Companies House

Annual Report and Accounts 2017/18

Companies House

HC 1274

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contents

Ministerial Foreword **2**

1

Performance report **3**

Highlights for the year 4

Chair's and Chief Executive's review 6

Delivering against our Business Plan 7

What we have achieved 9

Performance indicators 14

2

Accountability report **18**

2.1 Corporate governance report **18**

Directors' report 18

Statement of Accounting Officer's responsibilities 21

Governance statement 22

2.2

Remuneration and staff report **30**

Remuneration 30

Staff 36

2.3

Parliamentary accountability and Audit Report **41**

Parliamentary Accountability 41

The certificate and report of the Comptroller and Auditor General to the Houses of Parliament 43

3

Financial statement 2017/18 **46**

4

Appendix A – Treasury Minute **65**

5

Trust Statement: Late Filing Penalties 2017/18 **67**

Ministerial Foreword

It is a great pleasure to introduce the 2017 – 18 annual report for Companies House.

It has been another exceptionally busy year. The register has grown and now has more than 4 million companies registered – a real landmark which demonstrates the strength of the UK economy and the important role Companies House contributes to it. The register of companies is more than a list of corporate entities and their directors, it's an important national asset. It is a vast source of information that supports the limited liability regime by giving vital information on companies, trading history of directors and the people that control those companies. This helps those wanting to do business with those companies find information to assist in business decisions.

It is an essential tool in the fight against economic crime. The UK is a global leader in corporate transparency, with a free, public register of people with significant control which is the first of its kind worldwide to be public. This helps us all to know who is really in control of a UK registered company and is especially useful to law enforcement and the banking sector. It is also continuing to make important changes to improve the integrity of the information on the register of companies.

I know that the staff in Companies House recognise the importance of the register and the important work they do. They are committed to helping companies get the right information on the register at the right time. They have really focused this year on improving the quality of the information on the register and I'm immensely grateful for all that they have achieved over the last 12 months.

The Rt Hon. Lord Henley

1

Performance report

Overview

The overview shows, at a glance, Companies House's performance in measured activities during the reporting year.

Companies House at a glance

Register size as at 31 March 2018	4,033,355
New incorporations	620,285
Companies restored	7,586
Companies in receivership	6,047
Dissolved companies	490,738
In dissolution	172,455
In liquidation	90,878
Digital take-up	86.7%
Accepted transactions	11,614,913
Paper documents accepted	1,541,553
Accounts compliance (Filed earlier or on time)	94.5%
Accounts compliance (Filed up to date)	98.3%
Customer satisfaction	84%
Number of times the register was accessed for free (excluding Application Programme Interface (API) searches	2,243,907,179
Number of times the register was accessed for paid for information	828,234
Staff engagement	66%
Headcount (Total employees) as at 31 March 2018	955
Headcount (Full time equivalents) as at 31 March 2018	877.73
Income	£69.1m
Expenditure (including dividend)	£70.2m

More information on our statistics can be found on www.gov.uk/companieshouse

Highlights for the year

58,352

Introduced ‘Report It Now’ function in July which led to 58,352 reports, improving data quality

Increased the amount of accounts that can be filed with us digitally, increasing corporate transparency

PSCs

improved corporate transparency by extending the scope of reporting of PSCs

Developed a digital filing service for abridged accounts

Retained our Customer Service Excellence Award

Maximised efficiency, processing more filings than ever before

Achieved our second successive Investors in People Gold Standard Award

INVESTORS IN PEOPLE | Gold

Worked with companies to increase the amount of PSC information on the register improving corporate transparency

EFFICIENCIES

Chair's and Chief Executive's review

We are pleased to introduce the Companies House Annual Report and Accounts for 2017/18, which sets out the agency's performance over the last financial year.

2017/18 has been another successful year for us. Our particular focus has been on improving the quality of the data on the register. The number of companies on the register and the ever-growing use of our data proves the importance of corporate transparency. However we know that the integrity of the data is just as important.

We've done this through implementing new legal requirements and responding to customer feedback by making changes to our systems. We've made it much easier for people to highlight issues with the information on the register, by providing a simple 'report it now' feature on each page. This has proven very popular and is helping us work with companies to ensure the integrity of information on the register.

Our focus on compliance activities has also been vital in improving the quality of the data. The freely accessible register of people with significant control over companies was introduced in June 2016 and we have concentrated this year on helping companies put that important information on the register. We now have a register of over 4.6 million PSCs across all corporate body types. The searching facility became available in September. Between its launch and the end of March 38,760,381 searches were carried out. Not everyone has complied successfully. So we are starting enforcement procedures with colleagues in the Insolvency Service.

We've continued to focus on delivering an efficient service. This has allowed us to absorb a greater workload within our existing resources. Our staff have processed more filings than ever before and remain committed to providing fast and efficient services.

We were delighted to be awarded an Investors in People gold accreditation for the second year running. We've continued to strive for a diverse workforce, that reflects the customers and communities we serve and has the right attitudes, behaviours and skills to deliver and improve our services.

Over the year we have had significant challenges of recruitment and retention of digital staff which have impacted our ability to make the progress we wanted. We have used the government's digital, data and technology framework to address this and are already feeling the benefit.

We're proud of what we've achieved over the past year, ultimately providing customers with simpler, better and more secure ways of transacting with us. These achievements would not have been possible without the talents and hard work of our staff. However, our legacy systems have hampered the pace of our ability to improve services and to achieve efficiencies as well as the quality of our data which we intend to address.

We look forward to the opportunities that lie ahead and to working together with our board and staff in delivering our Transformation Programme. This programme will result in brilliant people, delivering brilliant services, through brilliant systems.

L. Cowley

Lesley Cowley OBE
Chair

L. C Smyth

Louise Smyth
Accounting Officer
Chief Executive and Registrar
11th July 2018

Delivering against our 2017/2018 Business Plan
Who we are & what we do

Companies House is an Executive Agency of the Department for Business, Energy & Industrial Strategy (BEIS).
We incorporate companies and publish the information they are required to provide to us. This includes information on who owns and runs a company, as well as information about their financial position. Companies provide this information to us in return for being able to operate as limited liability entities and they are legally responsible for the information they provide to the registrar. Business success and economic growth depend on investors, employees, consumers and the wider public having confidence in business. The register of companies provides that confidence.

Our head office is in Cardiff, and we have offices in Edinburgh, Belfast and London.

Our strategy

Our vision is to be the best registry in the world. Our strategy for 2017 to 2020 sets out how we will achieve this vision.

We will ensure excellence in companies' search and registration, by making sure customers can do everything online and by making sure our services are simple and easy to use.

We will make the register as complete and accurate as possible, which will include working with others to identify data issues that need to be corrected. We will design out scope for error in our services, and help companies provide current, complete and correct information.

We will build a high performing culture to support customer service by making sure our staff strive for excellence. They will be adaptable, embrace change with confidence and have the skills to help us achieve our vision.

How we manage our agency

We work within a framework, agreed with UK Government Investment (UKGI) and BEIS. This framework sets out our governance, accountability, key relationships and financial management arrangements.

Our board consists of a non-executive chair, chief executive and accounting officer, 5 executive directors and 6 non-executive directors (NNEB). For more information about our governance see page 18.

Risk management

Risk management plays an important part in projects, the development of new services and the everyday running of our business. During the year, we have renewed our risk policy, reviewed our process for assessing and recording risk and completely refreshed our strategic risk register. We are an active member of the Welsh Risk Network, making the most of the best practice shared within the public sector. For more information about our risk management see the governance Statement on page 22.

We recognise this is an area where we will need to focus to ensure our approach to risk management is consistent with risk appetite and embedded into our decision-making process. This will begin with establishing agreement on risk appetite.

