It is important to us that shareholders understand our strategy and objectives, so these must be explained clearly, feedback heard and any issues or questions raised properly considered.

For further details on how we engage with our shareholders, please see page 43.

DIRECTORS' INTERESTS

Details of the Directors' share interests in the Company can be found on page 115.

DIRECTORS' INSURANCE

A Directors' and Officers' Liability Insurance policy is maintained for all of our Directors and each Director has the benefit of a Deed of Indemnity given by the Company.

THIRD PARTY INDEMNITY

The Group has made qualifying third-party indemnity provisions for its Directors, in relation to certain losses and liabilities that may incur in the course of acting as Directors of the Company, its subsidiaries or associates, which were in force during the year and remain in force at the date of this report.

DIVIDEND

The Board has adopted a progressive dividend policy, reflecting the Company's long-term earnings and cash flow potential. We target a pay-out ratio of 30% of underlying profit attributable to ordinary shareholders which is split one-third and two-thirds between interim and final dividends respectively.

The Board is recommending a final dividend of 3.49 pence per share which, subject to shareholder approval at the 2019 AGM, will result in a full year dividend of 5.32 pence per share (including the interim dividend of 1.83 pence per share). The final dividend will be paid on 16 May 2019 to shareholders on the register of members at close of business on 12 April 2019. Any shareholder wishing to participate in the Company's Dividend Reinvestment Plan needs to have submitted their election to do so by 24 April 2019.

CHARITABLE DONATIONS

We are committed to being a responsible corporate citizen through support for appropriate charitable projects, organisations and charities. There are no Group sponsored charities. However there are numerous charitable efforts carried out within the regions in which we are located. The Group also aims to promote economic and social wellbeing around all of our locations and is active in supporting local community projects and initiatives, including supporting a number of local schools and investing in young talent.

POLITICAL DONATIONS

During 2018, the Equiniti Group did not make any donations to political parties or organisations, however it does support certain industry-wide bodies and allows employees time to undertake trade union activities. Accordingly as a precautionary measure, authority is to be sought at the 2019 AGM to make limited political donations or incur political expenditure and there is a full explanation in the explanatory note of Resolution 19 to the 2019 AGM Notice.

RESEARCH AND DEVELOPMENT

In order to derive new solutions and to enhance our client and customer experiences, improve our services and products and meet the ever changing regulatory requirements for the services we provide, the Group continues to commit resources to the development of new and improved technologies and capabilities. Expenses incurred are required to be capitalised when it is probable that future economic benefits will be attributable to the asset and that costs can be measured reliably, in accordance with the relevant accounting standards and our accounting policies.

EMPLOYEES WITH DISABILITIES

The Company believes that people with health conditions should have full and fair consideration for all vacancies and will interview those people with disabilities who fulfil the minimum criteria. For those employees in the workforce who become disabled during employment, the Company will arrange appropriate retraining and adjust employees' environments where possible to allow them to maximise their potential and continue to work with the Company.

The Group has in place a Disability and Mental Health Taskforce, further details of which can be found on page 41.

CHANGE OF CONTROL/SIGNIFICANT AGREEMENTS

In the event of a takeover, a scheme of arrangement (other than a scheme of arrangement for the purposes of creating a new holding company) or certain other events, unvested executive Director and employee share awards may in certain circumstances become exercisable. Such circumstances may, but do not necessarily, depend on the achievement of performance conditions or the discretion of the Remuneration Committee.

The Company does not have any agreements with any Director or officer that provide for compensation for loss of office or employment resulting from a takeover. The Company has facility arrangements with its bank lenders which contain provisions giving those lenders certain rights on a change of control.

Save as otherwise disclosed above, there are no other significant agreements to which the Company is a party that take effect, alter or terminate upon a change of control following a takeover bid.

SUBSTANTIAL SHAREHOLDINGS

As at 28 February 2019, the latest practicable date before the publication of this Annual Report and Accounts, the Company was aware that the following shareholders held, or were beneficially interested in, 3% or more of the Company's ordinary shares at that date:

Shareholder	Number of ordinary shares
Mondrian Investment Partners	32,872,362
Paradice Investment Management	27,125,630
Invesco	25,696,533
GVQ Investment Management	22,352,704
Woodford Investment Management	18,204,925
Rathbone plc	17,128,430
Standard Life Aberdeen	15,443,445
Lazard	15,201,719
Blackrock Inc	13,332,931
BNP Paribas Group	12,368,641
CRUX Asset Management	12,007,114

SHARE CAPITAL STRUCTURE

The Company has one class of share capital: ordinary shares of £0.001 each (shares), which rank equally in all respects. The rights attaching to the shares are set out in the Company's Articles of Association and details of the issued share capital as at 31 December 2018 and of the movements during the year are set out in note 6.2 to the financial statements on page 164.

There are no restrictions on the transfer of shares or on the exercise of voting rights, except in circumstances where:

i. the Company has exercised its right to suspend the voting rights or to prohibit the transfer of shares, as a result of the failure by the shareholder to provide us with information requested by us in accordance with part 22 of the Companies Act 2006; or

ii. the shareholder is prohibited from exercising voting rights by the Listing Rules or the City Code on Takeovers and Mergers.

The Company operates a share incentive scheme open to all employees. The Trustees of the Employee Benefit Trust abstain from voting the shares held in the Trust. Except as noted above any shares acquired through a share incentive scheme rank equally with existing shares and have no additional or special rights.

AMENDMENT TO THE COMPANY'S ARTICLES OF ASSOCIATION

Any amendments to the Articles of Association may be made in accordance with the provisions of the Companies Act 2006 by way of a shareholders' special resolution.

POST BALANCE SHEET EVENTS

There have been no material events between 31 December 2018 and the date of signing this Annual Report and Accounts that would require disclosure.

EXTERNAL AUDITOR

Having conducted an effectiveness and independence assessment during the year, as described in the Audit Committee Report on page 78, the Audit Committee has recommended to the Board the reappointment of PwC as the Group's external auditor. PwC has indicated its willingness to continue in office. Following the recommendation of the Audit Committee and in accordance with section 489 of the Companies Act 2006, a resolution to reappoint PwC will be put to shareholders at the 2019 AGM. The Audit Committee will be responsible for determining the audit fee on behalf of the Board.

AUTHORITY TO ALLOT AND PURCHASE SHARES

The Company was granted authority at our 2018 Annual General Meeting to allot equity securities up to a nominal amount of £121,489.67, subject to certain restrictions, and allot equity securities up to a nominal amount of £18,223.45 on a non-pre-emptive basis, subject to certain restrictions. During the year ended 31 December 2018 a total of 102,383 ordinary shares were allotted at an average price of 119 pence per share, to satisfy the share options exercised under the Equiniti Group UK Sharesave Plan during that period. At the 2018 Annual General Meeting, the Company was also granted authority to make market purchases of up to 36,446,900 of its own ordinary shares, as permitted by the Companies Act 2006.

Resolutions to renew these authorities and permit Directors to allot equity securities up to a nominal amount of £121,512.22, representing one third of the Company's share capital as at 28 February 2019 (the latest practicable date), of which £18,226.83, representing 5% of the Company's issued share capital as at the latest practicable date, could be allotted on a non-pre-emptive basis, subject to certain restrictions, and make market purchases of up to 36,453,666 of our own ordinary shares, representing 10% of the Company's issued share capital as at the latest practicable date, will be put to shareholders at the 2019 Annual General Meeting. A further explanation of the resolutions is set out in the 2019 Notice of Annual General Meeting.

The Directors' are not aware of any agreements or rights between shareholders that place restrictions on the transfer of shares or exercise of voting rights.

ANNUAL GENERAL MEETING

The Company's 2019 Annual General Meeting (2019 AGM) will be held at the offices of Weil, Gotshal & Manges LLP, 110 Fetter Lane, London, EC4A 1AY at 11.00 a.m. on 2 May 2019. The Notice of Meeting of the 2019 AGM (2019 AGM Notice) will be available on our website: http://investors.equiniti.com/investors.

An explanation of the resolutions to be put to shareholders at the 2019 AGM, and the recommendation of the Directors in relation to them, is set out in the 2019 AGM Notice.

The Directors' Report was approved by the Board of Directors on 12 March 2019.

By Order of the Board

Kathy Cong
Company Secretary

12 March 2019

LENDING
AWARDS
Alternative • Commercial • Mortgage
Credit Services wins
Lending Awards 2018
Best Technology Partner –
Loan management/payments

03 Financial Statements

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Independent auditors' report to the members of Equiniti Group plc

Report on the audit of the financial statements

OPINION

In our opinion, Equiniti Group plc's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2018 and of the Group's profit 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 regards the Company's financial statements, 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 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated and Company statements of financial position as at 31 December 2018; the consolidated income statement and consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and Company statements of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

Our opinion is consistent with our reporting to the Audit Committee.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in the Audit Committee Report, we have provided no non-audit services to the Group or the Company in the period from 1 January 2018 to 31 December 2018.

OUR AUDIT APPROACH

Overview

- Overall Group materiality: £2.5 million (2017: £3.1million), based on 2.5% of Earnings Before Interest Tax Depreciation and Amortisation ("EBITDA").
- Overall Company materiality: £1.5 million (2017: £2.0 million), based on 1% of total assets.

- Full scope audits were performed in respect of five trading entities and also on a further two holding companies.
- Additional specific audit procedures were performed on revenue and cash in a number of financially insignificant entities to achieve required levels of audit coverage.
- Overall, these audit procedures provided coverage of 71% of consolidated revenue and 68% of consolidated EBITDA.

- Revenue recognition.
- Determination of goodwill and recognition of acquisition related intangible assets
- Consideration of the carrying value of goodwill and related impairment assessments.
- Capitalisation of software development costs and related assessments of carrying value.

Independent auditors' report to the members of Equiniti Group plc

THE SCOPE OF OUR AUDIT

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at Group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the Group and Company financial statements, including, but not limited to, the Companies Act 2006, the Listing Rules, pensions legislation, tax legislation, the Financial Conduct Authority's Client Asset Sourcebook and the US Securities and Exchange Commission's regulations relating to registered transfer agents. Our tests included, but were not limited to, review of correspondence with the regulators in the UK and US in respect of the Group's regulated business, review of correspondence with the Group's internal, and where relevant, external legal advisers, enquiries of management, review of internal audit reports in so far as they related to the financial statements, assessing the impact of whistleblowing incidents and management's investigation of such matters, and testing a sample of journal entries. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

KEY AUDIT MATTERS

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition The Group enters into a number of contracts which include multiple elements (for example the sale of licences, hosting and support services), and which can straddle accounting periods. The Group has adopted IFRS 15 this year. IFRS 15 "Revenue from contracts with customers" specifies a five step approach to determine the amount and timing of revenue recognition and requires that an appropriate amount of revenue (i.e. the fair value) should be recognised for each separate performance obligation. Our main focus on revenue recognition related to corporate actions that had not fully completed at the year end and multiple element contracts which involve an element of software sales. These involve management judgement relating to amount and the timing of revenue recognition. See note 2.4 to the financial statements.	We evaluated management's assessment of the new requirements under IFRS 15, and we assessed whether the revenue recognised is in line with the Group's accounting policy and IFRS 15. We performed substantive tests, validating revenue recognised by the Group, on a sample basis, to underlying evidence, including contracts, correspondence with customers, and cash payments. **Corporate action revenue** We selected a sample of revenues relating to corporate actions that had not completed at the year end and performed the following: – Obtained the signed contracts with the customer to understand the total revenue receivable by the Group and the performance obligations contained therein; – Obtained and reperformed management's calculations of the percentage of completion for each such project at the year end; – Agreed the hours incurred by the year end to timesheets; and – Considered the reasonableness of the time required to complete any remaining performance obligations after the year end, as well as the actual outturn. No exceptions were noted. **Contracts with multiple elements including software licence sales** For a sample of multiple element contracts, we assessed whether the separate performance obligations had been appropriately identified. We performed testing over the fair value attributed to each performance obligation by comparing the margins or selling prices used in management's calculations to those achieved on similar contracts when sold separately. When reviewing the signed contracts we assessed whether the customer had an enforceable right to use the licence at the year end and if Equiniti had an enforceable right to payment and, where necessary, challenged management to provide additional evidence of delivery and acceptance of the related deliverable. Where appropriate we sought and received additional confirmatory evidence directly from the customer. No exceptions were noted.

Independent auditors' report to the members of Equiniti Group plc

Key audit matter	How our audit addressed the key audit matter
Determination of goodwill and recognition of acquisition related intangible assets During the year the Group made three acquisitions, the most significant of which was the purchase of the trade and assets of Wells Fargo Shareholders Services business ("EQ US"). EQ US was acquired on 1 February 2018 for a total consideration of £169.5 million. See note 4.1 to the financial statements. Accounting for the acquisition required a fair value exercise to assess the assets and liabilities acquired, including valuing any separately identifiable intangible assets, and the resulting residual goodwill. The most significant intangible asset related to customer relationships. The valuation of intangible assets involves judgement including management's use of assumptions such as forecast revenues, customer attrition rates and the application of an appropriate discount rate. Whilst we audited the accounting for the three acquisitions made during the year, we focussed specifically on the EQ US transaction because of its relative significance to the Group and the quantum of the amounts recorded in the financial statements.	In order to assess the appropriateness of the residual goodwill figure determined by management's acquisition accounting exercise we performed audit work on the consideration payable, the net assets acquired (excluding acquired intangible assets) and the identification and valuation of acquisition related intangible assets. **Consideration and net assets (excluding intangible assets)** We obtained the acquisition agreements and read them to understand the substance of the transactions, including the elements that comprised the total consideration payable and the assets and liabilities acquired. We agreed the cash element of the consideration to bank statements, and tested other elements, such as hedging transaction costs, to underlying evidence. We obtained management's assessment of the fair value of the assets and liabilities and audited the underlying amounts recorded including adjustments that were made as a result of this assessment to record assets and liabilities at fair value. No exceptions were noted, and we concluded that appropriate adjustments had been made to reflect the acquired assets and liabilities at fair value as required by IFRS 3 "Business combinations". **Recognition and measurement of intangible assets** We assessed the completeness of intangible assets identified by management with reference to our own expectations formed from our knowledge and experience of common acquisition related intangible assets recorded in business combinations. With the support of our valuation experts, we assessed the fair values attributed to the intangibles, performing the following: – We evaluated and tested the methodology, underlying assumptions and mechanical accuracy of the model used to fair value the customer relationship intangible asset; – In doing so we assessed the appropriateness of the cash flow projections that underpinned the valuation model by validating them to the Prospectus issued in connection with the 2017 rights issue to fund the acquisition (including adjustments to those cash flow projections), budgets and also considered the appropriateness of the growth rates applied in the model; – We assessed other key assumptions used in the model such as the customer attrition and discount rates, including where relevant considering them in light of historic experience and post-acquisition performance. We then considered the amount of residual goodwill in proportion to the total consideration and the fair value of other assets acquired. Based on the audit procedures performed we concluded that the amounts recorded in the financial statements are appropriate. Our work also considered the disclosures made in respect of acquisitions in the financial statements and we concluded that these were compliant with the requirements of IFRS 3.

Independent auditors' report to the members of Equiniti Group plc

Key audit matter	How our audit addressed the key audit matter
Consideration of the carrying value of goodwill and related impairment assessments IAS 36 "Impairment of assets" requires that management perform an annual impairment exercise for indefinite lived intangible assets such as goodwill to determine whether there has been any impairment to the carrying value. When the Group purchases businesses, any goodwill arising is attributed to one of the Group's operating divisions. This division is then identified as the cash generating unit for future impairment monitoring unless analysis at a more granular level is appropriate. Management's annual impairment review of goodwill did not identify the need to impair the value recorded in the financial statements as at 31 December 2018. We focused on this area given: – the quantum of the goodwill recorded in the financial statements; and – the significance of the assumptions, such as cash flows, growth rates and the discount rate used in management's impairment assessment models. Refer to note 4.3 which provides further detail on the £524.1 million goodwill balance as at 31 December 2018 and the related impairment testing disclosures made by management.	We obtained management's impairment assessment calculations and tested the forecast cash flows used therein to the latest Board approved plans for the Group. We evaluated the assumptions in these forecasts and plans and considered the evidence provided for these, principally focussing on historical trends and actual performance during the year ended 31 December 2018. As part of this work we considered revenue projections including any growth rates applied, the basis for any significant short and long term growth assumptions, cash outflows for costs, and the discount rate applied to the forecast cash flows. In considering management's impairment exercise we also challenged the identification of individual cash generating units by management, and whether these were appropriate in relation to the way in which the Group's business is run, and based on the evidence provided, concluded that management's approach was consistent with the requirements of IAS 36. Based on the audit procedures performed we did not identify any material misstatements. We also considered the disclosure requirements of IAS 36 and concluded that the information given by management in respect of their annual goodwill impairment review was compliant with those requirements.
Capitalisation of software development costs and related assessments of carrying value The Group invests significant amounts in purchasing and developing software that is used, or sold or licensed to customers, by each of its operating divisions. See note 4.3 to the financial statements. During the year the Group invested £38.1 million in software development of which £16.2 million related to internal development costs. As at 31 December 2018 the net book value of software development capitalised amounted to £89.1 million. We focused on this area given: – management exercise of judgement in assessing whether the requisite capitalisation; and criteria set out in IAS 38 "Intangible assets" have been met prior to the commencement of capitalisation. – the risk that the carrying value of previously capitalised amounts may be impaired if they are superseded by new development activity or that circumstances change such that, for example, management's assessment of original business case, or the estimated useful life which is used to calculate the related amortisation rates, are no longer appropriate.	We evaluated the Group's accounting policy for capitalisation of software related costs, and the controls implemented by management to help ensure this is applied consistently. We selected a sample of software development costs capitalised during the year and: – Assessed the evidence to determine whether the IAS 38 criteria had been met. This included obtaining and assessing the revenue and profitability forecasts prepared by management to support the capitalisation of such costs, and evaluating the assumptions made therein. – Considered whether such costs related to new or enhanced software functionality or were incurred to replace superseded functionality. – Tested the amounts capitalised to underlying evidence, such as contracts with third party contractors or, in the case of internal staff costs capitalised, records and other evidence corroborating the time spent by relevant employees on development activity, and reviewed the reasonableness of the capitalisation rates used by management. Our work also included analytical procedures to identify any unusual patterns in the timing of amounts capitalised in order to assess whether we needed to perform additional enquiries with management or obtain further audit evidence. We assessed the useful economic lives being used to amortise capitalised costs by considering whether there was evidence to suggest these should be revised, and compared them to the Group's stated accounting policy and our own experience of rates used elsewhere. We also considered management's assessment of any indicators of impairment in respect of capitalised software costs to identify whether any material impairment charges should have been recorded in the financial statements. No exceptions were noted.

We determined that there were no key audit matters applicable to the Company to communicate in our report.

Independent auditors' report to the members of Equiniti Group plc

HOW WE TAILORED THE AUDIT SCOPE

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole, taking into account the geographic and divisional structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group is organised into four main operating divisions (Investment Solutions, Intelligent Solutions, Pension Solutions and EQ US) and operates primarily in the UK and US with back office functions performed by a shared service centre in India. It operates through a number of legal entities in these locations.

We performed full scope audit procedures on five trading entities (each either a separate reporting unit or a sub-group of reporting units) and a further two holding companies. We then extended our testing in relation to revenue and cash to ensure that we achieved required levels of audit coverage. Overall, these audit procedures provided coverage of 71% of consolidated revenue and 68% of consolidated EBITDA.

Of the seven full scope audits, six audits were performed by the Group engagement team based in the UK. For one entity, Equiniti US, a separate PwC component audit team based in the USA performed the audit under instruction from the Group team. The risks and proposed audit response for Equiniti US were agreed with the component team prior to the commencement of that audit. The Group engagement team reviewed the work of the PwC component audit team in the US and attended the clearance meeting to discuss the audit work and findings. As part of the review and supervision of the US component audit team, senior members of the Group team visited the US to evaluate the work performed both before and after the year end date, including reviewing relevant audit working papers.

As part of our work we also considered the activities performed by the Group's dedicated shared service centre in India to understand the finance-related processes that are relevant to the preparation of the financial statements. A sample of transactions processed by the shared service centre were subject to audit procedures performed by the Group engagement team.

Additionally, the Group engagement team performed additional audit work over tax balances, share based payments, and business combinations including consideration of management's goodwill impairment review and the financial reporting consolidation as these items are controlled centrally.

MATERIALITY

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£2.5 million (2017: £3.1million).	£1.5 million (2017: £2.0 million).
How we determined it	2.5% of Earnings Before Interest Tax Depreciation and Amortisation ("EBITDA").	Based on 1% of total assets.
Rationale for benchmark applied	Consolidated EBITDA is an important measure used by the shareholders to assess the performance of the Group and this is considered a generally accepted auditing benchmark for the calculation of materiality.	Total assets is the primary measure used by shareholders in assessing the performance of the Company and is a generally accepted auditing benchmark. Materiality for the Company was capped to a level below overall materiality used in the Group financial statements.

