

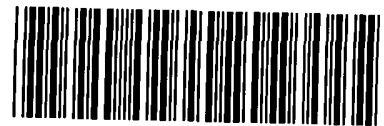
Convergys Intelligent Contact Limited

Annual report and financial statements

31 December 2016

Registered number 02714607

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## Strategic Report

The directors present their strategic report for the 12 months ended 31 December 2016.

### Principal activity

The company is a wholly owned subsidiary of Convergys Holdings (UK) Limited. The company's principal business activities are the design and delivery of innovative direct marketing and contact strategies for the UK corporate market place. This includes the provision of a sophisticated blend of business and consumer data, database marketing and analytical services. The company provides a fully managed in-house service and utilises the Convergys IC Business and Consumer contact Files. The company's principal activities are in the UK. There have not been any significant changes in the company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

### Business review and key financial performance indicators

As shown in the company's statement of comprehensive income on page 8, the company's profit after tax for the year amounted to £2,406,000 (2015 £6,518,000). During the period employee numbers averaged 3,786 (average for period ended 31 December 2015 – 3,994). The balance sheet on page 10 of the financial statements shows that the net asset position as at 31 December 2016 has increased by £2,603,000 (period ended 31 December 2015 – increased by £6,610,000).

|                                            | 2016<br>£000 | 2015<br>£000 | Change<br>% |
|--------------------------------------------|--------------|--------------|-------------|
| Turnover from continuing operations        | 79,445       | 85,603       | -7%         |
| Profit before tax                          | 3,061        | 8,104        | -62%        |
| Profit after tax                           | 2,406        | 6,518        | -63%        |
| Shareholders' Funds                        | 38,531       | 35,928       | 7%          |
| Current assets as % of current liabilities | 389          | 340          | 14%         |
| Average number of employees                | 3,786        | 3,994        | -5%         |

The loss in turnover of £6,158,000 (7%) during the year is primarily driven by the loss of two clients. The profit before tax of £3,061,000 is decreased due to these two clients. Current assets as a percentage of current liabilities has improved by 14% because of a decrease in creditor liabilities. There has been a decrease of 5% in the number of employees due to the loss of two clients.

### Principal risks and uncertainties

Competitive pressure in the UK is a continuing risk for the company. The company manages this risk by providing added value services to its customers and by maintaining strong relationships with its customers. The company is financed by a loan from its parent and its ultimate parent undertaking. It has no third party debt.

By order of the board

Andre Valentine  
Director



70 Atlantic Street  
Broadheath  
Altrincham  
WA14 5FY

Date: August 10, 2017

## **Directors' Report**

The directors present their report for the 12 months ended 31 December 2016.

### **Dividends**

No dividend was paid during the period (31 December 2015 – £nil).

### **Going concern**

The Company's business activities, financial performance and position, together with the factors likely to affect its future development, performance and position are set out in the Strategic report on page 2.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Directors' report and financial statements.

### **Future developments**

The directors expect the company to either maintain or improve sales for the foreseeable future and continue to report healthy profit figures.

### **Directors**

The directors who held office during the year were as follows:

A.J. Ayers

A.S. Valentine

R.J.Evans

Appointed 26 February 2016

The directors did not benefit from qualifying third party indemnity provisions in place and/or qualifying pension scheme indemnity provisions during the financial year and at the date of this report. The Company did not provide qualifying third party indemnity provisions to certain directors of associated companies during the financial year and at the date of this report.

### **Employees**

Details of the number of employees and related costs can be found in note 5 to the financial statements.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that the training, career development and promotion of disabled persons, should, as far as possible be identical with that of other employees.

The company participates in the group's policies and practices to keep employees informed on matters relevant to them through regular meetings and newsletters. Employee representatives are consulted regularly on a range of matters affecting their interests.

**Directors' Report (continued)**

**Political contributions**

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

**Disclosure of information to auditor**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken 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.