Corporate social responsibility

We are committed to having a positive impact on the local community. This year our staff have been on 310 volunteering days and have raised £11,400.50 for local charities. We have supported the Alzheimer's Society, British Heart Foundation, Tenovus, Breast Cancer and Ty Hafan charities in particular.

The purpose of this document

This Annual Report and Accounts sets out our performance and achievements for the year. For more information, see our Business Plan for 2017/18.

Public targets
We met 5 of our corporate targets and failed to meet two of them. We achieved our targets for accounts compliance, digital enablement of accounts types, service availability, electronic filing and cost reduction, but failed to meet the customer satisfaction and confirmation statement compliance targets. We have commented on the reasons why on pages 11 and 12.

Corporate targets	Target	Result
To achieve an annual customer satisfaction score of 88%	88%	84%
To reach a compliance level of 95% of accounts filed early or on time	95%	95%
To reach a compliance rate of 75% of confirmation statements filed early or on time.	75%	70%
To digitally enable 99% of all possible accounts filings.	99%	99%
To ensure our services are available 99.9% of the time	99.9%	99.9%
To achieve a take-up of 87% of our digital filing services	87%	87%
To reduce the costs of our baseline activities by 3.5%	3.5%	5.0%

*fractional percentage results have been rounded up or down in keeping with accounting convention

What we have achieved

Excellence in company registration and search

To be the best registry in the world, we must have excellent registration and search services. The government launched its Industrial Strategy this year, and we can play a key part in helping make the UK the best place in the world to start and grow a business, by making our services simple and easy to use, at relatively low cost, freeing up companies to focus on doing business.

We firmly believe that it is better for companies if they file their information with us through our digital channels. It is quicker, simpler and cheaper than sending in a paper form. The information is more accurate and can be made available in a more easily accessible and reusable way.

We can see the clear benefits of digital filing and are moving towards being a fully digital organisation. We have made good progress towards this goal this year. We have completed work to build digital systems that allow 99% of accounts types (by volume) to be filed digitally. This includes a system that allows companies to file new abridged accounts as permitted by company law. This is important progress; it makes it easier for companies to file their accounts and makes them much more accessible to people deciding whether to do business with a company.

We have continued to collaborate with HMRC on development of the digital “Register Your Company” service, which was first launched in February 2017. This is a streamlined service that allows people to incorporate a company and register for taxes (Corporation Tax and PAYE) at the same time. The service has proved popular with users and achieved high customer satisfaction rates. Over the last year we have expanded the service to allow a wider range of company structures to use the service. In February, we passed an assessment by the Government Digital Service (GDS) that allowed the service to enter “public beta” in April.

We have improved the digital service for those companies who wish to dissolve voluntarily. This offers a secure and easy method for companies to apply to be struck off the register. Over the last year, we have received 33,651; an average of 2,804 each month and with such significant volumes there has been real benefit in making the process more efficient.

An important part of our role in providing excellent services is implementing the new policies that deliver the government commitment to improving corporate transparency. In June we successfully implemented changes brought about by the fourth EU money-laundering directive. This was a huge piece of work for Companies House and affected all the companies on the register. It was important that we got it right, which we did; and we delivered it effectively.

We developed systems to allow more types of business to file information about their People with Significant Control (PSC). For example, for the first time, we have PSC information for Scottish Limited Partnerships (SLPs). This has made SLPs much more transparent, helping law enforcement in their fight against economic crime.

We also simplified the confirmation statement. PSC information was previously provided to us every year. It is now provided in the event of a change, meaning the information on the register is more current.

We implemented the consolidated insolvency rules for England and Wales. This was the second phase of a substantial exercise to simplify insolvency processes across England and Wales. We created 77 forms bringing them into the registrar’s rules; working with the Insolvency Service and insolvency practitioners to modernise them, making them simpler, easier to complete and understand. It also represents another step on our journey to becoming a fully digital organisation.

We also implemented European insolvency changes, requiring 12 new filings for the registrar as part of the European Directive to ensure cross border insolvency proceedings operate efficiently and effectively.

The company register is all about transparency. But it is important that we consider what it means for individuals who have details on the register especially in a digital world, where it is very easy to access information.

This year we have worked with BEIS to think about whether we have got the balance right. Having considered the matter carefully, the government decided a small change was needed to make it easier for company directors (as well as secretaries, PSCs, LLP members) to protect their residential addresses. This will help safeguard them from identity fraud and personal harm. This came into effect on 26 April 2018.

Legislation permitting a new form of Limited Partnership came into force in April 2017. The aim of Private Fund Limited Partnerships (PFLPs) is to reduce the administrative and financial burden for a type of investment fund and increase the UK's competitiveness as a location for funds. We introduced processes for new PFLPs to register and for existing Limited Partnerships to convert. We have had good levels of take-up, showing the benefits of this new type of entity.

We also implemented changes to our systems and processes to allow charitable companies to be able to convert to a new corporate form known as: charitable incorporated organisations (CIOs). This has reduced the burden on charities by eliminating the need for them to report to two government bodies. CIOs only need to file documents with the Charity Commission.

We continue to be a leader within the international business registry community. We now lead on the International Business Register Survey. This is an international collaboration project involving various registries around the world. It allows registers to compare their own practice and performance with other jurisdictions. This survey underlines the importance of company registries to the economy, supporting trade on which a country's prosperity is based.

For much of the year, we have been working hard to ensure all our processing of personal data is compliant with the General Data Protection Regulation (GDPR) that came into effect in May 2018. This is an opportunity to ensure that we really understand the personal data that we handle, why we handle it and who we share it with. Our GDPR project has ensured that staff right across Companies House are involved in implementing the new requirements and will help us continue to embed a culture of data protection.

Making the register as complete and accurate as possible

We recognise the importance of making sure that the data on the register is of high quality, in particular to ensure that it is as useful as possible in successfully delivering the government's Industrial Strategy. For the register to be as valuable as possible, people using it need to have confidence that the data is current, complete and correct.

We aim to achieve this by focussing on helping companies file the right information, and by working with them to ensure the information remains correct and up to date.

We have made progress against these ambitions this year. We have started to review and rewrite all of our guidance, making it easier to find and easier to understand. We have changed our approach to producing text, so that it is tested much more thoroughly with users. We have had very positive feedback on the new-style guidance that we have released so far.

In July we launched a 'report it now' facility on the Companies House Service (CHS), our flagship online search service. The new functionality allows customers to tell us about anything that is wrong with the information on the register. This has been a huge success, with 58,352 reports between its launch in July 2017 and 31 March 2018. We are getting some extremely helpful feedback on company information, which we can follow up with those companies to deal with identified problems. These range from complaints that data is incorrect, to notifications of directors that have resigned. Some of the contact has identified the unauthorised use of addresses as registered offices. In these cases, we were able to use our powers to ensure the address was changed.

We have listened to feedback from people using our data about its quality, and quickly acted to make improvements. For example, we had complaints about the misspelling of country names. This prompted us to carry out a data cleansing exercise correcting addresses and nationalities right across the register. In addition, we have introduced drop down lists for nationality and country information, to ensure the data is clean, consistent and reusable.

We have started to use other data sources to improve the quality of our data. We have also improved our collaboration with other data holders by becoming members of the data leaders network, a cross government partnership which is working innovatively with data.

We are working much more closely with banks, and the law enforcement community to ensure that the data on the register is as useful as possible. Requests for help in law enforcement investigations have increased by 26% in the past year. Companies House is also a partner organisation of the Government Agency Intelligence Network (GAIN). Its aim is to solve issues by working across agencies and sharing information when taking enforcement action.