Independent auditors' report to the members of Equiniti Group plc

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £1.0 million and £1.5 million.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £125,000 (Group audit) (2017: £150,000) and £125,000 (Company audit) (2017: £150,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

GOING CONCERN

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the Group and Company's trade, customers, suppliers and the wider economy.
We are required to report if the directors' statement relating to going concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Independent auditors' report to the members of Equiniti Group plc

STRATEGIC REPORT AND DIRECTORS' REPORT

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

THE DIRECTORS' ASSESSMENT OF THE PROSPECTS OF THE GROUP AND OF THE PRINCIPAL RISKS THAT WOULD THREATEN THE SOLVENCY OR LIQUIDITY OF THE GROUP

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 71 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 71 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. (Listing Rules)

OTHER CODE PROVISIONS

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 71, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on page 72 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

DIRECTORS' REMUNERATION

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Independent auditors' report to the members of Equiniti Group plc

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 70, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

OTHER REQUIRED REPORTING

COMPANIES ACT 2006 EXCEPTION REPORTING

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 by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

APPOINTMENT

Following the recommendation of the Audit Committee, we were appointed by the directors on 11 February 2011 to audit the financial statements for the year ended 31 December 2010 and subsequent financial periods. The period of total uninterrupted engagement is nine years, covering the years ended 31 December 2010 to 31 December 2018.

Darren L Meek (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick

12 March 2019

Consolidated income statement

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £m	2017 (Restated[1]) £m
Revenue	3.1, 3.3	**530.9**	**406.3**
Administrative costs	3.2	(429.4)	(318.6)
Depreciation of property, plant and equipment	4.2	(6.0)	(5.7)
Amortisation of software	4.3	(23.9)	(18.3)
Amortisation of acquisition-related intangible assets	4.3	(31.7)	(26.7)
Finance income	6.1	0.2	0.8
Finance costs	6.1	(15.5)	(12.5)
Profit before income tax		**24.6**	**25.3**
Income tax charge	8.1	(3.9)	(10.0)
Profit for the year		**20.7**	**15.3**
Profit for the year attributable to:			
– Owners of the parent		17.5	11.6
– Non-controlling interests		3.2	3.7
Profit for the year		**20.7**	**15.3**
Earnings per share attributable to owners of the parent:			
Basic earnings per share (pence)	6.5	4.8	3.5
Diluted earnings per share (pence)	6.5	4.7	3.5

[1]Restated for the adoption of IFRS 15 – see note 1 for details

The notes on pages 139 to 189 form part of these financial statements.

Consolidated statement of comprehensive income

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £m	2017 (Restated[1]) £m
Profit for the year		**20.7**	**15.3**
Other comprehensive income/(expense)			
Items that may be subsequently reclassified to profit or loss			
Fair value movement through hedging reserve		4.4	(12.2)
Deferred tax movement in hedging reserve		(0.9)	0.8
Net exchange gain/(loss) on translation of foreign operations		10.9	(0.1)
		14.4	**(11.5)**
Items that will not be reclassified to profit or loss			
Defined benefit plan actuarial (loss)/gain	9.3	(0.2)	0.8
Deferred tax charge on actuarial (loss)/gain		–	(0.1)
		(0.2)	**0.7**
Other comprehensive income/(expense) for the year		**14.2**	**(10.8)**
Total comprehensive income for the year		**34.9**	**4.5**
Total comprehensive income attributable to:			
– Owners of the parent		31.7	0.7
– Non-controlling interests		3.2	3.8
Total comprehensive income for the year		**34.9**	**4.5**

[1]*Restated for the adoption of IFRS 15 – see note 1 for details*

The notes on pages 139 to 189 form part of these financial statements.

Consolidated statement of financial position

AS AT 31 DECEMBER 2018

	Note	2018 £m	2017 (Restated[1]) £m	1 January 2017 (Restated[1]) £m
Assets				
Non-current assets				
Intangible assets	4.3	836.4	667.0	670.1
Property, plant and equipment	4.2	21.9	18.0	17.1
Other financial assets	9.1	0.2	1.9	7.8
Deferred income tax assets	8.2	23.6	26.8	29.1
		882.1	**713.7**	**724.1**
Current assets				
Trade and other receivables	5.1	64.1	44.5	44.5
Contract fulfilment assets	5.2	46.2	37.9	33.7
Agency broker receivables		12.4	18.4	15.9
Income tax receivable	8.1	0.7	–	–
Other financial assets	9.1	0.5	–	0.2
Cash and cash equivalents	6.9	90.9	115.2	56.7
		214.8	**216.0**	**151.0**
Total assets		**1,096.9**	**929.7**	**875.1**
Liabilities				
Non-current liabilities				
External loans and borrowings	6.7	395.2	244.0	301.5
Post-employment benefits	9.3	22.9	22.7	23.9
Provisions	5.5	12.8	18.8	16.2
Other financial liabilities	9.2	4.2	4.5	4.5
		435.1	**290.0**	**346.1**
Current liabilities				
Trade and other payables	5.3	112.2	80.8	92.0
Contract fulfilment liabilities	5.4	16.4	16.2	14.8
Agency broker payables		12.4	18.4	15.9
Income tax payable	8.1	–	2.3	2.2
Provisions	5.5	9.1	3.9	–
Other financial liabilities	9.2	0.5	6.4	0.5
		150.6	**128.0**	**125.4**
Total liabilities		**585.7**	**418.0**	**471.5**
Net assets		**511.2**	**511.7**	**403.6**

Consolidated statement of financial position

AS AT 31 DECEMBER 2018

	Note	2018 £m	2017 (Restated[1]) £m	1 January 2017 (Restated[1]) £m
Equity				
Equity attributable to owners of the parent				
Share capital	6.2	0.4	0.4	0.3
Share premium	6.2	115.9	115.8	–
Other reserves	6.3	182.4	178.0	189.5
Retained earnings		203.2	197.9	195.0
		501.9	**492.1**	**384.8**
Non-controlling interest	6.4	9.3	19.6	18.8
Total equity		**511.2**	**511.7**	**403.6**

[1]*Restated for the adoption of IFRS 15 – see note 1 for details*

The notes on pages 139 to 189 form part of these financial statements.

The financial statements on pages 132 to 189 were approved by the Board of Directors on 12 March 2019 and were signed on its behalf by:

John Stier
Chief Financial Officer

Consolidated statement of changes in equity

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings[2] £m	Non-controlling interest £m	Total equity £m
Balance at 1 January 2017 as originally presented	**0.3**	**–**	**189.5**	**193.6**	**18.8**	**402.2**
Changes in accounting standards	–	–	–	1.4	–	1.4
Restated[1] balance at 1 January 2017	**0.3**	**–**	**189.5**	**195.0**	**18.8**	**403.6**
Comprehensive income						
Profit for the year per the income statement (restated)	–	–	–	11.6	3.7	15.3
Other comprehensive (expense)/income						
Changes in fair value through hedging reserve (note 6.3)	–	–	(12.2)	–	–	(12.2)
Deferred tax on movement through hedging reserve (note 8.2)	–	–	0.8	–	–	0.8
Net exchange loss on translation of foreign operations (note 6.3)	–	–	(0.1)	–	–	(0.1)
Actuarial gains on defined benefit pension plans (note 9.3)	–	–	–	0.7	0.1	0.8
Deferred tax on defined benefit pension plans (note 8.2)	–	–	–	(0.1)	–	(0.1)
Total other comprehensive (expense) /income	–	–	(11.5)	0.6	0.1	(10.8)
Total comprehensive (expense)/income	**–**	**–**	**(11.5)**	**12.2**	**3.8**	**4.5**
Issue of share capital, net of transaction costs (note 6.2)	0.1	115.8	–	–	–	115.9
Dividends (note 6.6)	–	–	–	(14.6)	(1.5)	(16.1)
Transactions with non-controlling interests (note 6.4)	–	–	–	–	(1.5)	(1.5)
Share-based payments expense (note 7.2)	–	–	–	3.5	–	3.5
Deferred tax relating to share option schemes (note 8.2)	–	–	–	1.8	–	1.8
Transactions with owners recognised directly in equity	**0.1**	**115.8**	**–**	**(9.3)**	**(3.0)**	**103.6**
Balance at 31 December 2017	**0.4**	**115.8**	**178.0**	**197.9**	**19.6**	**511.7**

Consolidated statement of changes in equity

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings[2] £m	Non-controlling interest £m	Total equity £m
Balance at 1 January 2018	**0.4**	**115.8**	**178.0**	**196.8**	**19.6**	**510.6**
Changes in accounting standards	–	–	–	1.1	–	1.1
Restated[1] balance at 1 January 2018	**0.4**	**115.8**	**178.0**	**197.9**	**19.6**	**511.7**
Comprehensive income						
Profit for the year per the income statement	–	–	–	17.5	3.2	20.7
Other comprehensive income/(expense)						
Changes in fair value through hedging reserve (note 6.3)	–	–	4.4	–	–	4.4
Deferred tax on movement through hedging reserve (note 8.2)	–	–	(0.9)	–	–	(0.9)
Net exchange gain on translation of foreign operations (note 6.3)	–	–	10.9	–	–	10.9
Actuarial losses on defined benefit pension plans (note 9.3)	–	–	–	(0.2)	–	(0.2)
Total comprehensive income/ (expense)	–	–	14.4	(0.2)	–	14.2
Total comprehensive income	**–**	**–**	**14.4**	**17.3**	**3.2**	**34.9**
Issue of share capital, net of transaction costs (note 6.2)	–	0.1	–	–	–	0.1
Purchase of own shares (note 6.3)	–	–	(13.9)	–	–	(13.9)
Own shares awarded to employees (note 6.3)	–	–	3.9	(3.9)	–	–
Dividends (note 6.6)	–	–	–	(16.5)	(1.8)	(18.3)
Transactions with non-controlling interests (note 6.4)	–	–	–	–	(1.7)	(1.7)
Further acquisition of non-controlling interest in MyCSP Ltd (note 6.4)	–	–	–	2.0	(10.0)	(8.0)
Share-based payments expense (note 7.2)	–	–	–	6.4	–	6.4
Transactions with owners recognised directly in equity	**–**	**0.1**	**(10.0)**	**(12.0)**	**(13.5)**	**(35.4)**
Balance at 31 December 2018	**0.4**	**115.9**	**182.4**	**203.2**	**9.3**	**511.2**

[1]*Restated for the adoption of IFRS 15 – see note 1 for details*

[2]*Re-presented to include the share-based payments reserve within retained earnings*

The notes on pages 139 to 189 form part of these financial statements.

Consolidated statement of cash flows

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £m	2017 (Restated[1]) £m
Profit before income tax		24.6	25.3
Adjustments for:			
Depreciation of property, plant and equipment		6.0	5.7
Amortisation of software		23.9	18.3
Amortisation of acquisition-related intangibles		31.7	26.7
Finance income		(0.2)	(0.8)
Finance costs		15.5	12.5
Share-based payments expense		6.4	3.5
Changes in working capital:			
Net increase in receivables		(12.0)	(2.0)
Net increase in contract assets		(3.1)	(4.2)
Net increase/(decrease) in payables		18.0	(1.7)
Net (decrease)/increase in contract liabilities		(2.4)	1.4
Net decrease in provisions		(1.3)	(1.3)
Cash flows from operating activities		107.1	83.4
Interest paid		(10.5)	(9.8)
Income tax paid		(4.5)	(3.7)
Net cash inflow from operating activities		**92.1**	**69.9**
Cash flows from investing activities			
Interest received	6.1	0.2	0.8
Business acquisitions net of cash acquired	4.1	(173.6)	(3.5)
Payments relating to prior year acquisitions		(4.0)	(17.5)
Acquisition of property, plant and equipment		(9.5)	(6.2)
Payments relating to developing and acquiring software		(30.3)	(24.8)
Net cash outflow from investing activities		**(217.2)**	**(51.2)**
Cash flows from financing activities			
Proceeds from issue of share capital, less transaction costs		(0.8)	116.8
Purchase of own shares	6.3	(13.9)	–
Proceeds from new bank loans	6.7	64.9	–
Proceeds/(repayment) of revolving credit facility balance	6.7	76.1	(56.0)
Payment of loan set-up fees		(0.8)	(2.6)
Payment of finance lease liabilities		(0.9)	(0.7)
Dividends paid	6.6	(16.5)	(14.6)
Dividends paid to non-controlling interests		(1.8)	(1.5)
Transactions with non-controlling interests		(5.9)	(1.6)
Net cash inflow from financing activities		**100.4**	**39.8**
Net (decrease)/increase in cash and cash equivalents		(24.7)	58.5
Foreign exchange gains and losses		0.4	–
Cash and cash equivalents at 1 January		115.2	56.7
Cash and cash equivalents at 31 December		**90.9**	**115.2**

[1]*Restated for the adoption of IFRS 15 – see note 1 for details*

The notes on pages 139 to 189 form part of these financial statements.

Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2018

1 GENERAL INFORMATION

Equiniti Group plc (the Company) is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in the United Kingdom. The Company and its subsidiaries (collectively, the Group) provide complex administration and payment services, supported by technology platforms, to a wide range of organisations. The registered office of the company is Sutherland House, Russell Way, Crawley, West Sussex, RH10 1UH. The Group financial statements consolidate those of the Company and its subsidiaries.

2 BASIS OF PREPARATION

2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated in note 2.2.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), IFRS Interpretation Committee (IFRS IC) interpretations as adopted by the EU and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared on the going concern basis and under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss. The Group's presentational currency is the British Pound (£).

Previously the Group disclosed a share-based payment reserve as a separate component of equity. However this has now been combined with retained earnings. The combination has no impact on distributable reserves.

Basis of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Going concern

The Group meets its day-to-day working capital and financing requirements through its cash generated from operations and its bank facilities. The Directors, after making enquiries and on the basis of current financial projections and the facilities available at the reporting date, believe that the Group has adequate financial resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the historical financial information.

Goodwill and intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (CGU) that is expected to benefit from the synergies of the combination. Each unit to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs directly attributable to the design, development 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.

The Group capitalises certain costs as software development if it can demonstrate that the costs are directly attributable to software development. These costs include employee benefit expenses, along with an appropriate portion of relevant overheads, and external consultancy costs. Other development related costs that are not directly attributable or do not meet the capitalisation 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.

Capitalised software also includes purchased licences, when the expenditure satisfies the recognition criteria in IAS 38 Intangible Assets (IAS 38). These items are capitalised at cost and amortised on a straight line basis over their useful economic life or the term of the contract.

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

- Software 3 – 5 years.

Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2018

2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other intangible assets

Other intangible assets consist of intangible assets identified as part of a business combination. They are stated at fair value at the date of acquisition less subsequent accumulated amortisation and impairment losses.

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. Brand valuation is based on net present value of estimated royalty returns.

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:

- Other intangible assets 1 – 20 years

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.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases, the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

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

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 (CGU). Non-financial assets other than goodwill, that have suffered an impairment are reviewed for possible impairment reversal at each reporting date.

Financial instruments

A financial asset or financial liability is only recognised in the statement of financial position when the Group becomes party to the contractual provisions of the instrument.

Classification and measurement

The Group classifies its financial assets in the following measurement categories:

- At fair value through profit or loss
- At fair value through other comprehensive income
- At amortised cost

The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows and management will determine the classification on initial recognition.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets held at fair value through profit or loss are recognised within the income statement.

Trade and other receivables (excluding prepayments) and contract fulfilment assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost, less provisions for impairment. Other financial assets includes derivatives which are recognised at fair value through profit or loss, unless the derivatives qualify for hedge accounting, in which case the recognition of any gain or loss is recognised in other comprehensive income.

The Group classifies its financial liabilities in the following measurement categories:

- At fair value through profit or loss
- At amortised cost

The Group classifies debt and equity instruments as either financial liabilities or as equity, in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of the Group, after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Under IAS 32 Financial Instruments: Presentation (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. Financial liabilities not classified as fair value through profit or loss, such as derivatives, are classified and measured at amortised cost using the effective interest method.

Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2018

2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition

The Group derecognises a financial asset when the rights to receive cash flows from the financial asset expire or have been transferred, and the Group has transferred substantially all the risks and rewards of ownership. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Derivative financial instruments and hedging activities

Derivative financial instruments

The Group's derivatives, which include interest rate swaps and forward currency contracts, are measured at fair value, being the estimated amount that the Group would receive or pay to terminate the instrument at the reporting date. 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.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and a current asset or liability when the remaining maturity is less than 12 months.

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 income statement.

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 transaction 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 income statement. 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.

Net investment hedges

Gains or losses on a hedging instrument relating to the effective portion of a hedge of a foreign operation are recognised in other comprehensive income. Any ineffective portion is recognised in the income statement within finance costs. Gains or losses accumulated in equity are reclassified to the income statement if the foreign operation is sold.

Trade receivables

Trade receivables are stated initially at fair value and subsequently measured at amortised cost using the effective interest method, less provisions for impairment. Provisions for impairment are recognised using the simplified approach as set out in IFRS 9 Financial Instruments (IFRS 9) and consequently loss allowances are measured at an amount equal to the lifetime expected credit loss. The expected credit loss model applies a percentage, based on an assessment of historical default rates and certain forward-looking information, against receivables that are grouped into certain age brackets. Where there is objective evidence that the Group will not be able to collect any amounts due according to the original terms of the agreement with the customer, the receivable is fully impaired and the loss is recognised within administrative costs in the income statement.

Contract fulfilment assets

When services or software are supplied to a customer before payment is due, a contract fulfilment asset is recognised in the statement of financial position, and represents the right to receive consideration from the customer for goods or services delivered. The asset is measured as the fair value of the goods or services supplied. The Group's contracts with customers often include a payment schedule which determine when invoices are raised, and settlement is received, during the contractual term.

The incremental costs of obtaining or fulfilling a contract with a customer are recognised as an asset only if the Group expects to recover them. Costs to obtain or fulfil a contract are included in the statement of financial position within contract fulfilment assets. These assets are subsequently charged to administrative costs within the income statement over the expected contract period using a systematic basis that mirrors the pattern in which the Group transfers control of the products or service to the customer.

Contract fulfilment assets also include costs incurred to date and anticipated costs to complete and are continually monitored through a monthly review process. If it becomes apparent that contractual costs will exceed contract revenue, then the loss is recognised immediately as an expense in the income statement.

Agency broker balances

Where the Group acts as an agency broker for retail investors, balances owed by or to the retail investor and the market maker are recognised within other receivables and other payables when the transaction occurs. When the amounts are settled, these balances are eliminated.

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 in the statement of financial position and the statement of cash flows, where the Group has a legally enforceable right to offset and there is an intention to settle on a net basis.

External loans and 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 income statement 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 income statement.

Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2018

2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Trade payables

Trade payables represent liabilities for goods and services received by the Group before the end of the reporting period which have been invoiced but are unpaid. The amounts within trade payables are unsecured. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Contract fulfilment liabilities

Contract fulfilment liabilities are recorded when the Group has received consideration from customers, but still has an obligation to deliver services or licences to the customer and meet performance obligations for that consideration. The liability is measured as the fair value of the consideration received.

Employee benefits

Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separately administered fund. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense in the income statement as incurred. Prepaid contributions are recognised as an asset, to the extent that a cash refund or reduction in future payments is available.

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.

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.

Current service costs reflect the increase in the defined benefit obligation resulting from employee services in the current year, benefit curtailments and settlements. Payments are recognised as employee benefit expense in the income statement.

Past-service costs, which arise as a result of current changes to plan arrangements affecting the obligation for prior periods, are recognised immediately as an employee benefit expense, within administrative costs, in the income statement.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of the plan assets. The net cost is included within finance costs in the income statement.

Equity settled share-based payment transactions

The Group operates a number of equity-settled, share based compensation plans, under which the Group receives services from employees in return for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense in the income statement. The initial amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, total shareholder return);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee over a specified period of time); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or hold shares for a specific period of time).

At the end of each reporting date, the Group revises its estimate of the number of options that are expected to vest, based on the service and non-market vesting conditions. The impact of revisions to the original estimates, if any, are recognised in the income statement with a corresponding adjustment to equity.

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 the estimated cost to revert leased premises back to a required condition expected under the terms of the lease. These include provisions for wear and tear, along with provisions for leasehold improvements made that would require reinstatement back to the 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 reporting period, the division shown as current.

Contingent consideration is provided for on the acquisition of a business, where the monetary amount is dependent on the future performance of the acquired business. A provision is initially recognised as the discounted expected liability and unwound over the period to the legal date of settlement. The liability is reviewed regularly. The subsequent fair value is determined by reviewing the post-acquisition performance of the acquired company, along with available budgets and forecasts, against the earn-out arrangement in the share purchase agreement to determine the most likely outcome.