**Auditors**

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board

Andre Valentine  
Director



Date: August 10, 2017

70 Atlantic Street  
Broadheath  
Altrincham  
WA14 5FY

## **Statement of Directors' Responsibilities**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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

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

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

**Independent Auditor's Report**

to the members of Convergys Intelligent Contact Limited

We have audited the financial statements of Convergys Intelligent Contact Limited for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, Statement of Changes in Equity, the Balance Sheet and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic report and the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Independent Auditor's Report (continued)**  
to the members of Convergys Intelligent Contact Limited

**Opinion on the financial statements**  
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**  
In our opinion, based on the work undertaken in the course of the audit:

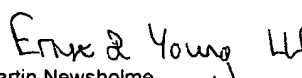
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

  
Martin Newsholme  
Senior Statutory Auditor  
For and on behalf of Ernst & Young LLP (Statutory Auditor)

2 St Peter's Square  
Manchester  
M2 3EY

Date: 11 August 2017

**Statement of Comprehensive Income**  
for year ended 31 December 2016

|                                                      | Note | 2016<br>£000        | 2015<br>£000        |
|------------------------------------------------------|------|---------------------|---------------------|
| Turnover                                             | 2    | 79,445              | 85,603              |
| Cost of sales                                        |      | <u>(53,595)</u>     | <u>(54,862)</u>     |
| <b>Gross profit</b>                                  |      | 25,850              | 30,741              |
| Administrative expenses                              |      | (23,137)            | (22,929)            |
| Other operating income                               | 3    | <u>362</u>          | <u>351</u>          |
| <b>Operating profit</b>                              | 4    | 3,075               | 8,163               |
| Interest payable and similar charges                 | 7    | <u>(14)</u>         | <u>(59)</u>         |
| <b>Profit on ordinary activities before taxation</b> |      | 3,061               | 8,104               |
| Tax on profit on ordinary activities                 | 8    | <u>(655)</u>        | <u>(1,586)</u>      |
| <b>Profit for the financial year</b>                 |      | <u><u>2,406</u></u> | <u><u>6,518</u></u> |

All amounts above relate to continuing operations of the company.

**Statement of Changes in Equity**  
at 31 December 2016

|                                         | Share<br>capital<br>£000 | Profit and<br>loss account<br>£000 | Total equity<br>£000 |
|-----------------------------------------|--------------------------|------------------------------------|----------------------|
| At 1 January 2015                       | 1,229                    | 28,089                             | 29,318               |
| Profit for the financial year           | 0                        | 6,518                              | 6,518                |
| Total comprehensive income for the year | 0                        | 6,518                              | 6,518                |
| Share based payment expense             | 0                        | 92                                 | 92                   |
| At 31 December 2015                     | <u>1,229</u>             | <u>34,699</u>                      | <u>35,928</u>        |
| Profit for the financial year           | 0                        | 2,406                              | 2,406                |
| Total comprehensive income for the year | 0                        | 2,406                              | 2,406                |
| Share based payment expense             | 0                        | 197                                | 197                  |
| At 31 December 2016                     | <u>1,229</u>             | <u>37,302</u>                      | <u>38,531</u>        |

**Balance Sheet**  
at 31 December 2016

|                                                                 | Note | 2016<br>£000         | 2015<br>£000         |
|-----------------------------------------------------------------|------|----------------------|----------------------|
| <b>Fixed assets</b>                                             |      |                      |                      |
| Tangible assets                                                 | 9    | <u>3,488</u>         | <u>4,262</u>         |
|                                                                 |      | 3,488                | 4,262                |
| <b>Current assets</b>                                           |      |                      |                      |
| Debtors amounts falling due within one year                     | 10   | 45,907               | 39,174               |
| Cash at bank and in hand                                        | 11   | <u>3,595</u>         | <u>7,543</u>         |
|                                                                 |      | 49,502               | 46,717               |
| <b>Creditors: amounts falling due within one year</b>           | 12   | (12,725)             | (13,748)             |
| <b>Net current assets</b>                                       |      | <u>36,777</u>        | <u>32,969</u>        |
| <b>Total assets less current liabilities</b>                    |      | <u>40,265</u>        | <u>37,231</u>        |
| <b>Creditors: amounts falling due after more than one year</b>  | 13   | (69)                 | 0                    |
| <b>Accruals and deferred income: Deferred government grants</b> |      | (1,665)              | (1,303)              |
| <b>Net assets</b>                                               |      | <u><u>38,531</u></u> | <u><u>35,928</u></u> |
| <b>Capital and reserves</b>                                     |      |                      |                      |
| Called up share capital                                         | 17   | 1,229                | 1,229                |
| Profit and loss account                                         |      | 37,302               | 34,699               |
| <b>Shareholders' funds</b>                                      |      | <u><u>38,531</u></u> | <u><u>35,928</u></u> |

The financial statements were approved by the board of directors on August 10, 2017 and were signed on its behalf by:

Andre Valentine  
Director



70 Atlantic Street  
Broadheath  
Altrincham  
WA14 5FY

Date: August 10, 2017

The notes on pages 11 to 24 form part of these financial statements.