We are seeing increasingly improved results from partnership working. This year we helped with painting an intelligence picture around companies involved in organised crime and people trafficking. In one case, our support to law enforcement resulted in an individual being imprisoned for offences relating to human trafficking and modern slavery.

One of the most important sets of data on the register is information about PSCs. That information was accessed over 5 million times last year. We know how important it is to users and therefore the importance of helping companies get it right.

Identifying a PSC can be complex for a company, and we are very pleased with the level of information on the register already. But we knew it would get better over time. Now the register has been in place for over a year, we are actively pursuing the small minority of companies who have not yet filed their PSC information. We are also following up with companies who told us that they are seeking to identify their PSCs but have not yet updated their record. We have issued over 100,000 letters where companies have told us they were trying to identify their PSC, to ensure that they do subsequently file the information with us. We are seeing a 94% success rate from those letters and will continue with our compliance activity with those who have not yet filed. We will initiate prosecutions for those companies that still do not comply.

While 70% of companies have filed their confirmation statement on time, this is below the target we expected to reach. There have been two legislative changes to the confirmation statement since its introduction and this appears to have has an impact on customer behaviour. We recognise there is more to do to understand and improve this.

To build a high-performance culture

To be a truly high-performing organisation and deliver brilliant services, we need to develop a culture of striving to achieve. We have made a lot of progress this year.

We have launched a new programme of learning and development, aimed specifically at new and aspiring managers to aid the development of people management skills and knowledge. The programme content was built as a result of feedback received from workshops held with a range of staff. The programme was launched in March 2018 and has received positive feedback to date. There are 40 people from all regions involved with more on the waiting list.

In addition, we introduced the Institute of Leadership Management programme (ILM) level 5 to members of our new coaching network, of which twelve members of staff took up the opportunity to develop and learn new skills. This has led to coaching skills for managers being added to the New and Aspiring Managers programme mentioned above.

We have also publicised secondment and loan opportunities in other government organisations for staff to help their personal development as well as bringing new skills back to us when they return.

We have continued to take part in the Civil Service-wide people survey with 86% of staff taking time to complete it. This year we are delighted to report a 4% growth in engagement levels to 66% which is 5% better than the Civil Service as a whole.

A new performance management approach was introduced during the year concentrating on improved people manager roles and relationships. A new personal development form has been launched improving standard setting and introducing a facility to record 1 to 1 meetings.

Our customers

We are delighted to have been successful in retaining the Customer Service Excellence standard this year. The standard focuses on areas which research has indicated are a priority for customers. For example, timeliness of service, professionalism, staff attitude and using customer insight to drive service improvement. And we scored highly across all these areas.

That achievement aside, we were disappointed that we missed our customer satisfaction target by 4% in 2017/18 and are working hard to understand the reasons for this. We recognise that some customers are disappointed that improvements in our digital filing services have slowed down, which happened because we had to focus on implementing legislation and improving the services for people who want to find information about companies. Our business plan for 2018/19 explains the aims of our forthcoming transformation programme, which will focus on providing brilliant services on a digital platform.

Our focus in 2018/19 will be to encourage customers to use digital channels. Satisfaction with our telephone service remains generally high, and we want to improve our self-service digital channels so that customer satisfaction with these channels is equally high. We also want to make sure our customers can use online services to find the answers they need to assist them to use our services. Where that is not possible, we want to make sure that we can deal with customer calls more quickly, by providing customers with as much information as possible beforehand. That will allow us to help more people.

Performance analysis

Financial performance

As a Trading Fund, we do not receive funding from the taxpayer. We are financed by income from fees and we pay an annual dividend to BEIS. Penalties collected in respect of company accounts filed late with Companies House are paid in their entirety to HM Treasury.

Operating income for the year was £69.1m (2016/17: £67.3m); an increase of £1.8m compared to last year. A 3.5% growth in the size of the register has meant that the number of confirmation statements filed contributed £2.1m additional revenue this year. Greater activity in pursuing late filing penalties restored the amount recharged to BEIS to more normal levels than last year, an increase of £1.4m over 2016/17. However, the amount of incorporation income fell by £0.7m due to (1) a 3.8% reduction in the number of new companies formed which fell by 24,463 to 620,285, and (2) the full year effect of a £2 price reduction commencing in July 2016. The other notable reduction was in Companies House Direct (CHD) income which fell by £0.5m in the year as customers continue to switch to the free data service now available.

Our gross administration costs for the year were £66.0m, an increase of £5.9m over the previous year. Staff costs have increased by £2.5m compared to 2016/17 (see note 3). Average full-time equivalent (FTE) numbers have increased by 17, and contract labour costs have increased by a net £0.7m. Non-staff administration costs have increased by a net £2.0m compared to 2016/17 (see note 4). An increase in the volume of late filing penalty cases taken to court accounts for £1.4m, with increases in software licence costs, staff related costs, including recruitment and training, and other administration costs including depreciation adding £2.1m. The main reductions in expenditure compared to last year were in office equipment and professional services which accounted for £1.5m.

During the year VAT errors were identified. An estimation of the errors for prior years 2014 – 15 / 2016 -17 has been provided for and a provision of £1.4 million to reflect over claiming of VAT during that period inserted into the current years accounts.

The operating surplus before interest for the year ending 31st March 2018 was £3.0m (2016/17: £7.2m). After interest receivable and finance costs and declaring a dividend on public dividend capital of £4.0m, a net deficit of £1.0m was transferred to reserves.

Companies House invested £6.25m (2016/17: £6.7m) in improving systems and developing new services for customers, and on continuing to improve the working environment for our staff. Of this, the in-house development costs accounted for £3.4m (2016/17: £4.0m). £2.1m (2016/17: £0.9m) and was spent on upgrades to IT infrastructure and hardware, and £0.8m (2016/17: £1.8m) was spent on improvements to the office environment in the Crown Way building in Cardiff.
Our balance sheet remains strong and after investing in capital projects we carried cash balances of £43.3m (2016/17: £44.6m).

Late Filing Penalties
The purpose of the late filing penalty scheme is to promote the timely delivery of accounts to Companies House. Penalties were first introduced in 1992 in response to increasing public concern about the number of companies that failed to file their accounts on time or at all. It was thought that the prospect of incurring a penalty would be an incentive for companies to file on time.

Within the financial year 94.5% of accounts were filed by the accounting deadline (2016/17: 94.5%). At year end 98.3% of companies had filed their due accounts (2016/17: 99.1%). During this period the register size increased to 4,033,355 (2016/17: 3,896,755).

During the financial year 218,884 penalties were levied (2016/17: 206,575), which was an increase of 12,309 on the previous year. There was an increase in the value of the penalties issued to £93.7m (2015/16: £90.7m). The penalties levied are broken down by register as follows:

	Number of Penalties 000	**2017/18 £000**	Number of Penalties '000	2016/17 £000
England and Wales	**204**	**86,918**	194	84,220
Scotland	**11**	**5,130**	10	4,879
Northern Ireland	**4**	**1,609**	3	1,618
Total	**219**	**93,657**	207	90,717

During 2017/18 a total of 45,299 double penalties (2016/17: 42,789) were levied with a value of £39.8m (2016/17: £38.7m) against companies which had filed their accounts late in successive years.

59% of the penalties levied in 2017/18 were collected in full. Those penalties which either I or my fellow Registrars exercised our discretion not to collect are excluded from these figures.