Changes to the fair value of the contingent consideration resulting from additional information obtained post acquisition about facts and circumstances that existed at the acquisition date are recognised as an adjustment against goodwill during the first twelve months following the acquisition. Any other changes are recognised in the income statement.

Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2018

2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Where the Group acquires its own ordinary shares, the consideration paid is recorded as a deduction from equity within the reserve for own shares.

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and the translation of monetary assets and liabilities denominated in foreign currencies using exchange rates at the end of the reporting period are recognised in the income statement.

The results and financial position of all Group entities having a different functional currency from the Group's presentational currency are translated into the presentational currency as follows:

- assets and liabilities are translated at the closing rate on the date of the statement of financial position;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income and recorded within the translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rate. Exchange differences arising from retranslation at the closing rate are recognised in other comprehensive income within the translation reserve.

Revenue

Revenue, which excludes sales taxes, represents the value of services provided and software supplied to customers in the UK, Europe and the US, and also includes interest received on funds under administration of the Group.

Revenue classified as rendering of goods and services represents amounts due to the Group as compensation for services performed or goods delivered under contract. Revenue included within rendering of services includes revenue generated from the majority of the professional services which the Group offers to its customers. It does not include any additional revenue generated from, for example, client funds under administration, which are disclosed separately to reflect the incidental nature of this revenue.

The arrangements used to pay for goods and services rendered can vary between different clients. Many contracts are structured so that any fees are invoiced to the client either before, during or after performing the contractual obligations. However some contracts are structured to allow the Group to retain any interest income received from processing the client's funds, instead of an invoiced fee. Such interest income is specifically mentioned as the fee for performing contractual tasks and obligations. Given that it is not incidental to the underlying goods and services delivered, such revenue received is classified as revenue generated from the rendering of goods and services.

The Group distinguishes between revenue generated from the rendering of goods and services and revenue representing interest received on client monies held and administered by the Group that are incidental to services delivered. This income is considered to be ancillary to the underlying fee paid services delivered to the Group's customers. Interest income received is an important source of the Group's revenue and the Group seeks to maximise these returns by holding funds in high interest-bearing accounts, where possible. However this revenue is not generated from the Group's principal activities which is why this is disclosed separately.

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

Revenue recognition

Revenue is recognised when, or as, the Group satisfies contractual performance obligations by transferring promised goods or services to its customers. Goods and services are considered to be transferred when the customer obtains control of the good or service.

Revenue is recognised either at a point in time when the performance obligation in the contract has been performed or over time as control of the performance obligation is transferred to the customer.

The Group's principal revenue recognition policies are as follows:

Professional services

The Group is one of the largest providers of outsourced professional services in the UK, covering pensions administration, pensions payroll, annuity services, complaints handling, resourcing services, employee share plan administration and share registration services.

Revenue from fixed-price contracts, which may span a number of years, is recognised rateably over the expected life of the contract, where the Group satisfies the over time revenue recognition criteria. When the over time criteria are not satisfied, the Group recognises revenue at a point in time when the contractual performance obligations are delivered. Where the Group provides staff to customers at hourly or daily rates, revenue is recognised on the basis of time worked.

Many of the Group's contracts contain multiple deliverables to the customer. Management evaluate whether those promised goods and services are distinct, which require them to be accounted for as separate performance obligations. If the goods and services are not distinct, they are combined with other goods or services until a performance obligation can be identified in the contract that is distinct. If a series of distinct goods and services are substantially the same and have the same pattern of transfer to the customer, the deliverables may be combined and accounted for as a single performance obligation.

Software sales, hosting and support services

Software sales, hosting and support services is provided by the Pensions Solutions and Intelligent Solutions businesses for software such as Compendia, Charter and KYC. Revenue for hardware and software licences is recognised at a point in time when the goods and licences are delivered to the customer, as this results in the customer having the right to use the licence and the performance obligation is delivered in full. Revenue for hosting and support services are recognised rateably over the term of the agreement.

When products are bundled together for the purpose of sale, the associated revenue, net of all applicable discounts, is allocated between the constituent performance obligations on a relative fair value basis. The Group has a systematic basis for allocating relative fair values in these situations, based upon published list prices.

Notes to the consolidated financial statements

2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transactional revenue

Transactional revenue is earned in the Investment Solutions and EQ US businesses representing commission earned on the purchase and sale of shares and on foreign exchange transactions.

Revenue is recognised at a point in time when the performance or processing of the related transactions takes place.

Further considerations in relation to long-term contracts

Where delivery of the services described above spans more than one accounting period, revenue is either recognised over time or at a point in time. Where the over time criteria in IFRS 15 Revenue from Contracts with Customers (IFRS 15) are satisfied, the Group recognises revenue using the 'percentage of completion' method. This generally occurs within the Investment Solutions division for the supply of corporate actions and within the Intelligent Solutions division for software solutions. These services typically take less than one year to perform but, when the service falls into two or more accounting periods, there is management judgement around how much revenue to recognise in each period. Where provided for under the terms of the contract, the stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period, as a percentage of the total estimated cost for the contract. Total costs incurred under contracts in progress, net of amounts transferred to the income statement, are stated less foreseeable losses and payments on account. Where the over time criteria are not satisfied, and the contract allows, revenue is recognised when the performance obligations are delivered to the customer, which may not be until the end of the contractual period.

In determining how much revenue to recognise, management is required to make an assessment of the expected costs to complete the contract. Forecasting contract costs involves judgements around the number of hours to complete a task, cost savings to be achieved over time, anticipated profitability of the contract, as well as contract-specific performance KPIs. Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

Contract revenue is measured as the fair value of the consideration receivable. The fair value of consideration might vary due to variations in a contract. A variation is only included revenue when it is probable that the customer will approve the variation and that the amount of revenue can be reliably measured. An increase in scope of a contract will increase both the total anticipated revenue and costs to complete the contract.

Costs to date and costs to complete for each project are continually monitored for each project through a monthly review process. If it becomes apparent that contract costs will exceed contract revenue, then the loss is recognised immediately as an expense in the income statement.

The following table illustrates revenue recognition policies predominantly used in each reporting segment:

Segment	Professional services	Out-of-pocket-expenses	Software and support	Transactional fees	Intermediary income
Investment solutions	•	•		•	
Intelligent solutions	•		•		
Pensions solutions	•		•		
EQ US	•	•		•	•
Interest					•

Costs arising prior to the Group being awarded a contract, or achieving preferred bidder status, and mobilisation costs are expensed to the income statement as incurred.

Once the Group is awarded a contract, the incremental costs of obtaining or fulfilling the contract are recognised as an asset only if the Group expects to recover them. These assets are subsequently charged to the income statement over the expected contract period using a systematic basis that mirrors the pattern in which the Group recognises the contracted revenue.

Revenue recognised for goods and services, but not yet billed, is reflected in the statement of financial position within contract fulfilment assets. There can be a significant period of time between revenue recognition and invoicing where revenue is recognised at a point in time but invoices are raised over time. This is evident when we deliver term licences where the performance obligation is fulfilled on delivery of the licence but billing occurs throughout the contract term. Revenue is only recognised when supported by a written client contract and recoverability is expected in line with the supporting contract. Amounts billed in advance of work being performed are deferred in the statement of financial position as deferred income.

Operating segments

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 Board of Directors.

Government grants

Grants that compensate the Group for expenses incurred are recognised in the income statement in the same periods in which the expenses are recognised. Grants relating to operating expenditure are recognised in the income statement as they are earned. Grants relating to intangible assets are netted against the related expenditure, prior to capitalisation, and amortised over the useful life of the asset.

Operating lease payments

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2018

2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net finance costs

Net finance costs comprise interest payable, interest receivable on own funds, foreign exchange gains and losses 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 income statement as it accrues, using the effective interest method.

Taxation

Tax on the profit for the year comprises current and deferred tax. Tax is recognised in the income statement, 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.

2.2 NEW STANDARDS AND AMENDMENTS ADOPTED

The Group has applied the following standards for the first time for reporting periods commencing 1 January 2018:

- IFRS 9 Financial Instruments (IFRS 9)
- IFRS 15 Revenue from Contracts with Customers (IFRS 15)

The Group has changed certain accounting policies in adopting of IFRS 9; no restatements were required. The adoption of IFRS 15 has required changes in accounting policies, as well as restatement of prior year results and financial position. A number of other amendments adopted from 1 January 2018 did not materially impact the amounts recognised in the current or prior year and are not expected to significantly affect future periods.

Impact of adoption – IFRS 9

IFRS 9 addresses the recognition, classification and measurement of financial assets and financial liabilities and was adopted on 1 January 2018. Management has assessed the new requirements for financial assets and there were no changes to the Group's assets previously classified as held at amortised cost under IAS 39. The Group's derivatives designated as cash flow hedges continue to be recognised at fair value through other comprehensive income under IFRS 9.

A new expected credit loss model which permits a simplified approach for the Group's impairment of trade receivables and contract fulfilment assets, has been applied from 1 January 2018. This model applies a credit risk percentage based on historical risk of default against receivables that are grouped into certain age brackets. Using the receivables balance as at 31 December 2017, we have assessed the payment profile and level of bad debts experienced in the 12 months from this date and have established the credit risk percentages as follows:

- Not past due – 0.2%
- Past due 1–30 days – 0.1%
- Past due 31–60 days – 0.1%
- Past due 61–90 days – 0.6%
- Past due 90+ days – 4.7%

The Group's trade receivables and contract fulfilment assets share similar risk characteristics by nature. Therefore we have chosen to apply the same default percentage on all outstanding receivables. The Group has a low credit risk on its trade receivables and contract assets as a high proportion of revenue is derived from large customers listed on the major international stock exchanges and historical defaults have been infrequent and small. As a result, the impact of applying IFRS 9 on the 2017 results was not material.

Impact of adoption – IFRS 15

IFRS 15 became effective from 1 January 2018 and the Group has adopted the standard on a fully retrospective basis. The year ended 31 December 2018 is the first year reported under IFRS 15 and the 2017 comparatives have been restated to reflect the changes in the timing of revenue and cost recognition.

IFRS 15 will not impact the lifetime revenues, profitability or the cash flows of contracts and does not affect the majority of the Group's revenue streams. The main changes from the adoption of IFRS 15 are on the timing of revenue recognition on the sale of software licences and transition work on multi-period contracts, in particular:

- Revenue recognised from fixed-term right to use software licences will be recognised at a point in time, rather than over the licence term, when there are no further performance obligations required to be delivered. This leads to earlier recognition of income on these sales.
- In some multi-period pension administration contracts, there is a transition phase where significant costs are incurred in transitioning customers from a previous supplier to the Group. Under previous accounting, revenue would be recognised in line with the cost and effort to provide these transitional services. Under IFRS 15, transition activities are not a separate performance obligation, and therefore any associated revenues are recognised over the life of the contract. This leads to later recognition of revenue for transition work completed.

The Group's statement of financial position now includes:

- Contract fulfilment assets – representing the fair value of services and licences provided but not yet invoiced, and costs capitalised from obtaining, and fulfilling, the contract
- Contract fulfilment liabilities – representing deferred income which is higher as a result of delayed revenue recognition.

Details of the restatements to the comparative year ended 31 December 2017 are set out in note 9.7. The adoption of IFRS 15 did not have a material impact on the Group's reported results.

Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2018

2.3 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following new standards is effective for annual periods beginning after 1 January 2019 and has not yet been adopted by the Group.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and is effective for annual reporting periods beginning on or after 1 January 2019. The Group will apply IFRS 16 on 1 January 2019 and it is expected to have a material impact on the financial statements for the year ended 31 December 2019.

IFRS 16 replaces the current leasing standard, IAS 17 Leases, and details the requirements for the classification, measurement and recognition of lease arrangements. IFRS 16 ends the distinction between finance leases and operating leases that was characteristic of IAS 17. Instead, IFRS 16 requires the majority of leases to be recognised on the statement of financial position.

Assets that are deemed to be of low value are outside the scope of IFRS 16. The Group defines low value assets as items that would have a value of £5,000 or less when new. Similarly, leases with a term of 12 months or less are also outside the scope of IFRS 16. There will be no changes to the Group's accounting for low value or short term leases.

The Group will transition to IFRS 16 using the modified retrospective approach. Under this approach the lease liability will be measured as the present value of the minimum lease payments that are unpaid on 1 January 2019. However the right of use asset will be measured at depreciated cost, as though IFRS 16 had been applied from the lease commencement date.

The cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings on 1 January 2019. The Group is not permitted to restate its comparative financial statements under the modified retrospective approach.

Since IFRS 16 was issued, the Group has been working to identify the leases that will be impacted by the new standard. The Group has identified its leased properties as the main leases that will be impacted.

The Group also has leases for IT equipment. These leases were designated as finance leases under IAS 17 and, using the practical expedient in IFRS 16, the value of the right-of-use asset and lease liability on transition will be equal to the carrying amount of the leased asset and lease liability under IAS 17. As at 31 December 2018, the carrying value of financed leased assets was £1.1m and the carrying value of finance lease liabilities was £1.1m.

On 1 January 2019, the Group will recognise right-of-use assets in property, plant and equipment in the statement of financial position of £36.2m relating to leased properties. Lease liabilities for future lease payments of £42.7m will also be recognised in the statement of financial position in other financial liabilities. Therefore the Group estimates a £6.5m reduction in net assets when the new standard is adopted on 1 January 2019.

The operating lease rental expense for 2018 is £8.7m and has been charged to administrative costs in the income statement. However in 2019 the majority of these expenses will be replaced by a depreciation expense of £5.6m, which is recognised separately from administrative costs in the income statement. There will also be interest charged on the lease liabilities of £1.3m that is recognised within finance costs. The Group expects that IFRS 16 will have a marginal impact on profit before income tax in 2019.

The total cash outflow for lease payments will not change under IFRS 16, but certain lease payments currently treated as cash flows from operating activities will be presented as cash flows from financing activities. This will decrease cash outflows from operating activities and an increase cash outflows from financing activities.

The Group also anticipates that certain key performance indicators will be impacted, such as underlying EBITDA margin, operating cash flow conversion and leverage. EBITDA is a key input to each of these measures and will increase as a result of IFRS 16, as the Group no longer recognises a rental expense and the depreciation and interest expenses are outside of this measure.

There are no other new IFRSs or IFRS IC interpretations not yet adopted which would be expected to have a material impact on the financial statements of the Group.

2.4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and judgements concerning the future, the results of which may affect the carrying values of assets and liabilities at the year end, as well as the revenue and costs reported for the period. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The accounting estimates that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year are described below.

Accounting estimates

Pension assumptions

The present value of the net defined benefit pension obligation is dependant on a number of factors that are determined on an actuarial basis, using a number of assumptions. These assumptions, which are set out in note 9.3, include salary rate increases, interest rates, inflation rates, discount rates and mortality rates. Any changes in these assumptions will impact the carrying value of the pension obligation and a sensitivity analysis has been disclosed in note 9.3.

The discount rate used for calculating the present value of future pension liability cash flows is based on interest rates of high-quality corporate bonds that have terms to maturity approximating to the terms of the related pension obligation.

Contingent consideration

When the Group makes an acquisition, consideration for the business can take the form of cash, deferred consideration and contingent consideration. The contingent consideration payable is based on post-acquisition targets of the acquired business. Deferred consideration is not based on post-acquisition targets and is generally only dependant on the passage of time before payment is made to the seller.

The criteria that must be met in order for a payment of contingent consideration to be made can vary amongst the Group's acquisitions. These can include revenue and EBITDA targets for the acquired business or of the business unit that the acquired business is joining. Provisions for contingent consideration are initially recognised at fair value. These estimates are updated at each reporting date by comparing the latest performance, budgets and forecasts of the acquired business to the earn-out arrangement in the share purchase agreement.

Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2018

2.4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Budgets and forecasts require management's best estimate of the future performance of the acquired business and on other key inputs, such as growth rates and profitability. The fair value of contingent consideration at 31 December 2018 was £19.7m (2017: £21.2m). If forecast profits for each acquired business during the earn out period was 10% lower than forecast this would lead to a £2.5m reduction in the provision required. If forecast profits for each acquired business during the earn out period was 10% higher than forecast this would lead to an immaterial increase in the provision required.

Valuation of acquired intangible assets

When a business combination occurs, in accordance with IFRS 3, management needs to determine the fair value of net assets acquired. This includes assets, such as customer-related intangibles, that are not recognised in the books of the acquired business. Therefore management needs to calculate the fair value of intangible assets arising on acquisition. This is based on two key assumptions; the discount rate and the long-term growth rate.

The fair value of customer-related intangibles related to the acquisition of EQ US was £102.0m. If the discount rate used was one percentage point higher, the value of the asset would be £5.3m lower. If the discount rate used was one percentage point lower, the value of the asset would be £5.8m higher. A one percentage point increase in the forecast long-term growth rate would increase the value of the asset by £3.2m and a one percentage point decrease would reduce the value by £3.0m.

Judgements in applying the Group's accounting policies

Revenue on multiple element contracts

Where contracts have multiple components, such as the delivery of software and implementation and support services to be undertaken over the course of the contract, there is judgement in determining whether the various components are separable performance obligations. If the performance obligations are separable, the contractual revenues need to be applied to the fair value of the individual components.

This impacts the revenue profile of contacts. Revenue from the delivery of a perpetual licence, as a separate performance obligation, is recognised at a point in time. Whereas revenue for implementation and support services is recognised over time, rateably, in line with the Group's performance throughout the term of the agreement.

Software development

The Group capitalises certain staff costs as an internally generated intangible asset, where, in management's judgement, it can be determined that the Group has the ability to develop the assets and the project is technically feasible. Management also exercises judgement to determine whether the project will be completed and that the asset will generate future economic benefits that outweighs its cost.

During the year ended 31 December 2018 the Group capitalised £16.2m of staff costs (2017: £15.5m). If, in management's judgement, it cannot be determined that the recognition criteria will be satisfied, the costs of the project are expensed to the income statement.

Notes to the consolidated financial statements

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3. OPERATING PROFIT

3.1 REVENUE

Revenue from continuing operations:	2018 £m	2017 (Restated[1]) £m
Rendering of goods and services	509.7	396.2
Interest income	21.2	10.1
Total revenue	**530.9**	**406.3**

[1]Restated for the adoption of IFRS 15 – see note 1 for details

See note 3.3 for further analysis of the Group's revenue.

3.2 ADMINISTRATIVE COSTS

Expenses by nature:	2018 £m	2017 (Restated[1]) £m
Employee benefit expense (note 3.4)	219.8	174.6
Employee costs capitalised in respect of software development	(16.2)	(15.5)
Direct costs	101.2	75.8
Bought-in services	38.6	18.1
Premises costs	7.9	7.2
Operating lease costs	8.7	6.6
Government grants for research and development	(0.5)	(1.6)
Other general business costs	69.9	53.4
Total administrative costs	**429.4**	**318.6**

[1]Restated for the adoption of IFRS 15 – see note 1 for details

3.3 OPERATING SEGMENTS

In accordance with IFRS 8 Operating Segments (IFRS 8), 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 Investment Solutions, Intelligent Solutions, Pension Solutions, EQ US and Interest, in line with how the Group runs and structures its business.

Revenue, EBITDA and underlying EBITDA are key measures of the Group's performance. EBITDA represents earnings before interest, tax, depreciation and amortisation. The EBITDA of each segment is reported after charging relevant corporate costs based on the business segments' usage of corporate facilities and services. Underlying EBITDA is adjusted for one-off items which obscure the understanding of the underlying performance of the Group and its respective divisions. These items primarily represent material restructuring, integration and transformational acquisition related expenses.

Year ended 31 December 2018	Total revenue £m	Intersegment £m	Reported revenue £m
Investment Solutions	145.0	(2.5)	142.5
Intelligent Solutions	180.8	(14.9)	165.9
Pension Solutions	138.5	(9.5)	129.0
Interest	12.1	–	12.1
UK and Europe	476.4	(26.9)	449.5
EQ US*	81.4	–	81.4
USA	81.4	–	81.4
Total revenue	**557.8**	**(26.9)**	**530.9**

**Included within USA is £9.1m of interest revenue which is reported and managed within the EQ US results.*

3.3 OPERATING SEGMENTS (CONTINUED)

Year ended 31 December 2017 – restated[1]	Total revenue £m	Intersegment £m	Reported revenue £m
Investment Solutions	135.1	(2.8)	132.3
Intelligent Solutions	139.4	(15.0)	124.4
Pension Solutions	150.0	(10.5)	139.5
Interest	10.1	–	10.1
Total revenue	**434.6**	**(28.3)**	**406.3**

[1]*Restated for the adoption of IFRS 15 – see note 1 for details*

Reported revenue by geographical market	2018 £m	2017 £m
UK and Europe	449.5	406.3
USA	81.4	–
Total revenue	**530.9**	**406.3**

Timing of revenue recognition	2018 £m	2017 £m
Point in time	114.2	72.6
Over time	416.7	333.7
Total revenue	**530.9**	**406.3**

Point in time revenue primarily relates to our share and foreign exchange dealing revenue streams where the performance obligation is fulfilled when the transaction completes, plus corporate action fees where these can be dependent on transactions closing. It also includes revenue from right to use licences where revenue is recognised once client delivery and acceptance conditions are met.