## Notes

(forming part of the financial statements)

### 1 Accounting policies

Convergys Intelligent Contact Limited (the "Company") is a company limited by shares and incorporated and domiciled in England, at 70 Atlantic Street, Broadheath, Altrincham WA14 5FY.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, Convergys Corporation, includes the Company in its consolidated financial statements. The consolidated financial statements of Convergys Corporation are available to the public and may be obtained from the address in note 21. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Convergys Corporation include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 *Share Based Payments*.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

#### Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires the directors to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

**Notes (continued)**  
(forming part of the financial statements)

**1 Accounting policies (Continued)**

***Operating lease commitments***

The company, as a lessee, obtains use of plant and equipment. The classification of such leases as operating or finance lease requires the company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires a liability to be recognised in the statement of financial position.

The following are the company's key sources of estimation uncertainty:

***Taxation***

Estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timings and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further information is given in note 15.

**1.1 Measurement convention**

The financial statements are prepared on the historical cost basis.

**1.2 Going concern**

The Company's business activities, financial performance and position, together with the factors likely to affect its future development, performance and position are set out in the Strategic report on page 2.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Directors' report and financial statements.

**1.3 Foreign currency**

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

**Notes (continued)**  
(forming part of the financial statements)

**1 Accounting policies (Continued)**

**1.4 Basic financial instruments**

*Trade and other debtors / creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

*Interest-bearing borrowings classified as basic financial instruments*

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

*Cash and cash equivalents*

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

**1.5 Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- |                          |               |
|--------------------------|---------------|
| • Leasehold improvements | 5 to 15 years |
| • Computer equipment     | 3 to 5 years  |
| • Fixtures and fittings  | 5 years       |

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

**1.6 Government grants**

Government grants are recognised when it is reasonable to expect they will be received and that all related conditions will be met. They are included within accruals and deferred income in the balance sheet and credited to the statement of comprehensive income in the periods in which the related costs are incurred.

**Notes (continued)**  
(forming part of the financial statements)

**1 Accounting policies (continued)**

**1.7 Impairment excluding deferred tax assets**

*Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

*Non-financial*

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

**Notes (continued)**  
(forming part of the financial statements)

**1 Accounting policies (continued)**

**1.8 Employee benefits**

*Defined contribution plans and other long term employee benefits*

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

*Termination benefits*

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

*Share-based payment transactions*

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted, and is recognised as an expense over the vesting period. In all cases, the equity is in the ultimate parent company, Convergys Corporation, and thus the expense charged in the financial statements of the company is a "pass-down" charge as per guidance in section 26 of FRS 102.

Fair value for restricted stock units issued is determined by the share price on the date of grant of the award.

No expense is recognised for awards that do not ultimately vest. At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of likely achievement of the vesting conditions (continuing employment through to vesting date). The movement in the cumulative expense is recognised as a cost in the statement of comprehensive income, with the corresponding entry going to profit and loss account reserves.

**1.9 Turnover**

Turnover is the total amount receivable by the Company for services provided, excluding VAT and trade discounts. The Company supplies services to customer under contractual relationships. Under these contracts, revenue is recognised on performance by the Company of all contractual obligations. Where contracts require performance of a number of different services, the contract is accounted for as two or more separate transactions only where the commercial substance is that the individual components operate independently of each other.

**Notes (continued)**  
(forming part of the financial statements)

**1 Accounting policies (continued)**

**1.10 Expenses**

*Operating lease*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

*Finance lease*

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition 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, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease.