Penalties and any associated court costs which were written off during the financial year as uncollectable amounted to £38.6m (2016/17: £26.6m). There was a decrease in the impairment of receivables due to bad and doubtful debt of £9.2m (2016/17: £5.7m increase in impairment). Resulting in a total impairment of £66.6m reducing the carrying value of net receivables to £21m. This follows an overall reduction of receivables due of £13.8m through the introduction of the new accounting policy to write off debt where all the current strategies have been exhausted following court action, which had previously been subject to the provision for bad debts. There was also a performance increase in successful collection of debt following internal process reviews during the year which has increased the volume of debt moving throught the debt recovery process. The net revenue for the Consolidated Fund was £63.7m (2016/17: £56.8m). The transfer of receipts to the Consolidated Fund from the Trust in the year was £70.5m (2016/17: £51m), which left a balance due to the Consolidated Fund of £21.9m (2016/17: £28.7m) at 31 March 2018.

Non-Financial performance

Procurement
In compliance with The Public Contract Regulations 2015 which transpose the EU Public Contracts Directive 2014 into law in England, Wales and Northern Ireland; World Trade Organisation rules and UK procurement legislation, the Procurement and Contracts team actively seek out the most advantageous procurement route throughout the life of the project. 90% of our supply chain contracts are through Government frameworks, whereby suppliers have tendered, been audited and checked against a number of criteria including financial stability, environmental compliance and overall compliance with UK legislation which also includes Modern Slavery Act 2015.

Human Resources (HR)
Our HR policies provide guidance and assurance to staff that our recruitment processes ensure fair and open competition, equal opportunities for all and that we embrace diversity. Our disciplinary policy confirms our zero tolerance for fraud and bribery and clearly sets out the consequences should a member of staff be found guilty. In addition, our Counter Fraud Policy aids staff to understand the content of the act as well as how they should respond if they become aware of a fraudulent act.

Gender Pay Gap legislation introduced in April 2017 requires all employers of 250 or more employees to publish their gender pay gap as at 31 March 2017. The Companies House Gender Pay Gap Report was published on 27 February 2018. The report sets out a range of measures that are in place to reduce the gender pay gap in the future.

Performance Indicators

Average rate of return

Companies House has a target to achieve a return, for the 5-year period from 1 April 2014 to 31 March 2019, averaged over the period as a whole, of at least 3.5%. This is set out in the HM Treasury Minute of 14 May 2014 (Appendix A). This is in the form of an operating surplus on ordinary activities post exceptional items and interest (payable and receivable), but before dividends, expressed as a percentage of average capital employed. Capital employed equates to the total assets less total liabilities.

The return achieved for the year ended 31 March 2018 was 3.9% (2016/17: 9.4%) and the cumulative average return achieved since 1 April 2014 was 5.9%.

Efficiency target

Our efficiency target was to reduce the costs of our baseline activities, adjusted for inflation, by 3.5%. This year's target was exceeded; the final efficiency value achieved being 5.0%.

The efficiency methodology considers inflation, volume changes and cost reductions achieved in year in comparison to the base year. Increases in costs in delivering the comparative service reduce the efficiency outcome.

Supplier Payment Policy

In May 2010, all government departments were set new guidelines of paying 80% of supplier invoices within 5 days of receipt. In 2017/18, 97.8% of supplier invoices have been paid within this 5-day target (2016/17: 98.4%).

Risk and uncertainty

Companies House identifies and manages risk to make sure it can achieve its goals as well as take opportunities to make improvements.

Risks are identified based on our Business Plan and our responsibilities to the government and our customers. Our risk management policy sets out how we manage risk in Companies House. The policy had its annual review during the winter and has been updated to ensure there is a clear steer on responsibility, escalation processes and clearer guidance on risk appetite.

During the year, we reviewed our risk register to ensure we remained focussed on our most important risks. Our main risks include:

- cyber security
- customer satisfaction
- ensuring we are compliant with the General Data Protection Regulation (GDPR)
- recruitment and retention of staff with the necessary skills to deliver our strategy

Sustainability report

Companies House was again successful in gaining certification to the new International Environmental Management Standard ISO14001:2015. Gaining certification to ISO14001:2015 provides Companies House with a strategic framework for improving our environmental performance, meeting stakeholder requirements and complying with all environmental and statutory requirements.

Greenhouse gas emissions non-financial indicators tonnes of CO2e (tCO2e)

Scope / emission / energy use	2014/15 tCO^{2}e	2015/16 tCO^{2}e	2016/17 tCO^{2}e	**2017/18 tCO^{2}e**
Total Scope 1 emissions (gas, fuel for fleet, fugitive emissions)	70	82	152	**93**
Total Scope 2 emissions (off site electricity generation)				
Belfast office	43	42	39	**34**
Cardiff office	1,911	1,907	1,744	**1,445**
Edinburgh office	28	26	24	**20**
Total Scope 3 emissions (transmission loss of electricity)				
Belfast office	4	3	4	**3**
Cardiff office	167	158	158	**113**
Edinburgh office	2	2	2	**2**
Total emissions attributed to electricity consumption	**2,155**	**2,138**	**1,971**	**1,617**
Emissions attributable to Scope 3 official business travel (rail, taxi, air, underground—all offices)	64	62	82	**78**
Total emissions (all scopes)	2,289	2,282	2,205	**1,788**

Greenhouse gas emissions: related energy consumption (kWh)

Electricity	2014/15 kWh'000	2015/16 kWh'000	2016/17 kWh'000	**2017/18 kWh'000**
Belfast office	86	92	94	**97**
Cardiff office	3,866	4,127	4,231	**4,110**
Edinburgh office	56	55	59	**57**
Gas (Cardiff only)	343	392	793	**530**
Total kWh consumption	4,351	4,666	5,177	**4,794**

Greenhouse gas emissions: financial indicators for all office

Expenditure	2014/15 £'000	2015/16 £'000	2016/17 £'000	**2017/18 £'000**
Energy (gas, electricity)	517	553	559	**562**
CRC (including fees and allowances)	27	37	38	**36**
Official business travel (rail, hire cars, taxis, air and fuel)	223	208	205	**198**
Total expenditure	767	798	802	**796**

The above tables illustrate our energy consumption, greenhouse gas emissions and associated financial indicators. Our total energy consumption (kWh) has decreased for the year. This can be attributed to:

- IT services migration to the cloud;
- the heating, ventilation and air conditioning. The HVAC system in the conference facilities has been decommissioned pending replacement;
- the continued introduction of mobile devices to staff, which consume less energy than desktop PCs;

- continued replacement of florescent tubes with energy efficient smart LED lighting during refurbishments; and
- continued introduction of 'point of use hot water' which has reduced the need for boiling kettles.

We have seen a decrease in business travel (and associated emissions) during the reporting year. This can be attributed to:

- improved IT technology; enabling staff to conduct / attend meetings via their mobile devices;
- improved teleconference / videoconference facilities; and
- staff being more aware of the environmental impact of travelling and the need to reduce business mileage.

Energy performance per building user

Energy performance	Cardiff [1]	Belfast[2]	Edinburgh[3]	Cardiff [1]	Belfast [2]	Edinburgh[3]
		2016/17			2017/18	
Total kWh'000 consumption electricity	4,231	94	59	**4,110**	**97**	**57**
Total kWh'000 consumption gas	793	-	-	**530**	-	-
FTE4	1,896	17	24	**2,051**	**18**	**32**
kWh electricity performance per FTE	2,232	5,524	2,468	**2,003**	**5,382**	**1,770**
kWh gas performance per FTE	418	-	-	**258**	**-**	**-**

1. Cardiff office includes tenants' energy consumption.

2. Electricity provides heating and Cooling at our Belfast office.

3. Gas is used for heating and cooling at our Edinburgh office, which is a multi-tenanted building. Gas is charged on a space basis and not sub-metered.

4. FTE includes employees, tenants, contractors and visitors.

Waste minimisation and management

Cardiff office only, data not available for other regional offices.