Over time revenue primarily relates to our share registration businesses, including corporate actions, where the Group has a legal right to revenue for work performed, our pensions administration business, our customer remediation business and software support services.

Unfulfilled performance obligations

The table below shows the aggregate amount of the Group's contracted revenue as at 31 December 2018 allocated to the contractual performance obligations that are unsatisfied or partially satisfied. The Group anticipates recognising this revenue as, or when, the contractual performance obligations are satisfied is as follows:

	Investment Solutions £m	Intelligent Solutions £m	Pension Solutions £m	EQ US £m	Total £m
Less than one year	37.0	12.7	27.0	14.7	91.4
Between one and five years	123.9	25.2	54.3	4.6	208.0
More than five years	19.2	–	10.0	–	29.2
	180.1	**37.9**	**91.3**	**19.3**	**328.6**

The table above represents the contractual consideration which the Group will be entitled to receive from customers. The total revenue that will be earned by the Group will also include transactional revenue, new wins, scope changes and contract extensions. However these elements have been excluded from the figures above as they are not contracted and the revenue will be earned as the work is performed.

Many of the Group's contracts renew automatically until cancelled by the either party. At 31 December 2018, these contracts represented a significant proportion of the Group's contractual revenues. However these contracts have not been included in the analysis above as the Group typically has a contractual right to revenue for a period of 12 months or less.

In addition, the Group has taken the practical expedients under IFRS 15 and has excluded the following revenue:

– contracts with a life of less than one year,

– revenue that is earned and invoiced as the work is performed.

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FOR THE YEAR ENDED 31 DECEMBER 2018

3.3 OPERATING SEGMENTS (CONTINUED)

Underlying EBITDA	2018 £m	2017 (Restated[1]) £m
Investment Solutions	47.3	43.5
Intelligent Solutions	39.8	32.7
Pension Solutions	19.7	24.6
Interest	12.1	10.1
UK and Europe	118.9	110.9
EQ US	19.2	–
USA	19.2	–
Total segments	138.1	110.9
Central costs	(15.8)	(12.7)
Total underlying EBITDA	**122.3**	**98.2**

[1]*Restated for the adoption of IFRS 15 - see note 1 for details*

Central costs principally include corporate overheads which cannot be allocated to a specific segment or segments.

Depreciation and amortisation	2018 £m	2017 £m
Investment Solutions	(23.6)	(21.5)
Intelligent Solutions	(12.0)	(10.8)
Pension Solutions	(9.1)	(8.5)
EQ US	(5.7)	–
Total segments	(50.4)	(40.8)
Central costs	(11.2)	(9.9)
Total	**(61.6)**	**(50.7)**

Reconciliation of underlying EBITDA to profit before tax	2018 £m	2017 (Restated[1]) £m
Underlying EBITDA	122.3	98.2
Non-operating charges	(20.8)	(10.5)
Depreciation and amortisation	(61.6)	(50.7)
Net finance costs	(15.3)	(11.7)
Profit before tax	**24.6**	**25.3**

[1]*Restated for the adoption of IFRS 15 - see note 1 for details*

Assets and liabilities per segment are not items which are reviewed by the Board of Directors and is therefore not disclosed within the segmental reporting. However, capital expenditure is a key measure and is disclosed below. Capital expenditure consists of additions to property, plant, equipment and software.

Capital expenditure	2018 £m	2017 £m
Investment Solutions	(6.9)	(12.3)
Intelligent Solutions	(6.4)	(6.8)
Pension Solutions	(4.1)	(8.3)
EQ US	(21.0)	–
Total segments	(38.4)	(27.4)
Central	(7.6)	(5.1)
Total	**(46.0)**	**(32.5)**

Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2018

3.4 STAFF NUMBERS AND COSTS

The average monthly number of persons employed by the Group (including Directors) during the year was as follows:

Number of employees – by function:	2018 Number	2017 Number
Operations	4,371	4,036
Support functions	567	429
Sales and marketing	197	113
Total employees	**5,135**	**4,578**

Number of employees – by operating segment:	2018 Number	2017 Number
Investment Solutions	1,234	1,150
Intelligent Solutions	716	631
Pensions Solutions	1,446	1,553
EQ US	416	–
Central	1,323	1,244
Total employees	**5,135**	**4,578**

Number of employees – by geography:	2018 Number	2017 Number
UK	3,799	3,754
Rest of Europe	83	50
Asia	837	774
North America	416	–
Total employees	**5,135**	**4,578**

The aggregate payroll costs of these persons were as follows:

	2018 £m	2017 £m
Wages and salaries	186.8	147.5
Social security costs	17.6	16.0
Other pension costs	9.0	7.6
Share-based payment expense (note 7.2)	6.4	3.5
Total employee benefit expense	**219.8**	**174.6**

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FOR THE YEAR ENDED 31 DECEMBER 2018

4 INVESTMENTS

4.1 ACQUISITIONS OF BUSINESSES

EQ US

On 1 February 2018, the Group completed on the acquisition of the Wells Fargo Shareowner Services (EQ US) business for a total cash consideration of $227.0m (£159.6m), deferred consideration of $0.1m (£0.1m) settled in June, plus £9.8m in settlement of a deal contingent forward used to hedge the transaction consideration. EQ US is a share registration business based in the United States.

The Group took control of the business on 1 February 2018. On this date the business had net assets with a fair value of £111.6m. The results of the business have been consolidated since the date of control and EQ US contributed £81.4m of revenue and £2.1m profit before income tax to the Group's results in 2018. If the business had been acquired on 1 January 2018 it would have contributed an additional £6.1m of revenue to the Group's results in 2018. The acquisition-related costs of acquiring and integrating EQ US into the Group amounted to £20.8m in the year and these have been reflected within the income statement. The costs consisted of transaction costs of £6.1m, mainly relating to deal advisory and legal fees, and integration costs of £14.7m relating to programme delivery, the development of standalone functions and delivery of systems and processes to run the business. These have been included in administrative costs in the income statement.

On acquisition, intangible assets relating to customer contracts and related relationships were identified, with a fair value of £102.0m. These are being amortised over 20 years. The value of goodwill reflects amounts in relation to the expected benefit of the ability to generate new streams of revenue and expected synergies of combining the operations of EQ US and the Group. The amounts relating to the intangible assets and goodwill are provisional and subject to further evaluation and adjustment, in accordance with accounting standards.

Fair value of identifiable assets acquired and liabilities assumed	£m
Intangible assets	102.0
Deferred tax asset	0.2
Property, plant and equipment	1.4
Trade and other receivables	4.8
Contract fulfilment assets	4.6
Trade and other payables	(0.5)
Contract fulfilment liabilities	(0.8)
Provisions	(0.1)
Net identifiable assets and liabilities	**111.6**
Goodwill on acquisition	57.9
Total consideration and cash outflow in the period	**169.5**

Boudicca Proxy

On 26 April 2018, the Group purchased the entire issued share capital of Boudicca Proxy Ltd (Boudicca Proxy) for £1.1m plus contingent consideration of up to £0.8m payable in 2019 and up to £1.5m payable in 2021. Boudicca Proxy is a specialist shareholder engagement company providing expertise in the areas of progressive proxy solicitation, shareholder communications, corporate governance advisory, share ownership analysis and global equity intelligence.

The Group took control of Boudicca Proxy on 26 April 2018. On this date the business had net assets of £1.1m. The results of the business have been consolidated since the date of control and Boudicca Proxy contributed £1.4m of revenue and £0.2m profit before income tax to the Group's results in 2018. If the business had been acquired on 1 January 2018 it would have contributed an additional £0.8m of revenue and £0.1m net profit to the Group's results in 2018. The additional costs to the Group of acquiring Boudicca Proxy in the year, such as legal fees and stamp duty, amounted to £0.1m. These have been included in administrative costs in the income statement.

On acquisition, the fair value of the intangible assets relating to customer contracts and related relationships were re-evaluated, resulting in an upward adjustment of £1.0m to the fair value of the net assets acquired. The value of goodwill reflects amounts in relation to the expected benefit of the ability to generate new streams of revenue and expected synergies of combining the operations of Boudicca Proxy and the Group. The amounts relating to the intangible assets and goodwill are provisional and subject to further evaluation and adjustment, in accordance with accounting standards.

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4.1 ACQUISITIONS OF BUSINESSES (CONTINUED)

Fair value of identifiable assets acquired and liabilities assumed	£m
Intangible assets	1.0
Property, plant and equipment	0.1
Trade and other receivables	0.4
Cash and cash equivalents	0.2
Trade and other payables	(0.4)
Deferred income tax liabilities	(0.2)
Net identifiable assets and liabilities	**1.1**
Goodwill on acquisition	2.2
Total consideration	**3.3**
Cash acquired	(0.2)
Contingent consideration (discounted)	(2.2)
Net cash outflow in the period	**0.9**

As at 31 December 2018, the minimum amount of contingent consideration payable was £nil and the maximum amount was £2.3m. The final amount to be paid will be determined based on the acquiree's financial performance over the qualifying period and is only payable if the business grows in line with its business plan.

Aquila Group

On 31 October 2018, the Group purchased the entire issued share capital of Aquila Group Holdings Limited and its subsidiaries (Aquila Group) for consideration of £5.5m. Aquila Group provide software solutions for both the life assurance and the pensions markets.

The Group took control of Aquila Group on 31 October 2018. On this date the business had net assets of £1.3m. The results of the business have been consolidated since the date of control and Aquila Group contributed £1.2m of revenue and £0.1m loss before income tax to the Group's results in 2018. If the business had been acquired on 1 January 2018 it would have contributed an additional £5.4m of revenue and £0.7m net loss to the Group's results in 2018. The additional costs to the Group of acquiring Aquila Group in the year, such as legal fees and stamp duty, amounted to £0.3m. These have been included in administrative costs in the income statement.

On acquisition, the fair values of intangible assets relating to customer contracts and related relationships and software were re-evaluated, resulting in a combined upward adjustment of £1.3m to the fair value of the net assets acquired. The value of goodwill reflects amounts in relation to the expected benefit of the ability to generate new streams of revenue and expected synergies of combining the operations of Aquila Group and the Group. The amounts relating to the intangible assets and goodwill are provisional and subject to further evaluation and adjustment, in accordance with accounting standards.

Fair value of identifiable assets acquired and liabilities assumed	£m
Intangible assets	1.4
Property, plant and equipment	0.1
Trade and other receivables	0.8
Cash and cash equivalents	2.3
Trade and other payables	(1.2)
Contract fulfilment liabilities	(1.7)
Provisions	(0.2)
Deferred income tax liabilities	(0.2)
Net identifiable assets and liabilities	**1.3**
Goodwill on acquisition	4.2
Total consideration	**5.5**
Cash acquired	(2.3)
Net cash outflow in the period	**3.2**

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4.2 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements £m	Freehold improvements £m	Office equipment £m	Fixtures & fittings £m	Total £m
Cost					
Balance at 1 January 2017	10.8	–	29.4	5.2	45.4
Additions	1.1	–	5.4	0.1	6.6
Disposals	(0.8)	–	(1.0)	(0.7)	(2.5)
Reclassification	(0.8)	0.8	–	–	–
Balance at 31 December 2017	**10.3**	**0.8**	**33.8**	**4.6**	**49.5**
Balance at 1 January 2018	10.3	0.8	33.8	4.6	49.5
Acquisition of business	1.1	–	0.1	0.4	1.6
Additions	1.9	–	5.8	0.2	7.9
Disposals	(0.3)	–	(1.4)	(0.3)	(2.0)
Translation adjustment	0.2	–	0.2	–	0.4
Balance at 31 December 2018	**13.2**	**0.8**	**38.5**	**4.9**	**57.4**
Accumulated depreciation					
Balance at 1 January 2017	5.5	–	18.9	3.9	28.3
Depreciation charge for the year	1.1	–	4.0	0.6	5.7
Disposals	(0.8)	–	(1.0)	(0.7)	(2.5)
Balance at 31 December 2017	**5.8**	**–**	**21.9**	**3.8**	**31.5**
Balance at 1 January 2018	5.8	–	21.9	3.8	31.5
Depreciation charge for the year	1.3	–	4.1	0.6	6.0
Disposals	(0.3)	–	(1.4)	(0.3)	(2.0)
Balance at 31 December 2018	**6.8**	**–**	**24.6**	**4.1**	**35.5**
Net book value					
Balance at 31 December 2017	**4.5**	**0.8**	**11.9**	**0.8**	**18.0**
Balance at 31 December 2018	**6.4**	**0.8**	**13.9**	**0.8**	**21.9**

Included within office equipment are assets held under finance leases with a cost of £2.8m as of 31 December 2018 (2017: £2.6m). These assets had a net book value as at 31 December 2018 of £1.1m (2017: £1.6m).

Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2018

4.3 INTANGIBLE ASSETS

	Goodwill	Software	Acquisition-related intangible assets	Total
	£m	£m	£m	£m
Cost				
Balance at 1 January 2017	443.1	219.6	323.7	986.4
Acquisition of business	11.0	2.1	2.9	16.0
Additions	–	25.9	–	25.9
Translation adjustment	(0.3)	0.2	0.2	0.1
Balance at 31 December 2017	**453.8**	**247.8**	**326.8**	**1,028.4**
Balance at 1 January 2018	453.8	247.8	326.8	1,028.4
Acquisition of business	64.3	0.4	104.0	168.7
Additions	–	38.1	–	38.1
Translation adjustment	6.0	0.1	12.4	18.5
Balance at 31 December 2018	**524.1**	**286.4**	**443.2**	**1,253.7**
Accumulated amortisation				
Balance at 1 January 2017	–	155.1	161.2	316.3
Amortisation for the year	–	18.3	26.7	45.0
Translation adjustment	–	–	0.1	0.1
Balance at 31 December 2017	**–**	**173.4**	**188.0**	**361.4**
Balance at 1 January 2018	–	173.4	188.0	361.4
Amortisation for the year	–	23.9	31.7	55.6
Translation adjustment	–	–	0.3	0.3
Balance at 31 December 2018	**–**	**197.3**	**220.0**	**417.3**
Net book value				
Balance at 31 December 2017	**453.8**	**74.4**	**138.8**	**667.0**
Balance at 31 December 2018	**524.1**	**89.1**	**223.2**	**836.4**

Software predominately relates to investment in the functionality of the Group's main operating platforms. Included within additions in the year is £16.2m (2017: £15.5m) of employee staff costs that have been capitalised in respect of internal software development.

Acquisition-related intangible assets consist primarily of customer lists arising from business combinations.

Goodwill is the only intangible asset with an indefinite life.

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4.3 INTANGIBLE ASSETS (CONTINUED)

Goodwill

Goodwill arose initially on the acquisition of the Lloyds TSB Registrars business and subsequently through equity and trade and asset acquisitions. For goodwill on current year acquisitions see note 4.1. Goodwill is monitored by management in line with the Group's operating segments: Investment Solutions, Intelligent Solutions, Pensions Solutions, EQ US and Interest.

Year ended 31 December 2018	Opening balance £m	Acquisitions £m	Disposals £m	Translation adjustment £m	Closing balance £m
Investment Solutions	289.4	2.2	–	–	291.6
Intelligent Solutions	77.2	–	–	0.1	77.3
Pensions Solutions	87.2	4.2	–	–	91.4
EQ US	–	57.9	–	5.9	63.8
Total goodwill	**453.8**	**64.3**	**–**	**6.0**	**524.1**

Year ended 31 December 2017	Opening balance £m	Acquisitions £m	Disposals £m	Translation adjustment £m	Closing balance £m
Investment Solutions	289.4	–	–	–	289.4
Intelligent Solutions	66.5	11.0	–	(0.3)	77.2
Pensions Solutions	87.2	–	–	–	87.2
EQ US	–	–	–	–	–
Total goodwill	**443.1**	**11.0**	**–**	**(0.3)**	**453.8**

Impairment testing

Goodwill is tested annually for impairment. The recoverable amount of cash-generating units (CGUs) has been determined in accordance with IAS 36 Impairment of Assets. This is determined from value-in-use calculations, being the present value of net cash flows generated by the business over the period for which management expects to benefit from the acquired business.

The key assumptions for the value-in-use calculations are those regarding discount rates and revenue growth rates. The CGU 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 to the CGUs.

The outcome of the impairment assessment has been that the Directors do not consider that the goodwill has been impaired, given that the value in use is greater than the carrying value of goodwill.

The revenue growth rate applied beyond the approved forecast period is in line with underlying UK and US macro-economic forecasts.

Year ended 31 December 2018	UK & Europe	USA
Period on which management approved forecasts are based	3 years	3 years
Revenue growth rate applied beyond approved forecast period	2.1%	1.8%
Discount rate pre-tax	8.1%	9.8%

Year ended 31 December 2017	UK & Europe	USA
Period on which management approved forecasts are based	3 years	–
Revenue growth rate applied beyond approved forecast period	2.4%	–
Discount rate pre-tax	10.2%	–

Sensitivity analysis

A sensitivity analysis was carried out on the key estimates made within the value-in-use model, applying a 1% increase in the pre-tax discount rate and a 1% reduction in the growth rate. In the opinion of the Directors, there are no reasonably possible changes to these key assumptions which would cause the carrying value of any CGU to exceed its recoverable amount.

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4.4 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	Registered office address	Principal activities	Ownership % on 31 December 2018
Direct Investments			
Equiniti Holdings Limited	Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	Holding company	100
Equiniti Finance (Holdings) Ltd	Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	Holding company	100
Equiniti (UK) Finance Ltd	Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	Non-trading	100
Indirect Investments			
Aquila International Limited	Sutherland House, Russell Way, Crawley, West Sussex, RH10 1UH, United Kingdom	Dormant	100
Aquila Services UK Limited	Sutherland House, Russell Way, Crawley, West Sussex, RH10 1UH, United Kingdom	Dormant	100
Aquila Software Limited	Sutherland House, Russell Way, Crawley, West Sussex, RH10 1UH, United Kingdom	Dormant	100
Boudicca Proxy Ltd	Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	Proxy solicitation	100
Charter.Net Limited	Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	Dormant	100
Charter Systems Limited	Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	Software service provider	100
Charter UK Limited	Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	Software service provider	100
Circle of Insight Limited	Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	Dormant	100
Claybrook Computing Limited	Sutherland House, Russell Way, Crawley, West Sussex, RH10 1UH, United Kingdom	Computer software consultancy	100
Connaught Secretaries Limited	Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	Dormant	100
Custodian Nominees Limited	Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, United Kingdom	Dormant	100
David Venus & Company LLP	Elder House, St Georges Business Park, 207 Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	Dormant	50
Equiniti Benefactor Limited	Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	Dormant	100
Equiniti 360 Clinical Limited	Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, United Kingdom	Business process outsourcing	100
Equiniti Corporate Nominees Limited	Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	Dormant	100
Equiniti Data Limited	Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	Software service provider	100
Equiniti David Venus Limited	Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	Company secretarial	100
Equiniti Delivery Services Limited	Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	Software service provider	100
Equiniti Employee Services (PTY) Limited	102B Newlands Plaza, CNR Lois & Dely, Newlands, 00181, South Africa	Computer software development	100
Equiniti Financial Services Limited	Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, United Kingdom	Financial services	100
Equiniti Gateway Limited	Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	Technology enabled services	100