*Interest receivable and Interest payable*

Interest payable and similar charges include interest payable and finance leases recognised in the statement of comprehensive income using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

**Notes (continued)**  
(forming part of the financial statements)

**1 Accounting policies (continued)**

**1.11 Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

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

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

**2 Turnover**

|                   | <b>2016</b>   | <b>2015</b>   |
|-------------------|---------------|---------------|
|                   | <b>£000</b>   | <b>£000</b>   |
| United Kingdom    | 73,312        | 80,390        |
| Europe            | 5,932         | 5,059         |
| Rest of the world | 201           | 154           |
|                   | <b>79,445</b> | <b>85,603</b> |

**3 Other operating income**

|                   | <b>2016</b> | <b>2015</b> |
|-------------------|-------------|-------------|
|                   | <b>£000</b> | <b>£000</b> |
| Government grants | 362         | 351         |
|                   | <b>362</b>  | <b>351</b>  |

**Notes (continued)**  
(forming part of the financial statements)

**4 Operating profit**

*Included in other operating income:*

|                                                                                | 2016<br>£000 | 2015<br>£000 |
|--------------------------------------------------------------------------------|--------------|--------------|
| Restructuring costs expensed as incurred – included in administrative expenses | 343          | 151          |
| Auditor's remuneration                                                         | 46           | 44           |

**5 Staff numbers and costs**

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

|                   | Number of employees |              |
|-------------------|---------------------|--------------|
|                   | 2016                | 2015         |
| Selling           | 47                  | 28           |
| Administration    | 239                 | 143          |
| Operations and IT | 3,500               | 3,823        |
|                   | <u>3,786</u>        | <u>3,994</u> |

The aggregate payroll costs of these persons were as follows:

|                       | 2016<br>£000  | 2015<br>£000  |
|-----------------------|---------------|---------------|
| Wages and salaries    | 59,759        | 60,491        |
| Social security costs | 3,699         | 3,899         |
|                       | <u>63,457</u> | <u>64,390</u> |

**6 Directors' remuneration**

|                         | 2016<br>£000 | 2015<br>£000 |
|-------------------------|--------------|--------------|
| Directors' remuneration | <u>222</u>   | <u>197</u>   |

Remuneration relates to the highest paid director only.

|                                                                                                     | Number of directors |      |
|-----------------------------------------------------------------------------------------------------|---------------------|------|
|                                                                                                     | 2016                | 2015 |
| Retirement benefits are accruing to the following number of directors under: Money purchase schemes | 1                   | 1    |

The remaining Directors provide services to other group companies. Where their services to this company are inconsequential to their other roles no remuneration is disclosed as being in respect of their services to this company.

**Notes (continued)**  
(forming part of the financial statements)

**7 Interest payable and similar charges**

|                                                             | 2016<br>£000 | 2015<br>£000 |
|-------------------------------------------------------------|--------------|--------------|
| Interest payable on financial liabilities at amortised cost | 5            | 57           |
| Interest payable other                                      | 9            | 2            |
| Total other interest payable and similar charges            | <u>14</u>    | <u>59</u>    |

**8 Taxation**

**Analysis of charge in period**

|                                                   | 2016<br>£000 | 2015<br>£000 |
|---------------------------------------------------|--------------|--------------|
| <i>UK corporation tax</i>                         |              |              |
| Current tax on income for the year                | 597          | 1,545        |
| Adjustment in respect of previous years           | 50           | (27)         |
| Total current tax charge                          | <u>647</u>   | <u>1,518</u> |
| <i>Deferred tax</i>                               |              |              |
| Origination and reversal of timing differences    | 8            | 31           |
| Adjustment in respect of previous years           | (17)         | 2            |
| Effect of tax rate change on opening balance      | 17           | 35           |
| Total deferred tax charge                         | <u>8</u>     | <u>68</u>    |
| Total tax charge on profit on ordinary activities | <u>655</u>   | <u>1,586</u> |

**Reconciliation of effective tax rate**

|                                                                | 2016<br>£000 | 2015<br>£000 |
|----------------------------------------------------------------|--------------|--------------|
| Profit for the year                                            | 2,406        | 6,518        |
| Total tax expense                                              | 655          | 1,586        |
| Profit excluding taxation                                      | <u>3,061</u> | <u>8,104</u> |
| Tax using the UK corporation tax rate of 20.00% (2015: 20.25%) | 612          | 1,641        |
| Depreciation in advance of capital allowances                  | 30           | 0            |
| Expenses not deductible for tax purposes                       | 74           | 64           |
| Adjustments in respect of prior periods                        | 33           | (25)         |
| Group relief surrender/ claim for no payment                   | (109)        | (125)        |
| Tax rate differences on deferred tax                           | 15           | 31           |
| Total tax expense included in profit or loss                   | <u>655</u>   | <u>1,586</u> |