Non-financial indicators	2014/15 (tonnes)	2015/16 (tonnes)	2016/17 (tonnes)	**2017/18 (tonnes)**
Recycled/reused	162	190	166	**152**
ICT waste	2	4	1	**3**
Incinerated		-	97	**49**
Landfill	68	87	-	**29**
Food waste	11	11	11	**11**
Total waste arising	243	292	275	**244**

Financial implications	2014/15 (£'000)	2015/16 (£'000)	2016/17 (£'000)	**2017/18 (£'000)**
Total disposal cost	9	10	10	**10**

Our waste is collect via a Total Facilities Management framework therefore costs cannot to be segregated per waste stream. The tables above provide our waste production figures and associated financial indicators. Our total waste production has decreased this year due to greater awareness amongst staff regarding the need to reduce waste.

Use of finite resources (water)

Cardiff office only, data not available for other regional offices.

Non-financial indicators	2014/15 (m^3)	2015/16 (m^3)	2016/17 (m^3)	**2017/18 (m^3)**
Water consumption	9,483	9,506	8,707	**9,229**

Financial implications Cardiff office only, data not available for other regional offices.	2014/15 (£'000)	2015/16 (£'000)	2016/17 (£'000)	**2017/18 (£'000**
Water supply costs	34	34	32	**34**

Cardiff office only, data not available for other regional offices.

The tables above illustrate our water consumption and associated financial indicators. Our water consumption has increased this year, which can be attributed to the increase in the number of full time equivalents to the site.

Despite the increase, compared against building users, water consumption equates to 4.50 m3/FTE (4,500 litres/FTE), which is identified as good practice within the Greening the Government Commitments water efficiency guidance. This is a decrease of 120 litres/FTE when compared to 2016/2017.

Paper

Non-financial indicators	2015/16	2016/17	**2017/18**
Number of A4 reams used	11,875	11,140	**9,645**
Number of A3 reams used	40	45	**25**
Cost of A4 reams (£'000)	31	34	**27**
Cost of A3 reams (£'000)	0.200	0.292	**0.155**

Environmental Performance Reporting

Companies House has established an Environmental Working Group to identify environmental opportunities and ensure continual environmental improvement.

L. C Smyth

Louise Smyth
Accounting Officer
Chief Executive and Registrar
11th July 2018

2

Accountability report

Corporate governance report

Directors' report

Members of the Board

During the period, Tim Moss resigned as Chief Executive and Accounting Officer on 30 April 2017. Ann Lewis, Director of Operations and Customer Delivery, served as acting Chief Executive and Accounting Officer from 1 May 2017 until 17 September 2017. Louise Smyth was appointed Chief Executive and Accounting Officer on 18 September 2017.

The board reviews and oversee both Companies House and LFP activity.

Lesley Cowley OBE: Chair of Companies House

Lesley became non-executive chair of Companies House on 1 March 2017. She was first appointed non-executive chair of DVLA in October 2014 and re-appointed in October 2016. Lesley was appointed a non-executive director of aql (an Ofcom-regulated telecommunications operator) in October 2014 and lead non-executive director of The National Archives in January 2016.

Louise Smyth: Chief Executive Officer and Registrar of Companies

Louise joined Companies House on 18 September 2017, after leaving the Intellectual Property Office (IPO).

Her career in the IPO began as a training manager in 1992, working in various corporate services areas before becoming Head of Human Resources and Corporate Services in 2005. In 2008, she became Business Support Director. Later Louise was appointed director of IT responsible for ensuring the IT infrastructure was being used effectively by all employees and departments.

In August 2013, Louise returned to corporate services as Director of People, Places & Services in the IPO. In June 2014, Louise was acting Chief Operating Officer, becoming permanent Chief Operating Officer in February 2015. She was responsible for Corporate Services: IT, People, Places and Services and Finance until leaving to join Companies House.

Ann Lewis: Director of Operations and Customer Delivery (acting CEO from 1 May 2017 to 17 September 2017)

Ann joined Companies House in July 2009 with responsibility for the Customer Delivery Directorate including Customer Service, Operations and Enforcement. She is responsible for improving processes, implementing change beneficial to the organisation and engaging staff.

Before joining Companies House, Ann was a deputy director within the Office for National Statistics (ONS) based in Newport. Ann spent over 30 years at the ONS in various roles, introducing and managing major business change strategies. She has managed various large teams, specialising in operational management, business change and efficiencies.
Ann was acting Chief Executive and Registrar of Companies from 1 May until 18 September 2017.

Ceri Witchard: Director of Corporate Strategy

Ceri joined Companies House in 2015 and is responsible for leading on policy and strategy development for the organisation. She has extensive experience of policy development within government, including legislative policy, negotiation and implementation of European directives.

In a previous role, she led communications and business support teams and developed online tools to assist small businesses. Ceri is a trustee for a small community transport charity and a community governor at a local primary school. Ceri has a degree in mathematics and post-graduate qualifications in law and intellectual property. In addition, Ceri is also the Regulator for Community Interest Companies (CIC).

Robert McNeil: Acting Director of Digital Services

Robert joined Companies House in July 1988 as a computer programmer and has over 25 years experience of working in the IT and Digital sector, with roles in development and support. Robert has implemented technical, process and cultural changes including the Companies House Service (CHS), which is an important part of our free data strategy.

On 1 January 2017, Robert became acting Director of Digital Services at Companies House.

Angela Lewis: Director of People Transformation

Angela joined Companies House in May 2012 as Head of Human Resources and Estates. She took up the role of Director of People Transformation in February 2018.

Angela has over 25 years' experience within the HR profession working in the NHS, police service and higher education sector. Before joining Companies House, Angela was Assistant Director of HR in Office for National Statistics.

Michelle Wall: Director of Finance

Michelle joined Companies House in March 2018 as director of finance. Michelle is a chartered management accountant with over 25 years' experience in leading financial and wider operational and project teams in the public and private sector in the South Wales area. Before joining Companies House, Michelle was deputy director of finance at the Intellectual Property Office in Newport.

Jeff Lynn: Non-Executive Board Member

Jeff's career began with practicing corporate law with Sullivan & Cromwell LLP in New York and London. He became a NEBM for Companies House in March 2013.
He's Chief Executive Officer and co-founder of Seedrs, a leading equity crowdfunding platform. Jeff is also the founding chair of the Coalition for a Digital Economy (Coadec), which advocates on behalf of digital start-ups and small and medium-sized enterprises on policy and regulatory issues.

Mike Taylor: Non-Executive Board Member

Mike has been a NEBM since March 2013. Mike headed the media research team at Credit Suisse First Boston and was involved in many high-profile capital raising exercises for companies such as BSkyB, Granada Media and Thomson Corporation. In 2003, Mike founded Innovise Ltd. As founder CEO, Mike has led the buy-and-build growth of Innovise that has been recognised for its rapid growth in the IT market as a three-time Deloitte Fast 50 Winner (2010, 2011, 2012) and a two times Sunday Times Tech Track Winner (2011, 2012).
Mike lives in Surrey with his wife and two daughters.

Martin Hagen: Non-Executive Board Member

Martin was appointed as a NEBM and chair of the audit committee on 1 January 2017. Martin is a non-executive director of South West Water Ltd, an independent member of the audit and risk assurance committee of the Department for Work and Pensions and a governor and audit committee chair of the University of the West of England (UWE) Bristol. Martin is a Chartered Accountant, formerly a partner in Deloitte and served as President of the ICAEW from 2009 to 2010.

Kathryn Cearns OBE: Non-Executive Board Member

Kathryn was appointed as a NEBM and Companies House audit committee member on 1 January 2017. Kathryn is a Chartered Accountant with experience in dealing with financial reporting, audit, company law and corporate governance issues. Kathryn trained with a large audit firm and spent 14 years as consultant accountant to the international law firm Herbert Smith Freehills.