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4.4 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of controlled entity	Registered office address	Principal activities	Ownership % on 31 December 2018
Equiniti Global Payments Limited	Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	International payment services	100
Equiniti HR Solutions Limited	Sutherland House, Russell Way, Crawley, West Sussex, RH10 1UH, United Kingdom	Non-trading	100
Equiniti India (Private) Limited	DLF IT Park, 1/124, Mt Poonamalle High Road, Ramapuram, Chennai, Tamil Nadu 600 089, India	Technology enabled services	100
Equiniti ICS Limited	205 Airport Road West, Belfast, BT3 9ED, United Kingdom	Business process outsourcing	100
Equiniti (Ireland) Finance Ltd	52–55 Sir John Rogerson's Quay, Dublin 2, D02 NA07, Republic of Ireland	Non-trading	100
Equiniti ISA Nominees Limited	Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	Dormant	100
Equiniti Jersey Limited	26 New Street, St Helier, JE2 3RA, Jersey	Registrars	100
Equiniti KYC Solutions B.V.	Donker Curtiusstraat 7, Unit 117-118, 1051 JL Amsterdam, The Netherlands	Software service provider	100
Equiniti KYC Systems B.V.	Donker Curtiusstraat 7, Unit 117-118, 1051 JL Amsterdam, The Netherlands	Software service provider	100
Equiniti Limited	Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, United Kingdom	Registrars	100
Equiniti Nominees Limited	Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	Dormant	100
Equiniti Pension Trustee Limited	Sutherland House, Russell Way, Crawley, West Sussex, RH10 1UH, United Kingdom	Dormant	100
Equiniti PMS Limited	Sutherland House, Russell Way, Crawley, West Sussex, RH10 1UH, United Kingdom	Software service provider	100
Equiniti Registrars Nominees Limited	Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	Dormant	100
Equiniti Savings Nominees Limited	Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	Dormant	100
Equiniti Services Limited	Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	Holding company	100
Equiniti Share Plan Trustees Limited	Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, United Kingdom	Trustee company	100
Equiniti Shareview Limited	Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	Dormant	100
Equiniti Solutions Limited	Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	Non-trading	100
Equiniti Trust Company	25th Floor, 90 Park Avenue, New York, NY 10016, United States	Limited purpose trust company	100
Equiniti (US) Holdings Limited	1209 Orange Street, Wilmington, Delaware, County of New Castle 19801, United States	Holding company	100
Equiniti (US) LLC	1209 Orange Street, Wilmington, Delaware, County of New Castle 19801, United States	Non-trading	100
Equiniti (US) Services LLC	1209 Orange Street, Wilmington, Delaware, County of New Castle 19801, United States	Non-trading	100
Information Software Solutions Limited	Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	Holding company	100
icenet Limited	Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	Dormant	100
Invigia International Limited	Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	Dormant	100
Invigia Limited	Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	Software service provider	100

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4.4 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of controlled entity	Registered office address	Principal activities	Ownership % on 31 December 2018
KYCnet BV	Donker Curtiusstraat 7, Unit 117–118, 1051 JL Amsterdam, The Netherlands	Holding company	100
L R Nominees Limited	Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, United Kingdom	Dormant	100
MyCSP Limited	Park Square, Bird Hall Lane, Stockport, SK3 0XN, United Kingdom	Pensions administration	75*
MyCSP Trustee Company Limited	Park Square, Bird Hall Lane, Stockport, SK3 0XN, United Kingdom	Non-trading	75*
MyCustomerfeedback.com Limited	Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	Software service provider	100
Pancredit Systems Ltd	Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	Business process outsourcing	100
Paymaster (1836) Limited	Sutherland House, Russell Way, Crawley, West Sussex, RH10 1UH, United Kingdom	Pensions administration	100
Peter Evans & Associates Limited	Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, United Kingdom	Business process outsourcing	100
Prism Communications & Management Limited	Elder House, St Georges Business Park, 207 Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	Company secretarial	100
Prism Cosec Limited	Elder House, St Georges Business Park, 207 Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	Dormant	100
Prosearch Asset Solutions Limited	Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, United Kingdom	Asset recovery	100
Refresh Personal Finance Ltd	Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	Software service provider	100
Riskfactor Solutions Limited	Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	Software service provider	100
Riskfactor Software Limited	Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	Software service provider	100
SLC Corporate Services Limited	Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	Dormant	100
SLC Registrars Limited	Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	Dormant	100
The Nostrum Group Limited	Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	Software service provider	100
Toplevel Computing Limited	Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	Software service provider	100
Toplevel Development Limited	Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	Dormant	100
Toplevel Holdings Limited	Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	Holding company	100
Toplevel Software Limited	Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	Dormant	100
Trust Research Services Limited	Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	Dormant	100
Wealth Nominees Limited	Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, United Kingdom	Dormant	100

*The shareholding in MyCSP Limited increased from 51% to 75% in September 2018.

All the above investments are held in the Ordinary share capital of the company.

Notes to the consolidated financial statements

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4.4 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Audit exemption guarantee

The following subsidiaries will take advantage of the exemption from audit of their individual financial statements, under Section 479A of the Companies Act 2006, for the year ended 31 December 2018:

Company name	Registration number
Boudicca Proxy Ltd	07847924
Charter Systems Limited	06147539
Charter UK Limited	02453655
Claybrook Computing Limited	01287205
Equiniti 360 Clinical Limited	04957851
Equiniti Data Limited	05350329
Equiniti David Venus Limited	06351754
Equiniti Delivery Services Limited	08855189
Equiniti Finance (Holdings) Ltd	11092909
Equiniti ICS Limited	NI036763
Equiniti PMS Limited	03613039
Equiniti Services Limited	00756582
Equiniti Share Plan Trustees Limited	03925002
Equiniti Solutions Limited	03335560
Equiniti (UK) Finance Ltd	11092548
Information Software Solutions Limited	03915585
Invigia Limited	03318315
MyCSP Limited	07640786
Mycustomerfeedback.com Limited	06829521
Pancredit Systems Ltd	02215760
Peter Evans & Associates Limited	01870532
Prism Communications & Management Limited	04352585
Prosearch Asset Solutions Limited	02158381
Refresh Personal Finance Ltd	07369895
Riskfactor Software Limited	03923431
Riskfactor Solutions Limited	02767525
The Nostrum Group Limited	04274181
Toplevel Computing Limited	02341302
Toplevel Holdings Limited	03270082

As a condition of the above exemption, the Group has guaranteed the year end liabilities of the relevant subsidiaries until they are settled in full. The liabilities of the above subsidiaries at the year end date were £116.2m (2017: £128.5m).

Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2018

5 WORKING CAPITAL

5.1 TRADE AND OTHER RECEIVABLES

	2018 £m	2017 £m
Trade receivables	46.4	28.7
Other receivables	7.1	6.9
Prepayments	10.6	8.9
Total trade and other receivables	**64.1**	**44.5**

Excluding trade receivables, none of these financial assets are either past due or impaired. At the year end, trade receivables are shown net of an allowance for doubtful debts of £0.2m (2017: £0.4m). The impairment loss recognised in the year was £0.2m (2017: £0.3m).

Credit risk

The ageing of trade receivables at the reporting date was:

	2018 £m	2017 £m
Not past due	29.0	16.7
Past due 1–30 days	12.6	7.5
Past due 31–90 days	3.0	3.0
Past due more than 90 days	1.8	1.5
Total trade receivables	**46.4**	**28.7**

Trade receivables not past due of £29.0m (2017: £16.7m) 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 £0.2m (2017: £0.4m) in respect of trade receivables and accrued income. Where impairment allowances are made, these are for the full value of the impaired debt. Movement in the year in the Group's provision for impairment of trade receivables is as follows:

	2018 £m	2017 £m
Balance at 1 January	0.4	0.2
Balances acquired from business acquisitions	0.2	–
New provisions made in year	0.1	0.3
Balances reversed in year	(0.5)	(0.1)
Balance at 31 December	**0.2**	**0.4**

Trade receivables past due but not impaired of £17.4m (2017: £12.0m) relate to a number of independent customers for whom there is no recent history of default or expectation of such going forwards.

5.2 CONTRACT FULFILMENT ASSETS

	2018 £m	2017 £m
Accrued income	41.6	32.7
Contract set up costs	4.6	5.2
Contract fulfilment assets	**46.2**	**37.9**

As a result of adopting IFRS 15, accrued income and contract set up costs have been reclassified as contract fulfilment assets within the statement of financial position. Accrued income represents the fair value of goods and services supplied to customers, for which the Group is entitled to recognise revenue, and is not yet invoiced or paid. All such assets are supported by client contracts. This allows accrued income to be underpinned and recovered from clients even on the rare occasions that clients cease projects with us permanently.

Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2018

5.3 TRADE AND OTHER PAYABLES

	2018 £m	2017 £m
Trade payables	26.8	20.2
Accruals	64.8	44.2
Deferred consideration	7.3	5.4
Other payables	13.3	11.0
Total trade and other payables	**112.2**	**80.8**

5.4 CONTRACT FULFILMENT LIABILITIES

	2018 £m	2017 £m
Deferred income	16.4	16.2
Contract fulfilment liabilities	**16.4**	**16.2**

As a result of adopting IFRS 15, deferred income has been reclassified as contract fulfilment liabilities within the statement of financial position. This was previously classified within trade and other payables. Deferred income represents amounts invoiced in advance of the related services or goods being provided to the customer.

Revenue recognised in relation to contract fulfilment liabilities

	2018 £m	2017 £m
Revenue recognised that was included in the contract liability balance as at 1 January	14.9	13.8
	14.9	**13.8**

5.5 PROVISIONS

	Contingent consideration £m	Property provisions £m	Total provisions £m
Balance at 1 January 2018	21.2	1.5	22.7
Balances acquired from business acquisitions	2.2	0.3	2.5
Additional provisions made during the year	–	0.5	0.5
Amounts utilised during the year	(2.1)	(0.1)	(2.2)
Amounts released during the year	(2.4)	–	(2.4)
Unwinding of discounted amount	0.8	–	0.8
Balance at 31 December 2018	**19.7**	**2.2**	**21.9**
Non-current	10.6	2.2	12.8
Current	9.1	–	9.1
Total provisions	**19.7**	**2.2**	**21.9**

Contingent consideration

A provision for contingent consideration as at 31 December 2018 of £19.7m (2017: £21.2m) relates to various requirements to be met following the Group's acquisitions. This is recognised at fair value through profit or loss and is derived from management's best estimate of the amounts likely to be paid. The minimum value of these provisions could be £nil up to a maximum of £28.9m. These were discounted at an appropriate post-tax discount rate at the time of the acquisitions and are provided within provisions due to their uncertainty. Management regularly reconsiders the appropriateness of the discount rate used and updates when appropriate. The remaining balance is expected to be utilised over periods between 2019 and 2021.

Notes to the consolidated financial statements

5.5 PROVISIONS (CONTINUED)

Property provisions

Property provisions relate to management's best estimate of dilapidations in respect of leasehold properties. The balance will be utilised on vacation of premises.

5.6 CASH FLOWS FROM MOVEMENTS IN WORKING CAPITAL

	2018 £m	2017 £m	Movement £m
Trade and other receivables	64.1	44.5	19.6
Contract fulfilment assets	46.2	37.9	8.3
Trade and other payables	(112.1)	(80.8)	(31.3)
Contract fulfilment liabilities	(16.4)	(16.2)	(0.2)
Provisions for other liabilities and charges	(21.9)	(22.7)	0.8
Post-employment benefits	(22.9)	(22.7)	(0.2)
Net working capital per the consolidated statement of financial position	**(63.0)**	**(60.0)**	**(3.0)**
Working capital acquired in business combinations			(3.2)
Movement in interest accrual			2.8
Movement in tax accrual			(0.4)
Movement in capital expenditure accrual			5.5
Movement in accruals relating to prior year acquisitions			(4.0)
Movement in accruals relating to non-controlling interests			4.2
Movement in accruals relating to share issue costs			(0.9)
Movement in accruals relating to loan set-up fees			(0.5)
Foreign exchange movement on translation of overseas subsidiaries			0.1
Defined benefit plan actuarial loss			0.2
Changes in working capital per the consolidated statement of cash flows			**0.8**

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FOR THE YEAR ENDED 31 DECEMBER 2018

6 CAPITAL STRUCTURE

6.1 FINANCE INCOME AND COSTS

Finance income	2018 £m	2017 £m
Interest income	0.2	0.4
Net foreign exchange gains from forward contracts	–	0.4
Total finance income	**0.2**	**0.8**

Finance costs	2018 £m	2017 £m
Interest cost on senior secured borrowings	8.1	5.8
Interest cost on revolving credit facility	2.4	1.7
Amortisation of finance arrangement fees	2.2	1.6
Net finance cost relating to pension schemes	0.6	0.6
Unwinding of discounted amount in provisions	0.8	0.7
Cost of interest rate swap against financial liabilities	1.2	1.8
Foreign exchange loss	–	0.1
Other fees and interest	0.2	0.2
Total finance costs	**15.5**	**12.5**

6.2 SHARE CAPITAL AND SHARE PREMIUM

	Share capital		Share premium	
Allotted, called up and fully paid	**2018 £m**	**2017 £m**	**2018 £m**	**2017 £m**
Balance at 1 January	0.4	0.3	115.8	–
Employee share options exercised	–	–	0.1	0.1
Rights issue	–	0.1	–	115.7
Balance at 31 December	**0.4**	**0.4**	**115.9**	**115.8**

Ordinary shares of £0.001 each	2018 Number	2017 Number
Balance at 1 January	364,434,283	300,012,911
Employee share options exercised	102,383	112,138
Rights issue	–	64,309,234
Balance at 31 December	**364,536,666**	**364,434,283**

The Group issued 102,383 ordinary shares on exercise of employee share options during the year (2017: 112,138). The shares were issued at a weighted average exercise price of £1.19 per share. Proceeds of £0.1m were received.

Notes to the consolidated financial statements

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6.3 OTHER RESERVES

	Capital contribution reserve £m	Reserve for own shares £m	Hedging reserve £m	Translation reserve £m	Total other reserves £m
Balance at 1 January 2017	181.5	–	4.9	3.1	189.5
Changes in fair value through hedging reserve	–	–	(12.2)	–	(12.2)
Deferred tax on movement through hedging reserve	–	–	0.8	–	0.8
Net exchange loss on translation of foreign operations	–	–	–	(0.1)	(0.1)
Balance at 31 December 2017	**181.5**	**–**	**(6.5)**	**3.0**	**178.0**
Balance at 1 January 2018	181.5	–	(6.5)	3.0	178.0
Changes in fair value through hedging reserve	–	–	4.4	–	4.4
Deferred tax on movement through hedging reserve	–	–	(0.9)	–	(0.9)
Net exchange gain on translation of foreign operations	–	–	–	10.9	10.9
Purchase of own shares	–	(13.9)	–	–	(13.9)
Own shares awarded to employees	–	3.9	–	–	3.9
Balance at 31 December 2018	**181.5**	**(10.0)**	**(3.0)**	**13.9**	**182.4**

Capital contribution reserve

The capital contribution reserve arose on the Initial Public Offering in 2015, when the Group issued equity instruments to settle non-current financial liabilities with shareholders.

Reserve for own shares

During the year, the Group purchased 6,000,000 (2017: nil) of its own ordinary shares for consideration of £13.9m. The shares are held in an employee benefit trust, which is controlled by the Group, and will be used to satisfy the vesting of awards under the Group's share option plans. During the year 1,697,093 (2017: nil) shares were used to satisfy the vesting of awards. Shares held by the trust are deducted from equity and the trust has waived its right to receive dividends.

Hedging reserve

The hedging reserve comprises the effective portion of changes in the fair value of cash flow swaps and forward foreign exchange contracts where the hedged transactions have not yet occurred.

Translation reserve

The translation reserve represents the foreign exchange movements arising from the translation of financial statements in foreign currencies to the presentational currency of the Group.

6.4 NON-CONTROLLING INTEREST

The Group controls one non-wholly owned trading subsidiary, MyCSP Limited. In September 2018, the Group purchased an additional 24% of the issued share capital of MyCSP Limited increasing its shareholding from 51% to 75%, for consideration of £8.0m, including £4.0m payable immediately and £4.0m deferred until October 2020.

Prior to the additional purchase, the carrying value of the existing 49% non-controlling interest was £20.3m. The Group recognised a decrease in non-controlling interests of £10.0m and an increase in equity attributable to owners of the parent of £2.0m.

	£m
Carrying amount of non-controlling interest acquired	10.0
Consideration paid to non-controlling interests	(4.0)
Deferred consideration	(4.0)
Excess of consideration paid recognised in equity attributable to owners of the parent	**2.0**

The summarised financial information for MyCSP Limited, set out below, is prior to intercompany eliminations.

	2018	2017
Summarised statement of financial position	**£m**	**£m**
Non-current assets	1.3	1.4
Current assets	33.6	33.9
Non-current liabilities	(1.3)	(1.4)
Current liabilities	(11.4)	(12.1)
Net assets	**22.2**	**21.8**

	2018	2017
Summarised statement of comprehensive income	**£m**	**£m**
Revenue	40.1	40.6
Profit for the year	5.9	6.0
Other comprehensive income	0.1	0.2
Total comprehensive income	**6.0**	**6.2**

Transactions with non-controlling interests

25% of MyCSP Limited is owned by employees of MyCSP via an employee benefit trust and shares rank pari passu with the remaining share capital, including receiving annual dividends when declared. In the current and prior year, dividends have been waived by the trust in lieu of a bonus payment through payroll. This is reflected within transactions with non-controlling interests in the statement of changes in equity.

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6.5 EARNINGS PER SHARE

Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of shares in issue during the year.

Shares held by the Equiniti Group Employee Benefit Trust are treated as treasury shares and deducted from equity. These shares are excluded from the weighted average number of ordinary shares in issue until the shares are transferred to the option holder.

The diluted earnings per share calculation includes vested share options outstanding and other potential shares where the impact of these is dilutive.

	2018 £m	2017 (Restated[1]) £m
Profit from continuing operations attributable to owners of the parent	17.5	11.6
Basic weighted average number of ordinary shares in issue (millions)	363.0	331.6
Dilutive performance share plan options (millions)	7.1	–
Dilutive employee SAYE options (millions)	1.7	1.5
Diluted weighted average number of ordinary shares in issue (millions)	371.8	333.1
Basic earnings per share (pence)	**4.8**	**3.5**
Diluted earnings per share (pence)	**4.7**	**3.5**

[1]*Restated for the adoption of IFRS 15 - see note 1 for details*

6.6 DIVIDENDS

Amounts recognised as distributions to equity holders of the parent in the year	2018 £m	2017 £m
Interim dividend for year ended 31 December 2018 (1.83p per share)	6.6	–
Final dividend for year ended 31 December 2017 (2.73p per share)	9.9	–
Interim dividend for year ended 31 December 2017 (1.64p per share)	–	5.3
Final dividend for year ended 31 December 2016 (2.91p per share)	–	9.3
	16.5	**14.6**

The Board recommends a final dividend payable in respect of the year ended 31 December 2018 of £12.7m (2017: £9.9m) or 3.49p per share (2017: 2.73p per share). As this is subject to shareholder approval at the Annual General Meeting on 2 May 2019, no liability has been included in these financial statements. The final dividend will be paid on 16 May 2019, to shareholders on the register at close of business on 12 April 2019.

The Equiniti Group Employee Benefit Trust has waived its right to receive dividends on shares held.

6.7 EXTERNAL LOANS AND BORROWINGS

Non-current liabilities	2018 £m	2017 £m
Term loan	322.6	250.0
Revolving credit facility	76.7	–
Unamortised cost of raising finance	(4.1)	(6.0)
Total external loans and borrowings	**395.2**	**244.0**

6.7 EXTERNAL LOANS AND BORROWINGS (CONTINUED)

Terms and debt repayment schedule	Currency	Closing interest rate	Year of maturity
Term loan	Sterling	GBP Libor + 1.75%	2020
Term loan	US dollar	USD Libor + 1.75%	2020
Revolving credit facility	Sterling	GBP Libor + 1.75%	2020
Revolving credit facility	US dollar	USD Libor + 1.75%	2020

The Group's debt facilities, which mature in full in 2020, contain one financial covenant only, namely a maximum ratio of Net Debt to EBITDA (as defined in the loan agreement) which is tested half yearly and at the year end. Net Debt to EBITDA must be no more than 4.50:1 for the years to 31 December 2017 and 4.00:1 thereafter. The Group was in compliance with this covenant at the year end. The margin payable on both the term loan and revolving credit facility (RCF) is determined based on the ratio of Net Debt to EBITDA, where the margin payable ranges from a maximum of 2.25% to a minimum of 1.25%. No debt is repayable before the end of our current funding agreement in 2020.

In 2017, the Group entered into an agreement with existing and new banks to increase existing loan facilities, comprising of a $92.0m term loan and £49.0m of revolving credit facilities, increasing total facilities to a term loan of £250.0m and $92.0m and £199.0m of revolving credit facilities. The increased facilities became effective on the completion of the Wells Fargo Shareowner Services acquisition in February 2018 and have the same maturity as the existing facilities, October 2020.