**Notes (continued)**  
(forming part of the financial statements)

**8 Taxation (continued)**

The March 2016 Budget announced that the rate effective from 1 April 2020 will further reduce to 17%, and this was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

**9 Tangible fixed assets**

|                                  | Leasehold<br>improvements<br>£000 | Computer<br>equipment<br>£000 | Fixtures &<br>fittings<br>£000 | Total<br>£000 |
|----------------------------------|-----------------------------------|-------------------------------|--------------------------------|---------------|
| <b>Cost</b>                      |                                   |                               |                                |               |
| Balance at 1 January 2016        | 4,009                             | 10,958                        | 2,716                          | 17,683        |
| Additions                        | 276                               | 272                           | 158                            | 706           |
| Balance at 31 December 2016      | <u>4,285</u>                      | <u>11,230</u>                 | <u>2,874</u>                   | <u>18,389</u> |
| <b>Depreciation</b>              |                                   |                               |                                |               |
| Balance at 1 January 2016        | 2,691                             | 8,884                         | 1,846                          | 13,421        |
| Depreciation charge for the year | 383                               | 869                           | 228                            | 1,480         |
| Balance at 31 December 2016      | <u>3,074</u>                      | <u>9,753</u>                  | <u>2,074</u>                   | <u>14,901</u> |
| <b>Net book value</b>            |                                   |                               |                                |               |
| At 1 January 2016                | <u>1,318</u>                      | <u>2,074</u>                  | <u>870</u>                     | <u>4,262</u>  |
| At 31 December 2016              | <u>1,211</u>                      | <u>1,477</u>                  | <u>800</u>                     | <u>3,488</u>  |

*Leased plant and machinery*

At year end the net carrying amount of assets acquired under a finance lease was £247,000 (2015 - £847,000).

**10 Debtors**

|                                    | 2016<br>£000  | 2015<br>£000  |
|------------------------------------|---------------|---------------|
| Trade debtors                      | 11,341        | 7,965         |
| Amounts owed by group undertakings | 26,039        | 21,785        |
| Prepayments and accrued income     | 7,405         | 9,139         |
| Corporation tax                    | 845           | 0             |
| Deferred tax assets (see note 15)  | 277           | 285           |
|                                    | <u>45,907</u> | <u>39,174</u> |
| Due within one year                | 45,907        | 39,174        |
| Due after more than one year       | 0             | 0             |
|                                    | <u>45,907</u> | <u>39,174</u> |

**Notes (continued)**  
(forming part of the financial statements)

**11 Cash and cash equivalents**

|                          | 2016<br>£000 | 2015<br>£000 |
|--------------------------|--------------|--------------|
| Cash at bank and in hand | 3,595        | 7,543        |
|                          | <u>3,595</u> | <u>7,543</u> |

**12 Creditors: amounts falling due within one year**

|                                            | 2016<br>£000  | 2015<br>£000  |
|--------------------------------------------|---------------|---------------|
| Obligations under finance leases (Note 14) | 23            | 258           |
| Trade creditors                            | 1,125         | 1,596         |
| Amounts owed to group undertakings         | 2,957         | 1,651         |
| Corporation tax                            | 0             | 428           |
| Social security and other taxes            | 2,625         | 744           |
| Accruals and deferred income               | 5,995         | 9,071         |
|                                            | <u>12,725</u> | <u>13,748</u> |

**13 Creditors: amounts falling after more than one year**

|                                            | 2016<br>£000 | 2015<br>£000 |
|--------------------------------------------|--------------|--------------|
| Obligations under finance leases (Note 14) | 69           | 0            |
|                                            | <u>69</u>    | <u>0</u>     |

**14 Other interest-bearing loans and borrowings**

*Finance lease liabilities*

Finance lease liabilities are payable as follows:

|                            | Minimum<br>lease<br>payments<br>2016<br>£000 | Minimum<br>lease<br>payments<br>2015<br>£000 |
|----------------------------|----------------------------------------------|----------------------------------------------|
| Less than one year         | 23                                           | 258                                          |
| Between one and five years | 69                                           | 0                                            |
|                            | <u>92</u>                                    | <u>258</u>                                   |