Kathryn is an independent member of the audit committee of the Press Recognition Panel and Public-Sector Audit Appointments Ltd, and is on the ICAEW Council. She is a member of the External Audit Committee of the International Monetary Fund and is a non-executive director at the UK Supreme Court and Highways England. Kathryn is also on the FRC's Financial Reporting Review Panel and the Consultative Advisory Group to the International Public-Sector Accounting Standards Board. Kathryn was previously the chair of the Financial Reporting Advisory Board to HM Treasury.

Vanessa Sharp: Non-Executive Board Member

Vanessa became a NEBM at Companies House on 1 September 2016, an experienced commercial solicitor, beginning her professional career in a London city firm specialising in multinational commercial and insurance issues. Vanessa joined KPMG and became General Counsel in the UK and Europe, leaving in 2015 after 19 years at the firm.

Vanessa is an independent non-executive director of ICE Futures Europe Ltd., a member of its audit and risk committee and chair of its Authorisation, Rules and Conduct Committee. Vanessa is a trustee of Goldsmiths College, University of London, Chair of its Finance and Resources Committee and is also a trustee of the charity Create Arts. Vanessa is a senior advisor to several organisations where work includes legal and corporate governance issues.

Ed Westhead: Non-Executive Board Member

Ed Westhead became UK Government Investments' non-executive board member of Companies House in June 2017. Ed is a member of the Main Board, Audit Committee and Remuneration Committee.

Prior to joining the Shareholder Executive (now UKGI) in 2015, Ed spent thirteen years in corporate finance with Macquarie in Sydney and London, advising on mergers and acquisitions (M&A), capital raising and private equity investment, primarily in the financial services sector. Before Macquarie, Ed worked for BAE Systems, initially as an aeronautical engineer with BAE Airbus in Bristol and then in corporate development/M&A roles at the corporate head office and for BAE's Australian operations.

Former Members serving during the year

On 30 April 2017, Tim Moss: Chief Executive and Registrar, left Companies House.
Niamh McBreen: UKGI's Non-Executive Board Member at Companies House left on 31 May and Neil Hartley: Director of Finance left on 31 December 2017. Richard Lee served as interim Finance Director from 4 January 2018 to 25 April 2018.

Companies House holds a register of declarations of interest by all members of the board who have declared they hold no significant third-party interests that may conflict with their board duties.

Future developments

The Office of National Statistics (ONS) is currently undertaking a review of the sector classification of Companies House in accordance with the provisions of the European System of Accounts 2010. We are currently classified as a Public (Non-Financial) Corporation. We have provided detailed information to the ONS to inform advice being put to the Economic Statistics Classification Committee, the body which has responsibility for determining whether our existing status should stand or if we should be reclassified to the Central Government subsector.
Due to the complexity of the decision and the many conflicting elements, the case has been referred to Eurostat to opine.

Political and charitable gifts

There were no gifts of a political or charitable nature made during the year.

Regularity of expenditure

Companies House administers its affairs ensuring prudent and economical administration, avoidance of waste and extravagance and it ensures efficient and effective use of all available resources. Adequate controls exist to ensure the propriety and regularity of its finances.

There were no special payments or losses to report for Companies House.

Special Payments or losses for the Trust Statement are disclosed on page 72.

Audit service

The statutory external audit was performed by the National Audit Office (NAO) and reported on by the Comptroller and Auditor General at a cost of £40,000. The statutory external audit was also carried out for the Trust Statement at a cost of £15,000. The NAO did not perform any non-audit services.

Statement of Accounting Officer’s responsibilities

Under section 4(6)(a) of the Government Trading Funds Act 1973, the Treasury has directed Companies House to prepare a statement of accounts for each financial year in the form, and on the basis, set out in the accounts direction, given by HM Treasury December 2017. The accounts are prepared on an accruals basis and must give a true and fair view of the Agency’s financial position at the year-end showing a Statement of Comprehensive Income for the year as well as a Statement of Financial Position, a Statement of Cash Flows and a Statement of Changes in Taxpayers’ Equity.

In preparing the accounts, the Accounting Officer is required to comply with the various requirements of the Government’s Financial Reporting Manual (FReM) and in particular to:

- observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgments and estimates on a reasonable basis
- state whether any applicable accounting standards, as set out in the FReM, have been followed and disclose and explain any material departures in the financial statements
- prepare the financial statements on a going-concern basis

The Treasury has appointed the Chief Executive of Companies House as the Accounting Officer for the Agency. The Chief Executive’s relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of public finances, keeping of proper records, and for safeguarding the Agency’s assets, are set out in Managing Public Money published by HM Treasury.

Accounting Officer’s confirmation

As Accounting Officer, as far as I’m aware, there is no relevant audit information of which the agency’s auditors are unaware. I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the National Audit Office are aware of that information.

The annual report and accounts is fair, balanced and understandable and I take personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

Governance statement

Introduction
HM Treasury has appointed me as Accounting Officer of the Companies House trading fund and as Registrar of Companies for England and Wales. I am also Chief Executive of Companies House.

There were two other Accounting Officers during the year:

Tim Moss: 1 April – 30 April 2017; and

Ann Lewis: 1 May – 17 September 2017.

I am satisfied that there were appropriate handovers between successive Accounting Officers and, on the basis of evidence received from the Executive Directors, the Non-Executive Chair of the Board and the Non-Executive Director Chairs of the Committees, particularly the Audit Committee, that I have the necessary level of assurance for the whole period covered by this Governance Statement.

As Accounting Officer, I have responsibility for the proper, effective and efficient use of public funds. I am accountable to the Minister for the performance of Companies House, in accordance with the Framework Document, which sets out the relationships between Companies House, BEIS and UK Government Investments. Annual meetings are held with the Minister to discuss the current issues and general progress. These are attended by our Non-Executive Chair, Chief Executive and sponsor, as required.

I am also required as Accounting Officer by HM Treasury's Managing Public Money and the Government Financial Reporting Manual to provide a statement on how I have discharged my responsibility to manage and control the resources for which I am responsible during the year. The Governance Statement gives an understanding of the dynamics of the business and its control structure. It provides insight into the business of the organisation and its use of resources to allow me to make informed decisions about progress against business plans. I have ensured that our governance framework is designed to comply with the good practice guidance laid down in HM Treasury Corporate Governance in Central Government Departments: Code of Good Practice 2011.

Governance Framework
We are managed by a board and an Executive Team. Our board is chaired by a Non-Executive Board Member (NEBM). The board has strategic oversight and is supported by the Audit Committee and the Remuneration Committee. Our Executive Team is responsible for the day-to-day management in delivering our commitments to the government and the public as set out in our annual business plan.

Companies House Boards and Committees
All boards and committees were well attended during the year, with the occasional absence of one or two members. All discussions and decisions made at these meetings were recorded through minutes and no conflicts of interest were recorded during the year.