6.8 FINANCIAL LIABILITIES ARISING FROM FINANCING ACTIVITIES

The movements during the year in financial liabilities relating to financing activities and a reconciliation to net debt are as follows:

	2018 £m	2017 £m
Term loan	322.6	250.0
Revolving credit facility	76.7	–
Finance lease liabilities	1.1	1.7
Cash and cash equivalents	(90.9)	(115.2)
Net debt	**309.5**	**136.5**

	Liabilities from financing activities			Other assets	
	Term loan £m	Revolving credit facility £m	Finance lease liabilities £m	Cash and cash equivalents £m	Total £m
Net debt at 1 January 2017	250.0	56.0	1.9	(56.7)	251.2
New finance leases acquired	–	–	0.4	–	0.4
Interest on finance lease liabilities	–	–	0.1	–	0.1
Cash flows	–	(56.0)	(0.7)	(58.5)	(115.2)
Net debt at 31 December 2017	**250.0**	**–**	**1.7**	**(115.2)**	**136.5**
Net debt at 1 January 2018	250.0	–	1.7	(115.2)	136.5
Cash flows	64.9	76.1	(0.9)	24.7	164.8
New finance leases acquired	–	–	0.2	–	0.2
Interest on finance lease liabilities	–	–	0.1	–	0.1
Foreign exchange movements	7.7	0.6	–	(0.4)	7.9
Net debt at 31 December 2018	**322.6**	**76.7**	**1.1**	**(90.9)**	**309.5**

6.9 CASH AND CASH EQUIVALENTS

	2018 £m	2017 £m
Cash and cash equivalents per statement of financial position	90.9	115.2
Cash and cash equivalents per statement of cash flows	90.9	115.2

In addition to the above, the Group holds certain cash balances with banks in a number of segregated accounts. These balances represent client money under management for third parties, and hence are not included in the Group's consolidated balance sheet. The number of accounts and balances held vary significantly throughout the year.

The Group has the ability to sell certain trade receivables in a receivables purchase agreement on a non-recourse basis. These balances are therefore derecognised when sold under this arrangement. The Group has access to a £20.0m arrangement of which £10.3m (2017: £19.9m) was utilised at the end of the year and included within the cash balances above. Invoices sold are all covered by trade credit insurance. The trade receivables shown in note 5.1 are reflected net of cash received at the year end.

6.10 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 Group and the 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 Audit Committee is assisted in its oversight role by Internal Audit which 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 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 and contract fulfilment assets are with large institutions, including many FTSE 350 companies and public sector organisations. Losses have only occurred infrequently in previous years and have never been material.

Credit risk mitigation

The Group has a low credit risk on its trade receivables and contract assets as a high proportion of revenue is derived from large customers listed on the major international stock exchanges and historical defaults have been infrequent and small.

For cash, cash equivalents and derivative financial instruments, only banks and financial institutions with credit ratings assigned by international credit-rating agencies are accepted, with 100% of cash balances at the year end being held in banks and financial institutions with a short-term credit rating of A or higher.

6.10 FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

The maximum exposure to liquidity risk at the reporting dates was as follows:

31 December 2018	Note	Carrying Amount £m	Total contractual cash flows £m	Within 1 year £m	1–2 years £m	2–5 years £m
Trade and other payables	5.3	112.2	112.2	112.2	–	–
Term loan	6.7	322.6	342.9	10.0	332.9	–
Revolving credit facility	6.7	76.7	76.7	–	76.7	–
Other financial liabilities	9.2	1.1	1.3	0.5	0.5	0.3
Derivatives used for hedging	9.2	3.6	4.7	2.5	1.5	0.7
Total		**516.2**	**537.8**	**125.2**	**411.6**	**1.0**

31 December 2017	Note	Carrying Amount £m	Total contractual cash flows £m	Within 1 year £m	1–2 years £m	2–5 years £m
Trade and other payables	5.3	80.8	80.8	80.8	–	–
Term loan	6.7	250.0	267.4	5.8	5.8	255.8
Other financial liabilities	9.2	1.7	1.9	0.7	0.5	0.7
Derivatives used for hedging	9.2	9.2	9.3	7.5	1.0	0.8
Total		**341.7**	**359.4**	**94.8**	**7.3**	**257.3**

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

Liquidity risk mitigation

The Group regularly updates forecasts for cash flow and covenants, to ensure it has sufficient funding available. It maintains significant cash balances to meet future cash funding requirements and had £90.9m of cash at 31 December 2018. The Group also has revolving credit facilities of £199.0m available, of which £122.3m was undrawn at 31 December 2018.

Market risk

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

a) Interest rate risk

The Group is exposed to movements in interest rates on both interest earned on segregated funds administered for third parties and its net finance costs. Net finance costs include interest costs on the term loan and the RCF and interest income on the Group's own deposits. Interest costs payable are mostly linked to changes in Libor. Interest income receivable is largely driven by changes in the Bank of England base rate and the US Federal Reserve benchmark rate.

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

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6.10 FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk mitigation

Exposure to interest rate fluctuations is partly managed through the use of interest rate swaps. Interest rate swaps, which are designated as hedges under IAS 39 Financial Instruments: Recognition and Measurement, are agreed by the Board and have the objective of reducing the impact of variations in interest rates on the Group's profit and cash flow. The Group does not enter into speculative transactions in financial instruments or derivatives. Further quantitative disclosures are included throughout these consolidated financial statements.

The Group has entered into sterling denominated interest rate swaps totalling £1,025.0m to July 2020 (£380.0m), to September 2021 (£215.0m), to September 2022 (£215.0m) and to September 2023 (£215.0m) and $700.0m interest rate swaps to March 2021, exchanging the variable rate derived interest income on segregated funds into fixed rates.

The £250.0m term loan accrues interest based on a margin over Libor. The Group entered into an interest rate swap exchanging variable based interest charges for fixed rate for a period of three years. This swap expired in 2018 and has not been replaced. The Group has not entered into a hedge of its outstanding RCF commitments.

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

Sensitivity analysis

In managing interest rate risks, the Group aim to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer-term, however, permanent changes in interest rates would have an impact on consolidated earnings.

An increase of one percentage point in interest rates effective from the start of 2018 would have increased finance costs for the Group by £1.4m, and increased interest revenue by £10.1m, yielding a net increase in profit after tax of £6.8m. This includes the impact of interest rate swaps, which reduce the fluctuations resulting from interest rate movements. Had no hedging been in place for this example of a one percentage point increase in interest rates, the net increase to profit after tax would be £16.0m.

b) Foreign exchange rate risk

The Group has exposure to foreign exchange rate risk on cash flows in overseas operations which are affected by foreign currency movements. The Group's main risk is from the EQ US business which exposes the Group to foreign exchange rate movements between sterling and the US dollar.

The Group also has foreign exchange rate risk arising from costs incurred in operating its service centre in Chennai and this exposes the Group to movements between sterling and Indian rupee. The Group has implemented a hedging policy to reduce the risks associated with movements in this exchange rate by entering into a series of forward contracts based on expected cash flows to purchase Indian Rupee. These forward contracts are designated as hedges under IAS 39 Financial Instruments: Recognition and Measurement.

The Group has net investments in foreign operations in US dollar, Indian rupee and Euro, the re-translation of which on consolidation gives rise to exposure to the carrying values of non-Sterling assets and liabilities. The group has designated US$103.0m of term debt and RCF borrowings as a hedge of a net investment in its EQ US business.

c) Equity price risk

The Group does not hold its own position in trading securities and is involved only in arranging share dealing transactions on behalf of its clients.

6.11 CAPITAL RISK MANAGEMENT

The Group is focused on delivering value for its shareholders whilst ensuring it 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.

Total capital comprises total equity plus net debt, as shown in the consolidated statement of financial position. Net debt equates to the total of external interest bearing loans plus other finance lease liabilities, less cash and cash equivalents, as shown in the consolidated statement of financial position and note 6.8.

The policies for managing capital are to increase shareholder value by maximising profits and cash. The policy is to set budgets and forecasts in the short and medium term that the Group ensures are achievable. The process for managing capital is 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 Group may also consider repayment of debt, issuance of new and repurchase of existing shares and adjusting dividend payments to shareholders, to maintain an optimum capital structure. The Board regularly reviews the Group's capital structure and no changes have been made to these objectives and processes since the Group listed in October 2015. The Board considers it has sufficient funds to pay dividends in line with the stated policies for the foreseeable future.

Under the terms of the current loan agreement signed in October 2015, the Group has one covenant, a maximum ratio of net debt to EBITDA. The Group was in compliance with this covenant at the year end.

Regulated entities

In the UK, the Group has one significant Financial Conduct Authority (FCA) regulated entity, Equiniti Financial Services Limited (EFSL), which must maintain minimum levels of capital in order to manage its affairs. It must ensure that it can meet its regulatory capital requirements and has sufficient liquidity to meet its liabilities as they fall due, including under potentially highly stressed conditions. EFSL has its own governance structure and holds monthly Board meetings and quarterly Risk and Audit Committee meetings, to ensure its regulatory objectives are met.

In the US, the Group has an entity regulated by the New York State Department of Financial Services (DFS), Equiniti Trust Company (ETC). ETC is approved by the DFS as a limited licensed bank under the New York State Banking Laws and has minimum capital requirements set by the DFS. To help meet its regulatory requirements, ETC has its own governance structure which includes a Board with independent non-executive Directors; an Examination Committee; an Audit Committee; and a Remuneration and Nominations Committee.

Management of capital	Note	**2018** £m	**2017 (Restated[1])** £m
Equity		511.2	511.7
Term loan	6.7	322.6	250.0
Revolving credit facility	6.7	76.7	–
Finance lease liabilities	9.2	1.1	1.7
Cash and cash equivalents	6.9	(90.9)	(115.2)
Total equity plus net debt		**820.7**	**648.2**

[1]Restated for the adoption of IFRS 15 - see note 1 for details

6.12 FINANCIAL INSTRUMENTS

The carrying amounts of financial assets and liabilities are classified as per IFRS 7 Financial Instruments: Disclosures according to the following categories:

Financial assets	Note	**2018** £m	**2017** £m
At amortised cost			
Trade and other receivables	5.1	53.5	35.6
Contract fulfilment assets	5.2	46.2	37.9
Cash and cash equivalents	6.9	90.9	115.2
At fair value through profit or loss			
Derivatives used for hedging	6.13	0.7	1.9
Total financial assets		**191.3**	**190.6**

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6.12 FINANCIAL INSTRUMENTS (CONTINUED)

Financial liabilities	Note	2018 £m	2017 £m
At amortised cost			
Trade and other payables	5.3	112.2	80.8
Contract fulfilment liabilities	5.4	16.4	16.2
Secured bank loans	6.7	322.6	250.0
Revolving credit facility	6.7	76.7	–
Other financial liabilities	9.2	1.1	1.7
At fair value through profit or loss			
Derivative used for hedging	6.13	3.6	9.2
Total financial liabilities		**532.6**	**357.9**

Fair value hierarchy

The following table presents the Group's financial assets and liabilities that are measured at fair value.

Assets	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivatives used for hedging:				
Interest rate swaps	–	0.3	–	0.3
Forward foreign exchange contracts	–	0.4	–	0.4
Total assets	**–**	**0.7**	**–**	**0.7**

Liabilities	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivatives used for hedging:				
Interest rate swaps	–	(3.6)	–	(3.6)
Total liabilities	**–**	**(3.6)**	**–**	**(3.6)**

There were no transfers between levels during the year.

Valuation techniques used to derive level 2 fair values

Level 2 hedging derivatives comprise interest rate swaps, deal contingency forwards and forward foreign exchange contracts. The interest rate swaps are fair valued using forward interest rates extracted from observable yield curves and the deal contingency forwards and forward foreign exchange contracts are fair valued using the future contracted exchange rates. 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.

The valuation technique used is a discounted cash flow model. There were no changes in valuation techniques during the year.

Group's valuation processes

The Group's finance department includes a team that monitors the values 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 six months, in line with the Group's 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 instruments measured at fair value are the derivatives.

6.13 DERIVATIVES

In October 2015, the Group entered into an interest rate swap of its £250.0m term loan, exchanging variable based interest charges for fixed rate for a period of three years. This agreement expired in October 2018 and has not been replaced. The Group has entered into sterling denominated interest rate swaps totalling £1,025.0m to August 2020 (£380.0m), to September 2021 (£215.0m), to September 2022 (£215.0m) and to September 2023 (£215.0m) and $700.0m interest rate swaps to March 2021, exchanging the variable rate derived interest rate income to fixed rates.

The Group enters into forward foreign exchange contracts to hedge its exposure to adverse variations in the GBP/INR exchange rate.

All the above derivatives, which are effective at a Group level, have been designated as cash flow hedges and qualify for hedge accounting. They are measured at fair value, with changes recognised within other comprehensive income.

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:

31 December 2018	Carrying amount £m	Total contractual cash flows £m	Within 6 months £m	6–12 months £m	1–2 years £m	2–5 years £m
Assets						
Interest rate swaps	0.3	1.3	0.6	0.6	0.1	–
Forward foreign exchange contracts	0.4	0.4	0.4	–	–	–
Total	**0.7**	**1.7**	**1.0**	**0.6**	**0.1**	**–**
Liabilities						
Interest rate swaps	(3.6)	(4.7)	(1.1)	(1.4)	(1.5)	(0.7)
Total	**(3.6)**	**(4.7)**	**(1.1)**	**(1.4)**	**(1.5)**	**(0.7)**

31 December 2017	Carrying amount £m	Total contractual cash flows £m	Within 6 months £m	6–12 months £m	1–2 years £m	2–5 years £m
Assets						
Interest rate swaps	1.9	1.9	1.6	0.3	–	–
Total	**1.9**	**1.9**	**1.6**	**0.3**	**–**	**–**
Liabilities						
Interest rate swaps	(3.4)	(3.5)	(0.8)	(0.9)	(1.0)	(0.8)
Deal contingency forward	(5.8)	(5.8)	(5.8)	–	–	–
Total	**(9.2)**	**(9.3)**	**(6.6)**	**(0.9)**	**(1.0)**	**(0.8)**

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7 GOVERNANCE

7.1 DIRECTORS' REMUNERATION

	2018 £m	2017 £m
Directors' emoluments	2.3	2.5
Share-based payment expense	1.9	1.0
Total directors' remuneration	**4.2**	**3.5**

The Executive Directors receive a cash payment in lieu of retirement benefits and therefore no benefits were accruing under money purchase pension schemes at the year end. Full details of the Directors' Remuneration are set out in the Directors' Remuneration Report on pages 92-117.

7.2 SHARE-BASED PAYMENTS

The Group operates several share-based award and option plans, the terms of which are summarised below, along with the movements in the number of share options during the year.

Performance Share Plan (PSP)

Share options are granted to Executive Directors and selected employees with nil exercise price. Share options granted under the PSP scheme are conditional on a minimum 6% earnings per share growth (except for the share options granted in 2018 which are conditional on a minimum of 8% earnings per share growth) and median total shareholder return over a three-year vesting period. Vested options can be exercised over a period of up to ten years from the grant date.

Movements in the number of share options outstanding and their related weighted average exercise prices were as follows:

	2018		2017	
	Number of options	Weighted average exercise price £	Number of options	Weighted average exercise price £
Outstanding at 1 January	10,473,276	£0.00	8,236,516	£0.00
Granted	1,987,167	£0.00	2,954,361	£0.00
Forfeited	(83,920)	£0.00	(717,601)	£0.00
Exercised	(1,697,093)	£0.00	–	£0.00
Outstanding at 31 December	**10,679,430**	**£0.00**	**10,473,276**	**£0.00**

Out of the 10,679,430 (2017: 10,473,276) outstanding options at the end of the year, 4,620,723 (2017: none) were exercisable. Share options outstanding at the end of the year had the following expiry dates and exercise prices:

Grant date / Vest date	Expiry date Year	Exercise price £	2018 Number	2017 Number
2015 – 2018	2025	£0.00	4,231,452	5,646,013
2016 – 2019	2026	£0.00	2,108,573	2,123,106
2017 – 2018	2027	£0.00	389,271	389,271
2017 – 2019	2027	£0.00	147,223	147,223
2017 – 2020	2027	£0.00	2,144,649	2,167,663
2018 – 2021	2028	£0.00	1,658,262	–
			10,679,430	**10,473,276**

7.2 SHARE-BASED PAYMENTS (CONTINUED)

The fair value of options granted during the year, which was determined using the Monte Carlo valuation model, was £2.48 per option. The significant inputs into the model were the share price of £3.13 at the grant date, the exercise price shown above, volatility of 32.1% (based on the historical share price volatility of Equiniti Group plc since listing in October 2015), a dividend yield of 1.4%, an expected option life of three years and an annual risk-free interest rate of 1.0%.

The total charge for the year relating to this scheme was £5.6m (2017: £3.1m).

Sharesave Plan 2015

Share options are granted to full time Directors and employees who enter into Her Majesty's Revenue & Customs (HMRC) approved share savings scheme. Participants can save a maximum of £500 per month over three to five years. The number of shares over which an option is granted is such that the total option price payable for those shares corresponds to the proceeds on maturity of the related savings contract. The exercise price is calculated as 80% of the average share price over the three preceding days or, in relation to new issue shares, the nominal value of a share. Granted options vest over the maturity of the savings contract and can be exercised over a period of up to six months after vesting.

Movements in the number of share options outstanding and their related weighted average exercise prices were as follows:

	2018		2017	
	Number of options	Weighted average exercise price £	Number of options	Weighted average exercise price £
Outstanding at 1 January	3,507,110	£1.19	3,912,896	£1.27
Granted	–	£1.19	227,825	–
Forfeited	(217,646)	£1.19	(521,473)	£1.27
Exercised	(102,383)	£1.19	(112,138)	£1.27
Outstanding at 31 December	**3,187,081**	**£1.19**	**3,507,110**	**£1.19**

Out of the 3,187,081 (2017: 3,507,110) outstanding options at the end of the year, 22,542 (2017: 60,973) were exercisable at a weighted average exercise price of £1.19. Share options outstanding at the end of the year had the following expiry dates and exercise prices:

Grant date / Vest date	Expiry date Year	Exercise price £	2018 Number	2017 Number
2015 – 2019	2019	£1.19	2,962,854	3,223,970
2015 – 2017	2018	£1.19	–	60,973
2015 – 2018	2019	£1.19	22,542	–
2017 – 2019	2019	£1.19	201,685	222,167
			3,187,081	**3,507,110**

The total charge for the year relating to this scheme was £0.8m (2017: £0.4m).

7.2 SHARE-BASED PAYMENTS (CONTINUED)

Deferred Annual Bonus Plan

30% of the annual bonus for Directors and selected employees is delivered in shares which are deferred for three years from the date of the award. Shares awarded under the deferred annual bonus plan are not subject to any performance conditions but can be forfeited, either in part or in full, subject to continued employment, unless deemed a good leaver by the Remuneration Committee. The number of shares awarded is calculated using the market value of shares on grant date.

Movements in the number of shares outstanding were as follows:

	2018 Number	2017 Number
Outstanding at 1 January	142,626	–
Granted	206,591	143,820
Forfeited	–	(1,194)
Outstanding at 31 December	**349,217**	**142,626**

Out of the 349,217 (2017: 142,626) shares outstanding at the end of the year, none (2017: none) were exercisable. Shares outstanding at the end of the year had the following expiry dates:

Grant date / Vest date	Expiry date Year	2018 Number	2017 Number
2017 – 2020	2027	142,626	142,626
2018 – 2021	2028	206,591	–
		349,217	**142,626**

The total cash value of the deferred shares awarded during the year was £0.6m (2017: £0.3m).

7.3 RELATED PARTY TRANSACTIONS

Transactions with key management personnel

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

	2018 £m	2017 £m
Key management emoluments	5.8	4.5
Company contributions to money purchase pension plans	0.1	0.1
Share-based payment expense	3.5	1.7
Total	**9.4**	**6.3**

Key management are the Directors of the Group and the Executive Committee, who have authority and responsibility to control, direct or plan the major activities within the Group.

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7.4 AUDITORS' REMUNERATION

	2018 £m	2017 £m
Fees payable to Group's external auditors, PricewaterhouseCoopers LLP, and its associates were as follows:		
– Audit of the parent company and consolidated financial statements	0.3	0.2
– Audit of the Company's subsidiaries	0.2	0.1
Audit fees	**0.5**	**0.3**
Fees payable to Group's auditors and its associates for non-audit services were as follows:		
– Other assurance services	0.2	0.2
– Other services	0.1	0.1
Non-audit fees	**0.3**	**0.3**
Total	**0.8**	**0.6**

Other assurance services includes £0.2m (2017: £0.2m) for services performed in relation to the CASS audit of Equiniti Financial Services Limited. Fees for other services relate to the audit of controls and acquired balances of EQ US.

CASS audit fees are excluded from the ratio of audit to non-audit fees, and therefore the ratio for 2018 was 1:0.2 (2017: 1:0.3). The Audit Committee is committed to maintaining this ratio to a maximum of 70% of the average statutory audit fee.