**Notes (continued)**  
(forming part of the financial statements)

**15 Deferred tax assets**

Deferred tax assets are attributable to the following:

|                                     | Assets<br><b>2016</b><br><b>£000</b> | Assets<br><b>2015</b><br><b>£000</b> |
|-------------------------------------|--------------------------------------|--------------------------------------|
| Accelerated capital allowances      | (208)                                | (212)                                |
| Other short term timing differences | (69)                                 | (73)                                 |
| Net tax assets                      | <u>(277)</u>                         | <u>(285)</u>                         |

In addition to the deferred tax asset above, the company has additional unrecognised gross tax losses of £236,000 (2015 - £236,000) in respect of capital losses carried forward.

**16 Share based payments**

Certain employees of the company have been granted share based payments by the company's ultimate parent undertaking, Convergys Corporation. At 31 December 2016, Convergys Corporation had authorized 38 million common shares for issuance under the Convergys Corporation 1998 Long-Term Incentive Plan (Convergys LTIP), as amended on 28 January 2011. The Convergys LTIP provides for the issuance of stock-based awards to certain employees and Directors. From time to time, Convergys Corporation grants restricted stock awards that generally vest over terms of three to five years, pursuant to the plan. During the restriction period, restricted stock awards entitle the holder to all the rights of a holder of common shares (other than the right to transfer the shares). Unvested shares are restricted as to disposition and subject to forfeiture under certain circumstances. Convergys Corporation began granting certain employees and Directors restricted stock units. Unlike the restricted stock awards discussed above, the restricted stock units do not possess dividend or voting rights. The restricted stock units consist of both time-related and performance-related units. The restrictions for the time-related restricted stock units lapse three years after the grant date. The performance-related units vest upon Convergys Corporation's satisfaction of certain financial performance conditions (relative stock return). Performance-related units that have not vested by the end of three years from the grant date (i.e. the performance conditions for vesting of those units have not been met within that period) are forfeited.

Costs incurred in the company represent those costs accounted for in Convergys Corporation which relate to employees of the company. The expense recognised in respect of equity-settled share based payments in the year to 31 December 2016 is £197,000 (2015 - £92,000).

**Notes (continued)**  
(forming part of the financial statements)

**17 Capital and reserves**  
*Share capital*

|                                          | 2016<br>£000 | 2015<br>£000 |
|------------------------------------------|--------------|--------------|
| Allotted, called up and fully paid       |              |              |
| 1,228,987 ordinary shares of £ 1.00 each | 1,229        | 1,229        |
|                                          | <u>1,229</u> | <u>1,229</u> |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

**18 Operating leases**  
*Non-cancellable operating lease rentals are payable as follows:*

|                            | 2016<br>£000 | 2015<br>£000 |
|----------------------------|--------------|--------------|
| Less than one year         | 0            | 57           |
| Between one and five years | 4,081        | 1,693        |
| More than five years       | 3,320        | 6,935        |
|                            | <u>7,401</u> | <u>8,685</u> |

During the year £1,693,000 was recognised as an expense in the statement of comprehensive income in respect of operating leases (2015 - £1,719,000) .

**19 Commitments**  
*Capital commitments*

The Company contractual commitments to purchase tangible fixed assets at the year-end were £14,000 (2015 - £188,000).

**Notes (continued)**  
(forming part of the financial statements)

**20 Related parties**

*Identity of related parties with which the Company has transacted*

As the Company is a subsidiary of Convergys Corporation, the Company has taken advantage of the exemption contained in FRS102 Section 33 Related Party Disclosure and has therefore not disclosed transactions with other wholly owned subsidiaries of Convergys Corporation.

**21 Ultimate parent company and parent company of larger group**

The Company is a subsidiary undertaking of Convergys Holdings (UK) Limited. The ultimate parent company and controlling party is Convergys Corporation. Convergys Corporation is located at 201 East Fourth Street, Cincinnati, Ohio 45202, U.S.A.

The largest and smallest group in which the results of the Company are consolidated is that headed by Convergys Corporation, incorporated in the United States. No other group financial statements include the results of the Company. The consolidated financial statements of Convergys Corporation are available to the public.