Table of attendance of the Board and its sub-committees (NEBM = Non-executive Board Members; UKGI =UK Government Investments):

Board members	**Main Board Meetings** (9 meetings including strategic planning session)	**Audit Committee** (5 Meetings)	**Remuneration Committee Meeting** (3 Meetings)
Lesley Cowley (NEBM) Chair of the CH Board	9 of 9	-	3 of 3
Louise Smyth (CEO & Registrar)	6 of 6	3 of 3	-

Board members	Main Board Meetings (9 meetings including strategic planning session)	Audit Committee (5 Meetings)	Remuneration Committee Meeting (3 Meetings)
Martin Hagen (NEBM) Chair of the Audit Committee	8 of 9	5 of 5	-
Vanessa Sharp (NEBM)	9 of 9	4 of 5 Appointed a member June 2017	
Kathryn Cearns (NEBM)	8 of 9	4 of 5	-
Mike Taylor (NEBM)	9 of 9	5 of 5	-
Jeff Lynn (NEBM)	8 of 9	0 of 1 Ceased to be a member from June 2017	3 of 3
Niamh McBreen (NEBM; UKGI)	1 of 1	0 of 1	-
Ed Westhead (NEBM; UKGI)	8 of 8	4 of 4	3 of 3
Ann Lewis (Director of Operations and Customer Delivery.)	9 of 9	5 of 5 By invitation	3 of 3
Neil Hartley (Director of Finance)	7 of 7	4 of 5 By invitation	-
Ceri Witchard (Corporate Strategy)	9 of 9	-	-
Robert McNeil (Acting Director of Digital Services)	9 of 9	-	-
Richard Lee (Interim Director of Finance)	2 of 2 By invitation	1 of 1 By invitation	-
Michelle Wall (Director of Finance)	1 of 1	-	-
Angela Lewis Director of People Transformation	1 of 1	-	0 of 2
Stuart Morgan (Acting Director of Operations and Customer Delivery)	3 of 4	-	-
Darren Edwards CH Member of Remuneration Committee	-	-	3 of 3
Robert Stagg Member of Remuneration Committee (March)	-	-	1 of 1

Changes to Board membership during 2017/18

Board Members	Boards/Post	Left Board	Joined Board
Tim Moss	CEO & Registrar	30 April 2017	
Louise Smyth	CEO & Registrar		18 September 2017
Niamh McBreen	NEBM; UKGI	31 May 2017	
Ed Westhead	NEBM; UKGI		1 June 2017
Neil Hartley	Director of Finance	31 December 2017	
Michelle Wall	Director of Finance		26 March 2018
Angela Lewis	Director of People Transformation		5 February 2018

Tim Moss left the organisation on 30 April 2017. From 1 May 2017 to 17 September 2017 Ann Lewis, Director of Operations and Customer Delivery, was acting CEO and Registrar. Stuart Morgan became acting Director of Operations and Customer Delivery during this period. While we continue the recruitment for a permanent digital director, Robert McNeil is fulfilling this role.

Companies House board

The Board's main role is to set Companies House strategy and direction, and to oversee operational effectiveness. It is led by an independent Non-Executive Chair. It comprises five members of the Executive Team, seven NEBMs (including the Chair), one of whom is a representative of UK Government Investments (UKGI). A sixth executive, Angela Lewis, was appointed to the board in March 2018. The Chair and Board ensure the membership of the Board contains an appropriate mix of skills and experiences to best support the organisation.

During the year, the Board:

- agreed the strategic direction and priority;
- agreed the contents of the 2018/19 Business Plan and public targets;
- reviewed and agreed the Annual Report and Accounts;
- reviewed financial performance and efficiency;
- attended a Strategic Planning session day during November 2017.

The information provided to the Board is to a good standard and provided in plenty of time ahead of the meetings, allowing the Board to make informed decisions.

Audit Committee

To help fulfil its role the Board has a sub-committee, the Audit Committee, chaired by a NEBM. with four independent NEBMs including one representing UKGI. The Accounting Officer (CEO), Finance Director, and Head of Internal Audit also attend meetings.

The National Audit Office (NAO) act as Companies House's external auditor and a designated representative attends all Audit Committee meetings and has access to all financial and other information. Other Companies House directors and senior managers attend by invitation.

The Audit Committee's role is to provide independent guidance and challenge to the Accounting Officer on matters of audit, corporate governance and the organisation's effectiveness in managing risk. To support this role the Audit Committee:

- received quarterly reports of the management and progress against the organisation's corporate risks;

- reviewed and agreed the Companies House Risk Policy;
- approved the Internal Audit plan, reviewed progress reports against the plan on a quarterly basis, and advised on the implications for the overall control framework, and the adequacy of management responses;
- reviewed the Annual Report and Accounts, and the Companies House Governance Statement;
- received reports and held discussions on specific areas during the year including: cyber security, operational processes, information security and systems resilience.

Remuneration Committee
The Remuneration Committee, chaired by the Board's Chair with three other Board Members, met three times during the year; in June, November and March. Its focus of attention at the meetings was on:

- pay, reward and recognition;
- changes to flexible working hours.

Board Effectiveness
The Chair meets regularly with me to discuss the performance of the Board and to ensure we gain greatest value from the external perspectives and experiences of the Non-Executive Board Members (NEBM). The Board has agreed the characteristics and behaviors that they will adhere to in order to function effectively as a Board. In April 2018 the Board carried out a board effectiveness self-assessment which identified that the Board was operating in an effective way. The assessment highlighted areas where improvements can be made and an action plan to progress these has been agreed. This will be reviewed next year.

The areas where the Board were operating effectively were discussions focussed on strategic direction and also the relationships between the Exec and Non-execs strike the right balance.

The Board have agreed an action plan to address the areas where improvement would be useful including better communications between meetings and continuous engagement with NEBM's outside of meetings.

With a number of NEBMs due to leave the Board next year, a review of its future make-up will be undertaken.

The Board discusses the progress against each year's annual business plan which the executive team is responsible for delivering and regularly reviewed our performance against the plan.

Managing The Business - Change And Investment
In addition, I had the assistance of two internal boards; the Change Board and the Business Board, which met monthly to monitor key Business Plan deliverables and risks within their scope.

The Change Board is responsible for monitoring:

- all live projects and programmes;
- benefits;
- project and programme finance;
- resources;
- risks associated within the board remit plus monitoring of strategic risk..

The Business Board is responsible for monitoring:

- all customer interaction i.e. satisfaction, complaints, communications;
- all customer delivery systems i.e. CHS, WebCHeck, Gov.uk;
- all operational systems i.e. CHIPS;
- workload – including contributions by the Workload Planning Group, whose forecasts of work volumes feed into the strategic planning in line with the principles of the Macpherson Review of Quality Assurance;

- service performance i.e. throughput, quality;
- risk associated within the board remit plus monitoring of strategic risk.

Each board contains members of the Corporate Leadership Group and is chaired by a member of the Executive Team. Where necessary, issues were escalated to the Executive Team.

Risk management
The goal of risk management is to support the successful delivery of our strategy and business plan. This year we reviewed and updated our risk policy to ensure that it continues to provide an effective framework for Companies House to identify and manage risks. The policy sets out the allocation of roles and responsibilities within Companies House and outlines the various steps in the process of risk management.

This year the Executive Team reviewed our Strategic Risk Register, identifying those risks which provide a significant threat to achievement of the objectives set out in our Business Plan. This Strategic Register is reviewed regularly by the Executive Team and Business and Change Boards, with a summary also provided to the Audit Committee and Main Board. The strategic risks in place at the end of 2017/18 include the continuous monitoring of risks to our effective business continuity plan which is in place to provide resilience in the event of unplanned disruption and ensuring that systems are protected against cyber-attack. The challenge in attracting and retaining specialist roles that are key to achieving our business objectives continues to feature as a significant risk.

We also maintain risk registers at directorate, programme and project levels, with escalation routes in the event of a risk becoming more significant. Once identified, risks are all captured on a bespoke risk management system which also provides a reporting facility. We conducted an exercise in early 2018 to identify risks associated with our Transformation Programme; these risks are reviewed regularly by the Transformation Programme Board and will form an important part of the on-going management of the Programme.

Companies House also actively engages with other public-sector organisations to share information and experiences on risk management practice and improvement. Through such collaboration and sharing of best practice, we aim to continually improve the effectiveness and professionalism of our risk management function.