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8 TAXATION

8.1 INCOME TAX CHARGE

Recognised in the income statement in the year:	2018 £m	2017 £m
Current tax:		
Current period	3.5	5.7
Adjustment in respect of prior periods	(1.4)	0.2
Total current tax	**2.1**	**5.9**
Deferred tax:		
Origination and reversal of temporary differences	0.2	1.0
Impact of rate changes on opening deferred tax balances	–	2.3
Adjustment in respect of prior periods	1.6	0.8
Total deferred tax	**1.8**	**4.1**
Total income tax charge	**3.9**	**10.0**

Reconciliation of effective tax rate:	2018 £m	2017 £m
Profit for the year	20.7	15.3
Total tax charge	3.9	10.0
Profit before tax	**24.6**	**25.3**
Tax using the UK corporation tax rate of 19.00% (2017: 19.25%):	4.7	4.9
Non-deductible expenses	0.9	2.4
Recognised loss on derivative contract	(1.9)	–
Previously unrecognised tax assets	0.1	0.2
Effect of tax rate change	(0.2)	2.1
Effect of claims for research and development	0.1	–
Share scheme deductions	–	(0.6)
Adjustment in respect of prior periods	0.2	1.0
Total income tax charge	**3.9**	**10.0**

The UK corporation tax rate of 19%, effective from 1 April 2017, was substantively enacted on 26 October 2015. A reduction to this rate to 17%, effective from 1 April 2020, was substantively enacted on 6 September 2016. This will reduce the Group's future current tax charge accordingly. The deferred tax assets and liabilities at 31 December 2018 have been calculated based on these rates.

Non-deductible expenses in the prior year are higher due to the tax effect of non-deductible expenses incurred on the acquisition of the EQ US business. The current year tax charge has been reduced by a derivative loss on a deal contingent forward used to hedge the consideration in US dollars for EQ US. The prior year tax charge was also higher due to the tax effect of the change in tax rates applied to deferred tax from 18% to 17%.

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8.2 DEFERRED INCOME TAX ASSETS AND LIABILITIES

Recognised assets

Deferred income tax assets are attributable to the following:

	2018 £m	2017 £m
Property, plant and equipment	1.6	2.8
Employee benefits and other timing differences	9.4	8.2
Tax value of losses carried forward	36.0	38.0
Tax assets	**47.0**	**49.0**
Net of tax liabilities	(23.4)	(22.2)
Net tax assets	**23.6**	**26.8**

Recognised liabilities

Deferred income tax liabilities are attributable to the following:

	2018 £m	2017 £m
Intangible assets	23.4	22.2
Tax liabilities	**23.4**	**22.2**
Net of tax assets	(23.4)	(22.2)
Net tax liabilities	–	–

No deferred tax asset has been recognised in respect of £4.8m (2017: £3.8m) of gross tax losses due to uncertainty in terms of future recoverability. The Group has no other unrecognised deferred tax assets.

Movements in deferred tax during the year:

Year ended 31 December 2018	Opening balance £m	Acquisitions £m	Recognised in income £m	Recognised in equity £m	Closing balance £m
Property, plant and equipment	2.8	–	(1.2)	–	1.6
Intangible assets	(22.2)	(0.2)	(1.0)	–	(23.4)
Employee benefits and other timing differences	8.2	–	2.4	(1.2)	9.4
Tax value of losses carried forward	38.0	–	(2.0)	–	36.0
	26.8	**(0.2)**	**(1.8)**	**(1.2)**	**23.6**

Year ended 31 December 2017	Opening balance £m	Acquisitions £m	Recognised in income £m	Recognised in equity £m	Closing balance £m
Property, plant and equipment	3.4	–	(0.6)	–	2.8
Intangible assets	(21.7)	(0.7)	0.2	–	(22.2)
Employee benefits and other timing differences	4.8	–	0.9	2.5	8.2
Tax value of losses carried forward	42.6	–	(4.6)	–	38.0
	29.1	**(0.7)**	**(4.1)**	**2.5**	**26.8**

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9 OTHER DISCLOSURES

9.1 OTHER FINANCIAL ASSETS

Non-current	2018 £m	2017 £m
Derivatives used for hedging (note 6.13)	0.2	1.9
Total	**0.2**	**1.9**

Current		
Derivatives used for hedging (note 6.13)	0.5	–
Total	**0.5**	**–**

Derivatives used for hedging the term loan and variable rate derived interest rate income are classified as a non-current asset, as the remaining maturity of the hedged item is more than 12 months. Derivatives used for hedging the exposure to variations in exchange rates are recognised as a current asset, as the forecast transactions denominated in a foreign currency are expected to occur within six months of the year end.

9.2 OTHER FINANCIAL LIABILITIES

Non-current	2018 £m	2017 £m
Derivatives used for hedging (note 6.13)	3.6	3.4
Finance lease liabilities	0.6	1.1
Total	**4.2**	**4.5**

Current		
Derivatives used for hedging (note 6.13)	–	5.8
Finance lease liabilities	0.5	0.6
Total	**0.5**	**6.4**

Derivatives used for hedging the term loan and variable rate derived interest rate income are classified as a non-current liability, as the remaining maturity of the hedged item is more than 12 months. Derivatives used for hedging the exposure to variations in exchange rates are recognised as a current liability, as the forecast transactions denominated in a foreign currency are expected to occur within six months of the year end.

9.3 POST-EMPLOYMENT BENEFITS

Defined contribution pension plans

The Group operates a number of defined contribution pension plans. The total expense relating to these plans in the year was £8.5m (2017: £7.3m).

Defined benefit pension plans

The Group operates three funded defined benefit pension plans in the UK. All of the plans are final salary pension plans and provide benefits to members in the form of a guaranteed level of pension, payable for life. The liability under all schemes is based on final salary and length of service to the employer. The assets of the schemes are held independently of the Group's assets, in separate trustee-administered funds. The Trustees of the pension funds are required by law to act in the interest of the fund and of all relevant stakeholders.

The net liability of the three schemes is set out below:

	2018 £m	2017 £m
ICS Pension Scheme	1.7	1.5
Paymaster Pension Scheme	20.2	20.1
Prudential Platinum Pension – MyCSP Limited	1.0	1.1
Total defined benefit pension plan net liability	**22.9**	**22.7**

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9.3 POST-EMPLOYMENT BENEFITS (CONTINUED)

Full actuarial valuations are performed every three years which determines the funding required to eliminate the net pension plan liabilities. The latest full valuations took place in 2018 and will conclude in 2019.

All pension schemes have been closed to new members for a number of years and all schemes are now closed to future accrual, apart from a small sub-section of the Paymaster Pension Scheme.

The present value of the defined benefit obligation consists of approximately £3.4m (2017: £3.7m) relating to active employees, £41.1m (2017: £54.2m) relating to deferred members and £32.5m (2017: £22.8m) relating to members in retirement.

The investment strategy of the plans are set taking into account a number of factors including the profile and value of plan liabilities, the strength of the employer covenant and the long-term funding objectives agreed with the employer. The schemes have a broad allocation of investments in return-seeking assets with the remaining allocated to liability matching assets, designed to partially offset the movements in the scheme liabilities caused by movements in interest rates and inflation. The asset split reflects the Trustees' view of the most appropriate investments balancing risk/reward characteristics of the funds the Scheme is invested in.

Pension plan assets are valued at fair value. Quoted equities and debt instruments on a recognised stock exchange are valued at the closing market price as at the valuation date. Exchange traded and over-the-counter derivative instruments are valued at the settlement price or at the latest valuation for such instruments on the valuation date. Cash and other illiquid assets will be valued at their face value plus accrued interest at the valuation date.

The Group is exposed to a number of risks through its defined benefit pension plans, the most significant of which are described below:

- Investment risk – Scheme growth assets are invested in a diversified portfolio of debt securities, equities and other return-seeking assets such as pooled private markets fund. If the assets underperform the discount rate used to calculate the defined benefit obligation, it will increase the net pension plan liabilities.
- Interest rate risk – A decrease in corporate bond yields will increase plan liabilities, although this is likely to be partially offset by an increase in the value of the plans' bond/liability driven investment holdings.
- Inflation risk – The majority of the liabilities are linked to inflation, although in most cases, caps on the level of inflation increases are in place to protect the scheme against extreme inflation. An increase in inflation rates will lead to higher liabilities, although this is likely to be partially offset by an increase in the value of some of the plans' liability-driven investments.
- Longevity risk – The pension plans' provide benefits for the life of the members, therefore increases in life expectancy will result in an increase in the plans' liabilities.

The Group and Trustees are aware of these risks and manage them through appropriate investment and funding strategies. The Trustees manage governance and operational risks through a number of internal control policies, including a risk register.

Defined benefit plan - ICS Pension Scheme

A full actuarial valuation was carried out at 5 April 2015 and has since been updated each year end to 31 December 2018 by a qualified independent actuary.

	2018 £m	2017 £m
Present value of obligations	(12.3)	(13.1)
Fair value of plan assets	10.6	11.6
Recognised liability for defined benefit obligations	**(1.7)**	**(1.5)**

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9.3 POST-EMPLOYMENT BENEFITS (CONTINUED)

Movement in present value of defined benefit obligation	2018 £m	2017 £m
Defined benefit obligation at 1 January	13.1	12.6
Past service cost	0.2	–
Interest cost	0.3	0.3
Actuarial (gains)/losses – changes in financial assumptions	(0.2)	0.6
Actuarial (gains)/losses – changes in demographic assumptions	(0.1)	0.1
Actuarial gains – other experience items	(0.1)	–
Benefits paid	(0.9)	(0.5)
Defined benefit obligation at 31 December	**12.3**	**13.1**

Movement in fair value of plan assets	2018 £m	2017 £m
Fair value of plan assets at 1 January	11.6	11.0
Interest income	0.3	0.3
(Loss)/return on plan assets	(0.5)	0.7
Employer contributions	0.1	0.1
Benefits paid	(0.9)	(0.5)
Fair value of plan assets at 31 December	**10.6**	**11.6**

Expense recognised in the income statement	2018 £m	2017 £m
Past service cost	0.2	–
Interest cost	0.3	0.3
Interest income	(0.3)	(0.3)
Total expense	**0.2**	**–**

Actuarial gains and losses recognised in other comprehensive income	2018 £m	2017 £m
Cumulative loss at 1 January	(3.4)	(3.4)
Actuarial losses recognised in other comprehensive income	(0.1)	–
Cumulative loss at 31 December	**(3.5)**	**(3.4)**

Plan assets are comprised of the following:	2018 £m	2017 £m
Equities	2.4	3.3
Corporate bonds	1.0	1.0
Diversified growth funds	–	2.2
Liability-driven investment funds	2.9	2.9
Illiquid assets	2.4	2.2
Cash	1.9	–
Fair value of plan assets at 31 December	**10.6**	**11.6**

Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2018

9.3 POST-EMPLOYMENT BENEFITS (CONTINUED)

Weighted average assumptions used to determine benefit obligations:	2018	2017
Discount rate	2.75%	2.62%
Rate of increase for pensions in payment:		
– CPI subject to a max of 3.0% pa.	1.93%	1.89%
– RPI subject to a max of 5.0% pa.	3.07%	3.02%
– RPI subject to a max of 2.5% pa.	2.17%	2.15%
Rate of increase for pensions in deferment	2.15%	2.09%
Inflation assumption	3.15%	3.09%

Weighted average life expectancy for mortality tables (100% SAPS S2PMA, 100% SAPS S2FA, 100% SAPS S2PA CMI 2017, 1% long-term trend) used to determine benefit obligations at 31 December 2018:

	Male	Female
Member age 65 (current life expectancy)	86.8	88.7
Member age 45 (life expectancy at 65)	87.9	89.9

Contributions

Equiniti ICS Limited expects to contribute £0.2m to its pension plan in 2019.

Defined benefit plan – Paymaster Pension Scheme

A full actuarial valuation was carried out at 5 April 2015 and has since been updated each year end to 31 December 2018 by a qualified independent actuary.

	2018 £m	2017 £m
Present value of obligations	(57.5)	(59.6)
Fair value of plan assets	37.3	39.5
Recognised liability for defined benefit obligations	**(20.2)**	**(20.1)**

Movement in present value of defined benefit obligation	2018 £m	2017 £m
Defined benefit obligation at 1 January	59.6	57.9
Current service cost	0.1	0.2
Past service cost	0.2	–
Interest cost	1.6	1.6
Actuarial (gains)/losses – change in financial assumptions	(3.8)	0.8
Actuarial losses – other experience items	1.6	0.7
Benefits paid	(1.8)	(1.6)
Defined benefit obligation at 31 December	**57.5**	**59.6**

Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2018

9.3 POST-EMPLOYMENT BENEFITS (CONTINUED)

Movement in fair value of plan assets	**2018** **£m**	**2017** **£m**
Fair value of plan assets at 1 January	39.5	37.0
Interest income	1.0	1.0
(Loss)/return on plan assets	(2.4)	2.1
Employer contributions	1.0	1.0
Benefits paid	(1.8)	(1.6)
Fair value of plan assets at 31 December	**37.3**	**39.5**

Expense recognised in the income statement	**2018** **£m**	**2017** **£m**
Current service cost	0.1	0.2
Past service cost	0.2	–
Interest cost	1.6	1.6
Interest income	(1.0)	(1.0)
Total expense	**0.9**	**0.8**

Actuarial gains and losses recognised in other comprehensive income	**2018** **£m**	**2017** **£m**
Cumulative loss at 1 January	(21.4)	(22.0)
Actuarial (losses)/gains recognised in other comprehensive income	(0.2)	0.6
Cumulative loss at 31 December	**(21.6)**	**(21.4)**

Plan assets are comprised of the following:	**2018** **£m**	**2017** **£m**
Private equity and diversified growth funds	12.0	21.0
Liability-driven investment funds	9.3	9.6
Illiquid assets	8.8	8.2
Cash and other	7.2	0.7
Fair value of plan assets at 31 December	**37.3**	**39.5**

Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2018

9.3 POST-EMPLOYMENT BENEFITS (CONTINUED)

Weighted average assumptions used to determine benefit obligations:	2018	2017
Discount rate	3.00%	2.66%
Rate of compensation increase	1.50%	1.50%
Rate of increase for pensions in payment	3.10%	3.08%
Rate of increase for pensions in deferment (Pre 6 April 2009 service):		
– Pre 6 April 2009	3.10%	3.08%
– Post 6 April 2009	2.10%	2.08%
Rate of increase for pensions in deferment (Post 6 April 2009 service)	2.50%	2.50%
Inflation assumption	3.10%	3.08%

Weighted average life expectancy for mortality tables (96% SAPS S2PMA, 84% SAPS S2PFA CMI 2017, 1% long-term trend) used to determine benefit obligations at 31 December 2018

	Male	Female
Member age 65 (current life expectancy)	86.7	89.8
Member age 45 (life expectancy at 65)	87.9	91.1

Contributions

Paymaster (1836) Limited expects to contribute £0.9m to its pension plan in 2019.

Defined benefit plan – Prudential Platinum Pension – MyCSP Limited

The latest full actuarial valuation was carried out at 31 December 2015 and has since been updated to 31 December 2018 by a qualified independent actuary.

	2018 £m	2017 £m
Present value of obligations	(7.2)	(8.0)
Fair value of plan assets	6.2	6.9
Recognised liability for defined benefit obligations	**(1.0)**	**(1.1)**

Movement in present value of defined benefit obligation	2018 £m	2017 £m
Defined benefit obligation at 1 January	8.0	13.8
Interest cost	0.2	0.3
Actuarial (gains)/losses – changes in financial assumptions	(0.8)	0.1
Actuarial gains – changes in demographic assumptions	–	(0.1)
Liabilities extinguished on settlements	–	(5.9)
Benefits paid	(0.2)	(0.2)
Defined benefit obligation at 31 December	**7.2**	**8.0**

Movement in fair value of plan assets	2018 £m	2017 £m
Fair value of plan assets at 1 January	6.9	12.4
Interest income	0.2	0.3
(Loss)/return on plan assets	(0.7)	0.2
Employer contributions	0.1	0.1
Assets distributed on settlements	–	(5.8)
Benefits paid	(0.2)	(0.2)
Administration expenses	(0.1)	(0.1)
Fair value of plan assets at 31 December	**6.2**	**6.9**

Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2018

9.3 POST-EMPLOYMENT BENEFITS (CONTINUED)

Expense recognised in the income statement	2018 £m	2017 £m
Administration expenses	0.1	0.1
Interest cost	0.2	0.3
Interest income	(0.2)	(0.3)
Total expense	**0.1**	**0.1**

Actuarial gains and losses recognised in other comprehensive income	2018 £m	2017 £m
Cumulative loss at 1 January	(1.4)	(1.6)
Actuarial gain recognised in other comprehensive income	0.1	0.2
Cumulative loss at 31 December	**(1.3)**	**(1.4)**

Plan assets are comprised of the following:	2018 £m	2017 £m
Overseas equities	1.5	0.6
Corporate bonds	2.8	4.0
Diversified growth fund	1.8	2.3
Cash	0.1	–
Fair value of plan assets at 31 December	**6.2**	**6.9**

Weighted average assumptions used to determine benefit obligations:	2018	2017
Discount rate	3.10%	2.68%
Rate of increase for pensions in payment	2.07%	2.06%
Rate of increase for pensions in deferment	2.07%	2.06%
Inflation assumption	3.07%	3.06%

Weighted average life expectancy for mortality tables (100% SAPS S2PMA, 100% SAPS S2PFA, 100% SAPS S2PxA CMI 2017, 1% long-term trend) used to determine benefit obligations at 31 December 2018:

	Male	Female
Member age 65 (current life expectancy)	86.8	88.7
Member age 45 (life expectancy at 65)	87.9	89.9

Contributions

MyCSP Limited does not expect to make contributions to the scheme in 2019 except to cover the administration expenses of maintaining the scheme.

Sensitivity analysis

Estimates of the discount rate, inflation rate and life expectancy are used in calculating the pension obligation. The total effect on the employee benefit liability on all schemes as at 31 December 2018 of an increase in life expectancy by one year would be an increase of £2.6m (2017: £2.9m), a 0.5% decrease in the discount rate used would be an increase of £6.0m (2017: £8.6m), and a 0.5% increase in the inflation assumption would be an increase of £6.0m (2017: £7.6m). These individual sensitivity analyses are based on a change in one assumption whilst holding all other assumptions constant.

Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2018

9.4 OPERATING LEASES

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

	2018 £m	2017 £m
Less than one year	7.0	5.8
Between one and five years	26.1	17.6
More than five years	21.3	21.1
Total	**54.4**	**44.5**

9.5 CONTINGENT LIABILITIES

The Company, along with other companies in the Group, has provided a guarantee in relation to a Senior Facilities Agreement comprising a term loan and revolving credit facility made available to Equiniti Holdings Limited. The facilities comprise term loan facilities of £250.0m and US$92.0m, and a multicurrency revolving credit facility of £199.0m, of which the drawn balance was £76.7m at 31 December 2018 (2017: £nil). Both facilities are repayable in 2020.

9.6 EVENTS AFTER THE REPORTING DATE

There have been no material events between 31 December 2018 and the date of authorisation of the consolidated financial statements that would require adjustments of the consolidated financial statements or disclosure.

Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2018

9.7 RESTATEMENT OF FINANCIAL STATEMENTS UNDER IFRS 15

The impact from adopting IFRS 15 on the Group's income statement was as follows:

Year ended 31 December 2017	As reported £m	Re-measurements £m	Restated £m
Revenue	**406.1**	**0.2**	**406.3**
Administrative costs	(318.1)	(0.5)	(318.6)
Depreciation of property, plant and equipment	(5.7)	–	(5.7)
Amortisation of software	(18.3)	–	(18.3)
Amortisation of acquisition-related intangible assets	(26.7)	–	(26.7)
Finance income	0.8	–	0.8
Finance costs	(12.5)	–	(12.5)
Profit before income tax	**25.6**	**(0.3)**	**25.3**
Income tax charge	(10.0)	–	(10.0)
Profit for the year	**15.6**	**(0.3)**	**15.3**
Profit for the year attributable to:			
– Owners of the parent	11.9	(0.3)	11.6
– Non-controlling interests	3.7	–	3.7
Profit for the year	**15.6**	**(0.3)**	**15.3**
Earnings per share attributable to owners of the parent:			
Basic earnings per share (pence)	3.6	(0.1)	3.5
Diluted earnings per share (pence)	3.6	(0.1)	3.5

Adjustments were made to the amounts recognised in the statement of financial position at the date of adoption (1 January 2018), to reflect the reclassifications to contract fulfilment assets and contract fulfilment liabilities. Re-measurement changes were made to contract fulfilment assets through recognition of additional accrued income and contract delivery costs, and to contract fulfilment liabilities through recognition of additional deferred income. In accordance with the transition provisions of IFRS 15, the Group has restated comparatives for the 2017 financial year and below is a summary of the changes:

Balance sheet extract as at 31 December 2017	IAS 18 carrying value £m	Reclassifications £m	Re-measurements £m	IFRS 15 carrying value £m
Trade and other receivables	80.3	(35.8)	–	44.5
Contract fulfilment assets	–	35.8	2.1	37.9
Trade and other payables	96.0	(15.2)	–	80.8
Contract fulfilment liabilities	–	15.2	1.0	16.2

The impact on the Group's retained earnings as at 1 January 2018 and 1 January 2017 was as follows:

	As at 1 January 2018 £m	As at 1 January 2017 £m
Retained earnings – as reported	196.8	193.6
Change in timing of revenue recognition	(1.0)	(1.2)
Recognition of asset for costs to fulfil a contract	2.1	2.6
Opening retained earnings – IFRS 15	**197.9**	**195.0**

Company statement of financial position

AS AT 31 DECEMBER 2018

	Note	2018 £m	2017 £m
Assets			
Non-current assets			
Investments in subsidiaries	9	276.9	174.6
		276.9	**174.6**
Current assets			
Amounts due from Group undertakings	10	520.8	585.8
		520.8	**585.8**
Total assets		**797.7**	**760.4**
Liabilities			
Current liabilities			
Amounts due to Group undertakings	11	64.0	2.6
		64.0	**2.6**
Total liabilities		**64.0**	**2.6**
Net assets		**733.7**	**757.8**
Equity			
Equity attributable to owners of the parent			
Share capital	12	0.4	0.4
Share premium	12	115.9	115.8
Capital redemption reserve		0.2	0.2
Reserve for own shares	13	(10.0)	–
Retained earnings		627.2	641.4
Total equity		**733.7**	**757.8**

The Company's loss for the financial year was £96,000 (2017: profit of £48,000). The notes on pages 192 to 197 form part of these financial statements.

The financial statements of Equiniti Group plc (registered number: 07090427) on pages 190 to 197 were approved by the Board of Directors on 12 March 2019 and were signed on its behalf by:

John Stier

Chief Financial Officer

Company statement of changes in equity

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital £m	Share premium £m	Capital redemption reserve £m	Reserve for own shares £m	Retained earnings[1] £m	Total equity £m
Balance at 1 January 2017	**0.3**	**–**	**0.2**	**–**	**652.5**	**653.0**
Comprehensive income						
Result for the year	–	–	–	–	–	–
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**
Issue of share capital, net of transaction costs (note 12)	0.1	115.8	–	–	–	115.9
Dividends (note 17)	–	–	–	–	(14.6)	(14.6)
Capital contribution in respect of share-based compensation plans (note 14)	–	–	–	–	3.5	3.5
Transactions with owners recognised directly in equity	**0.1**	**115.8**	**–**	**–**	**(11.1)**	**104.8**
Balance at 31 December 2017	**0.4**	**115.8**	**0.2**	**–**	**641.4**	**757.8**
Balance at 1 January 2018	**0.4**	**115.8**	**0.2**	**–**	**641.4**	**757.8**
Comprehensive expense						
Loss for the year	–	–	–	–	(0.1)	(0.1)
Total comprehensive expense	**–**	**–**	**–**	**–**	**(0.1)**	**(0.1)**
Issue of share capital, net of transaction costs (note 12)	–	0.1	–	–	–	0.1
Purchase of own shares (note 13)	–	–	–	(13.9)	–	(13.9)
Own shares awarded to employees (note 13)	–	–	–	3.9	(3.9)	–
Dividends (note 17)	–	–	–	–	(16.5)	(16.5)
Capital contribution in respect of share-based compensation plans (note 14)	–	–	–	–	6.3	6.3
Transactions with owners recognised directly in equity	**–**	**0.1**	**–**	**(10.0)**	**(14.1)**	**(24.0)**
Balance at 31 December 2018	**0.4**	**115.9**	**0.2**	**(10.0)**	**627.2**	**733.7**

[1]*Re-presented to include the share-based payments reserve within retained earnings*

The notes on pages 192-197 form part of these financial statements.

Notes to the Company financial statements

FOR THE YEAR ENDED 31 DECEMBER 2018

1 GENERAL INFORMATION

Equiniti Group plc (the Company) is a public limited company which is listed on the London Stock Exchange, incorporated and domiciled in the United Kingdom. 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.

2 BASIS OF PREPARATION

2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), IFRS Interpretation Committee (IFRS IC) interpretations as adopted by the EU and the Companies Act 2006 applicable to companies reporting under IFRS.

Basis of preparation

The principal accounting policies applied in the preparation of the Company financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. These financial statements have been prepared on the going concern basis and under the historical cost convention. The Company's functional and presentational currency is the British Pound (£).

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 £96,000 (2017: profit of £48,000).

A statement of cash flows has not been presented as the Company did not have any cash flows during the current or prior period, nor did it have any cash and cash equivalents at any time during the period. Therefore the presentation of a statement of cash flows would not provide any additional information. Dividends payable by the Company are paid by another entity within the Group.

Investments in subsidiaries

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

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.

Where the Company acquires its own ordinary shares, the consideration paid is recorded as a deduction from equity.

Equity share-based payment transactions

The Company operates a number of equity-settled, share-based compensation plans, under which companies within the Group receive services from employees as consideration for equity instruments (options). The fair value of the employee services received in exchange for the grant of the options is recognised as an increase in the cost of subsidiary investments. The total amount recognised is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, total shareholder return);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee over a specified period of time); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or hold shares for a specific period of time).

At the end of each reporting period, the Company revises its estimates of the number of awards that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revisions to original estimates, if any, reflecting employee services provided to the Group, in the cost of subsidiary investments, with a corresponding adjustment to equity.

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.

2.2 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

There are no other new IFRSs or IFRS IC interpretations not yet adopted which would be expected to have a material impact on the financial statements of the Company.

2.3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Notes to the Company financial statements

FOR THE YEAR ENDED 31 DECEMBER 2018

3 FINANCIAL RISK MANAGEMENT

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

- credit risk
- liquidity risk

Risk management policies are established for the Equiniti Group plc group of companies (the Group), including Equiniti Group plc. The 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 Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Further information regarding the Group's financial risks and risk management policies can be found in note 6.10 of the consolidated financial statements.

4 CAPITAL RISK MANAGEMENT

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

Management of capital:	**2018**	**2017**
	£m	**£m**
Equity	733.7	757.8
Total equity	**733.7**	**757.8**

5 AUDITORS' REMUNERATION

The audit fees for these financial statements of £1,250 (2017: £1,250) were borne by a fellow Group company.

6 STAFF NUMBERS AND COSTS

There were no persons employed directly by the Company, other than the Directors, and therefore no staff costs were incurred.

7 DIRECTORS' REMUNERATION

Full details of the Directors' remuneration are set out in the Directors' Remuneration Report on pages 92-117. The costs of the Directors were borne by fellow Group companies, without recharge to the Company.

8 INCOME TAX CHARGE

The Company made a loss in the year of £0.1m (2017: £nil). The expenses borne by the Company in the year were not tax deductible and no tax credit has been incurred.

The UK corporation tax rate of 19%, effective from 1 April 2017, was substantively enacted on 26 October 2015. A reduction to this rate to 17%, effective 1 April 2020, was substantively enacted on 6 September 2016.

Notes to the Company financial statements

FOR THE YEAR ENDED 31 DECEMBER 2018

9 INVESTMENTS IN SUBSIDIARIES

The Company has the following investments in subsidiaries:

Cost and net book value	2018 £m	2017 £m
At beginning of the year	174.6	171.1
Additions	96.0	–
Investment related to share based award costs	6.3	3.5
Total investment in subsidiaries	**276.9**	**174.6**

During the year the Company subscribed to £1 of share capital in newly created entities Equiniti Finance (Holdings) Limited and Equiniti (UK) Finance Limited. It subsequently invested the equivalent of a further $45.0m (£32.0m) in Equiniti Holdings Limited and the equivalent of $90.0m (£64.0m) in Equiniti Finance (Holdings) Limited to provide funding for the acquisition of Wells Fargo Shareowner Services. This transaction was funded by way of intercompany transfer.

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

Name of controlled entity	Registered office address	Principal activities	Ownership % on 31 December 2018
Equiniti Holdings Limited	Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	Holding company	100
Equiniti Finance (Holdings) Ltd	Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	Holding company	100
Equiniti (UK) Finance Ltd	Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey, KT13 0TS, United Kingdom	Non trading	100

The above investments are held in the Ordinary share capital of the companies. A full list of the Company's indirect investments is included in note 4.4 to the consolidated financial statements.

10 AMOUNTS DUE FROM GROUP UNDERTAKINGS

Current	2018 £m	2017 £m
Non-interest bearing receivables due from related parties	520.8	585.8
Total amounts due from Group undertakings	**520.8**	**585.8**

Balances due from related parties can be called upon on demand.

11 AMOUNTS DUE TO GROUP UNDERTAKINGS

Current	2018 £m	2017 £m
Non-interest bearing payables due to related parties	64.0	2.6
Total amounts due to Group undertakings	**64.0**	**2.6**

Balances due to related parties are repayable on demand.

Notes to the Company financial statements

FOR THE YEAR ENDED 31 DECEMBER 2018

12 SHARE CAPITAL

Allotted, called up and fully paid	Share capital 2018 £m	Share capital 2017 £m	Share premium 2018 £m	Share premium 2017 £m
Balance at 1 January	0.4	0.3	115.8	–
Employee share options exercised	–	–	0.1	0.1
Rights issue	–	0.1	–	115.7
Balance at 31 December	**0.4**	**0.4**	**115.9**	**115.8**

Ordinary shares of £0.001 each	2018 Number	2017 Number
Balance at 1 January	364,434,283	300,012,911
Employee share options exercised	102,383	112,138
Rights issue	–	64,309,234
Balance at 31 December	**364,536,666**	**364,434,283**

The Company issued 102,383 ordinary shares on exercise of employee share options during the year (2017: 112,138). The shares were issued at a weighted average exercise price of £1.19 per share. Proceeds of £0.1m were received by a fellow Group company, Equiniti Holdings Limited, and the balance is reflected within receivables due from related parties.

In October 2017, the Company offered a rights issue to existing shareholders on the basis of 3 shares for every 14 fully paid ordinary shares held. The issue was fully subscribed and resulted in the issue of 64,309,234 ordinary shares at £1.90 per share. Gross proceeds of £122.2m were received on the Company's behalf by a fellow Group company, Equiniti Holdings Limited, and the balance was reflected within receivables due from related parties. The share premium account increased by £115.7m as a result, which was net of direct transaction costs of £6.5m.

13 RESERVE FOR OWN SHARES

During the year, the Group purchased 6,000,000 of its own ordinary shares for consideration of £13.9m. The shares are held in an employee benefit trust and will be used to satisfy the vesting of awards under the Group's share option plans. During the year 1,697,093 (2017: nil) shares were used to satisfy the vesting of awards. Shares held by the trust are deducted from equity and do not receive dividends.

14 SHARE-BASED PAYMENTS

The Group has equity-settled share-based award plans in place, being the conditional allocations of Equiniti Group plc shares. Share-based payments disclosures relevant to the Company are presented within note 7.2 to the consolidated financial statements.

Notes to the Company financial statements

FOR THE YEAR ENDED 31 DECEMBER 2018

15 FINANCIAL INSTRUMENTS

The carrying amounts of financial assets and liabilities are classified as per IFRS 7 Financial Instruments: Disclosures according to the following categories:

Financial assets	Note	2018 £m	2017 £m
Amortised cost			
Loans and receivables due from related parties	10	520.8	585.8
Total financial assets		**520.8**	**585.8**

Financial liabilities	Note	2018 £m	2017 £m
Amortised cost			
Loans and receivables due to related parties	11	64.0	2.6
Total financial liabilities		**64.0**	**2.6**

The fair values and the carrying values of financial assets and liabilities are not materially different.

16 RELATED PARTY TRANSACTIONS

Receivable at the year end	2018 £m	2017 £m
From fellow Group companies	520.8	585.8
Total	**520.8**	**585.8**

Payable at the year end	2018 £m	2017 £m
To fellow Group companies	64.0	2.6
Total	**64.0**	**2.6**

Notes to the Company financial statements

FOR THE YEAR ENDED 31 DECEMBER 2018

17 DIVIDENDS

Amounts recognised as distributions to equity holders in the year	2018 £m	2017 £m
Interim dividend for year ended 31 December 2018 (1.83p per share)	6.6	–
Final dividend for year ended 31 December 2017 (2.73p per share)	9.9	–
Interim dividend for year ended 31 December 2017 (1.64p per share)	–	5.3
Final dividend for year ended 31 December 2016 (2.91p per share)	–	9.3
Total dividend paid during the year	**16.5**	**14.6**

The Board recommends a final dividend payable in respect of the year ended 31 December 2018 of £12.7m (2017: £9.9m) or 3.49p per share (2017: 2.73p per share). As this is subject to shareholder approval at the Annual General Meeting on 2 May 2019, no liability has been included in these financial statements. The final dividend will be paid on 16 May 2019, to shareholders on the register at close of business on 12 April 2019.

The Equiniti Group Employee Benefit Trust has waived its right to receive dividends on shares held.

18 CONTINGENT LIABILITIES

The Company, along with other companies in the Group, has provided a guarantee in relation to a Senior Facilities Agreement comprising a term loan and revolving credit facility made available to Equiniti Holdings Limited. The facilities comprise term loan facilities of £250.0m and US$92.0m, and a multicurrency revolving credit facility of £199.0m, of which the drawn balance was £76.7m at 31 December 2018 (2017: £nil). Both facilities are repayable in 2020.

Superbrand 2018

Chosen by an expert council of B2B marketing experts and 2,500 individual business professionals

04 Additional information

SHAREHOLDER INFORMATION 200

Shareholder information

Registered Office
Equiniti Group plc
Sutherland House
Russell Way
Crawley
West Sussex
RH10 1UH

Company number 07090427

For enquiries regarding ordinary shares, please contact
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Telephone

UK only	0371 384 2335
Non UK	+44 121 415 7047

Shareholders can also access their holdings online by visiting the website at www.shareview.co.uk

For corporate governance enquiries, please contact the Company Secretary:

Kathy Cong
kathy.cong@equiniti.com

For investor relations enquiries, please contact the Head of Investor Relations:

Frances Gibbons
frances.gibbons@equiniti.com

Financial calendar*

12 March 2019	Annual results for year ended 31 December 2018
2 May 2019	Annual General Meeting
2 August 2019	Interim results for six months ended 30 June 2019

*The financial calendar may be updated from time to time throughout the year. Please refer to our website www.equiniti.com for up-to-date information.

Dividend Reinvestment Plan

Shareholders are able to take their dividend as cash, or in shares through the DRIP (Dividend Reinvestment Plan). Further details are available at www.shareview.co.uk.

The DRIP allows shareholders to use their cash dividends to buy more shares in the Company. Rather than receiving a dividend cheque through the post or having their bank account credited with the dividend payment, shareholders can choose to use their cash dividend to buy additional shares.

Whole shares are purchased with any residual money being carried forward and added to the next dividend. However, if the amount of the dividend, less any dealing costs incurred in completing the purchase, is insufficient to buy a single share, no charge is made and the dividend is carried forward.

E-communications

Using the Group's website as the main method of distribution for many statutory documents is part of our commitment to reducing our environmental impact. Shareholders can choose to receive communications, including the Annual Report and Accounts and Notice of Meetings, in electronic form rather than by post.

Shareholders can register through the online service at www.shareview.co.uk.

The registration process requires the input of a shareholder reference number (SRN), which can be found on the share certificate.

To ensure that shareholder communications are received in electronic form, "email" should be selected as the mailing preference.

Once registered, shareholders will be sent an email notifying them each time a shareholder communication has been published on the Company website, and providing them with a link to the page on the website where it may be found.

Warning to shareholders

Equiniti Group plc is legally obliged to make its share register available to the general public. Consequently some shareholders may receive unsolicited mail, including correspondence from unauthorised investment companies.

Companies have become increasingly aware that their shareholders have received unsolicited phone calls concerning their shareholding. These calls are typically from overseas-based brokers who target UK shareholders offering to sell what often turn out to be worthless or high-risk shares in US or UK investments. They can be very persistent and extremely persuasive. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

If you receive any unsolicited investment advice:

- Ensure that you obtain the correct name of the person and organisation;
- Check that they are properly authorised by the FCA before becoming involved.

You can check at www.fca.org.uk; and

- Report the matter to the FCA at www.fca.org.uk.

ANALYSIS OF ORDINARY SHAREHOLDERS AS AT 31 DECEMBER 2018

Range	No. of Holders	% of Holders	No. of Shares	% of Share Register
1 – 1,000	456	45.19	91,412	0.03
1,001 – 50,000	331	32.80	3,082,268	0.85
50,001 – 500,000	132	13.08	23,134,381	6.35
500,001+	90	8.93	338,228,605	92.77
Total	1,009	100	364,536,666	100

ADVISERS

AUDITOR

PricewaterhouseCoopers LLP
The Portland Building
25 High Street
Crawley, West Sussex
RH10 1BG

CORPORATE BROKERS

Barclays
5 The North Colonnade
London
E14 4BB

Citigroup Global Markets Ltd
Citigroup Centre
33 Canada Square
London
E14 5LB

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Ropemaker Place
25 Ropemaker Street
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EC2Y 9LY

FINANCIAL ADVISER

Rothschild
New Court
St Swithin's Lane
London
EC4N 8AL

FINANCIAL PR ADVISER

Temple Bar Advisory Limited
60 Cannon Street
London
EC4N 6NP

LEGAL ADVISER

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110 Fetter Lane
London
EC4A 1AY

REGISTRAR

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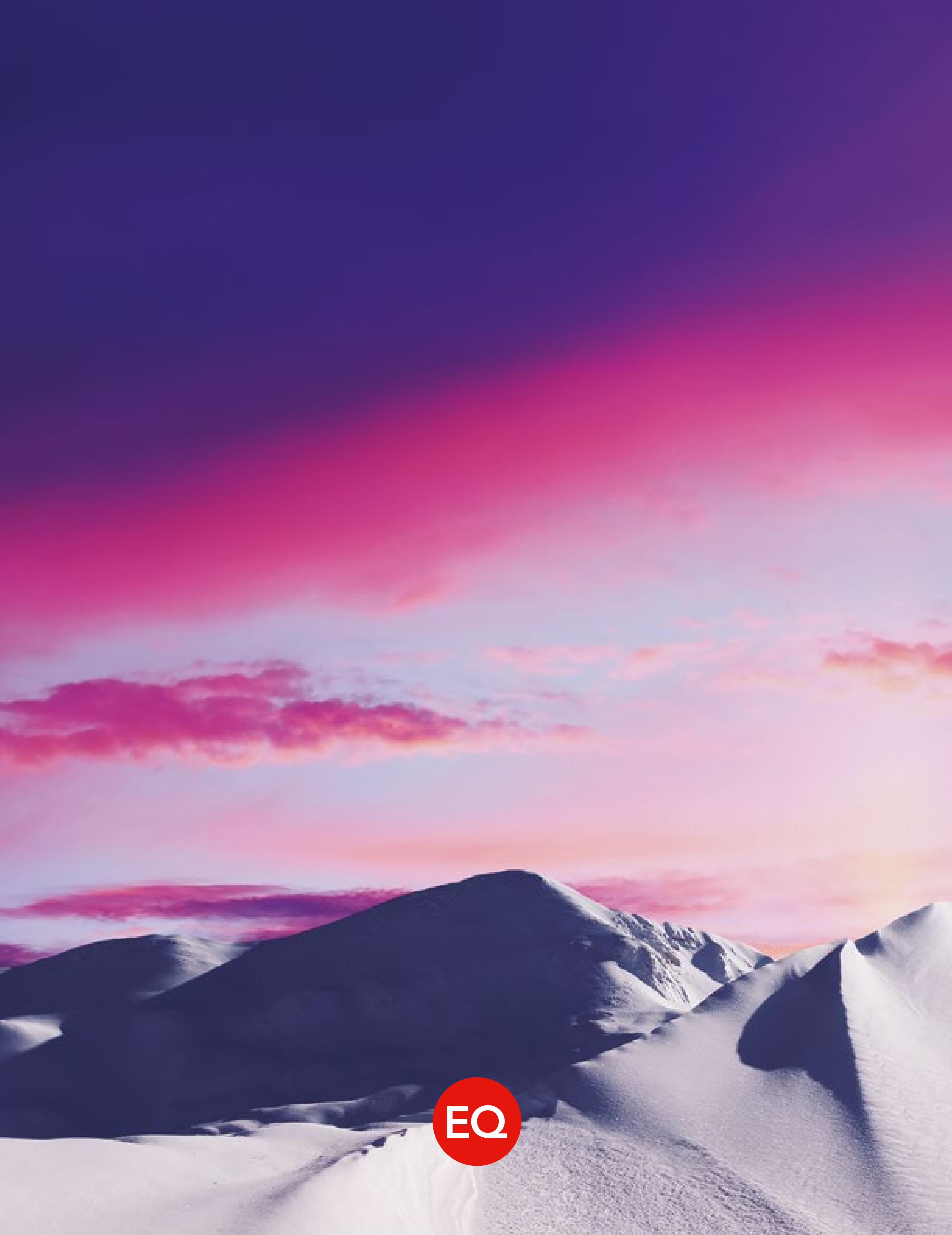
Lancing, West Sussex
BN99 6DA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