Cabinet Office Spending Controls
In addition to the rules set out in Managing Public Money, Cabinet Office operates a set of additional spending controls.

We have worked with Cabinet Office to agree a pipeline of investment for digital and technology spend to facilitate the efficient implementation of new projects, eliminating the requirement to go through individual approvals for every stage of every project. Projects are assessed, and progress and changes monitored, through a joint Portfolio Assurance Group with members from Companies House, BEIS Digital and GDS (Cabinet Office) which meets monthly. The pipeline and associated spend are then subject to review by BEIS's Portfolio Investment Committee for assurance that controls have been properly applied. Our first tranche of work was reviewed and accepted at this level in January 2018.

Financial Controls
Companies House has an established framework of financial procedures and controls. The framework is reviewed and tested, as part of the regular programme of work undertaken by our internal audit partners. The programme of work is approved, and findings reviewed by the audit committee.

Following an internal review, it was identified that VAT was being incorrectly treated in certain categories. As a result of this all transactions for the financial year 2017/18 have been inspected and VAT claims redone.

In addition to this, we have estimated prior years' (2014/15 to 2016/17) errors on an exceptional risk-based basis, reviewing the transaction types which were identified as being prone to error from the work undertaken from the review of 17/18 VAT returns.

All these errors have been reviewed and a voluntary disclosure has been sent to BEIS for them to notify HMRC. Companies House VAT return forms part of BEIS return.

In the light of these errors a rigorous review of the financial controls and processes to complete the VAT return has been undertaken to prevent further errors. An independent VAT advisor has also been appointed who will review the current process and controls and comment on their suitability to give reassurance to the board that future claims are accurate.

In my capacity as Accounting Officer I have responsibility for the financial affairs of the organisation, subject to authority limits delegated to me by the Permanent Secretary of BEIS and within the budget approved by the Minister. The organisation's budget is allocated between executive directors, and authority to make financial transactions is sub-delegated to executives and other budget holders. Financial performance against the budget is monitored by the executive and Board monthly and the full year outlook is reviewed on a quarterly basis.

Late filing penalties received are surrendered directly to HM Treasury and do not form part of the Trading Fund income. The Trust Statement for Late Filing Penalties can be found on page 67.

Individual decisions including procurement, capital expenditure and project implementation, are subject to business case approval, and will engage specialist review in addition to executive approval. In the light of the emerging transformation change programme we are currently enhancing the governance framework in this area to ensure the appropriate levels of scrutiny, as well as implementing the '5 case' model set out in The Green Book.

Commercial Controls
As a central government body, our commercial activity is governed by legislation within the Public Contracts Regulations 2015. Control over commercial contracts is maintained by our procurement function within the finance directorate, working in conjunction with relevant budget holders. Procurement procedures and controls are embedded across the organisation and are part of a business case approval process; financial authority is subject to delegated authority and budgetary controls and is independent of procurement.

Data Controls
Governance arrangements have not changed significantly this year. The Senior Information Risk Officer (SIRO) who is also the Director of Digital Services is accountable for information risk and is supported by the IT Security Manager and a network of Information Asset Owners (IAOs) across the organisation. IAOs are accountable for day to day control of information. Data control and risk are addressed monthly by the Security Forum which is chaired by the SIRO and attended by relevant staff - including the Data Protection Officer, IT security staff and the business continuity manager - in addition to subject matter experts from across the organisation. We have a mature incident process in place and incidents are also reviewed at the Security Forum. There have been 92 incidents of personal data breaches this year. Against a backdrop of over 11.6 million accepted transactions this is a low volume of breaches, and largely due to human error. None required reporting to the Information Commissioners Office.

Companies House is certified to ISO 27001:2013. We have undertaken a great deal of preparatory work for the implementation of the General Data Protection Regulation (GDPR) - including the appointment of a Data Protection Officer, embedding privacy by design principles, and conducting a full audit of all processing of personal data to ensure our record of processing activities is in place. We have created a communication working group which allows us to coordinate communications across all data disciplines, including information rights, information management and information security, and ensure consistency of messaging. We have raised staff awareness through various events such as Data Protection Day and will require all staff to complete Responsible for Information essential learning as well as, where relevant, attend bespoke classroom training on GDPR and information security.

Fraud, and Error
The management of fraud and error and is a critical part of good governance. Losses and recoveries are reported to BEIS. Overall responsibility for our management of this area sits with the Director of Finance, supported by a Fraud, Error and Debt group which meets monthly.

The Government Internal Audit Agency (GIAA) provides support and input, advising on aspects of control and risk management. We have assessed our current processes in line with the government counter fraud standards. We have met 80% of the standards and have identified a number of areas for improvement including documenting where random sampling has taken place, development of outcome-based metrics and further development of our fraud risk assessment activity. Further, we provide BEIS with a quarterly report of any fraudulent activity both internal and external and the Cabinet Office with an annual report based on their counter fraud standards.

We have not had any instances of fraud which have resulted in a loss of money to Companies House.

Whistleblowing Procedures
Companies House reviewed and amended its whistleblowing policy and procedures in line with the Civil Service Employee Policy (CSEP). The policy and procedures are published on the Companies House Intranet site. The policy and procedures have been tested and found to be fit for purpose.

Accounting Officer Assurance
The effectiveness of the systems of internal control is primarily informed by our internal audit reviews, along with the management assurance reporting of our managers who are responsible for the development and maintenance of the internal control framework. The system of internal control is designed to manage risk to a reasonable level and assurance of effectiveness. The system of internal control supports the achievement of our policies, aims and objectives, whilst safeguarding the funds and assets of the organisation, in accordance with HM Treasury's Managing Public Money.

Internal Audit
Internal audit services are delivered by the Government Internal Audit Agency (GIAA) operating under the Public Sector Internal Audit Standards. The work of the GIAA is informed by an assessment of risk to which Companies House is exposed and annual audit plans are based on this analysis.

The internal audit plans are endorsed by the Audit Committee and approved by the Accounting Officer. Regular reports are made to the Accounting Officer and Audit Committee during the year, detailing recent reviews and actions taken by management based on audit findings. At each financial year-end, the Head of Internal Audit (HIA) provides a report on the internal audit activity at Companies House. The report contains an opinion on the adequacy and effectiveness of internal controls and the management processes in place to control risk.

This year, the HIA returned an opinion that 'Moderate' assurance can be taken by the Accounting officer on the mitigating controls over the risks to delivery of objectives, that is to say some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control, although there were no significant control issues identified. Management will also take assurance from other consultancy commissioned from third parties, such as IT penetration testing services.

Internal audit also reviews the work undertaken for Late Filing Penalties.

The assurance work delivered during the year was based on:

- assessment of risk from the risk management framework;
- review of the Business Plan and Strategic Direction;
- consideration of previous coverage in each area of the organisation;
- additional risk management and assurance activity by management and third parties in addition to their day-to-day oversight;
- identification of stakeholder expectations, including external certification requirements.

The audit plan for the year was designed to offer assurance on the management of the organisation's key risks and processes. Areas covered included:

- information security;
- physical security and business continuity;
- register integrity;
- key registration processes;
- environmental and health and safety management systems;
- adherence to commercial operation standards.

Review Of Effectiveness
During the year, we have been successful in retaining accreditation to the following standards:

- Customer Service Excellence;
- Investor in People – Gold Standard;
- ISO 27001:2013 – Information Security;
- ISO 14001 – Environmental Management;
- OHSAS 18001 – Health & Safety;
- Corporate Health Standard – Silver award;
- Member of the Institute of Customer Services.

As Accounting Officer, I am responsible for reviewing the effectiveness of the organisation's governance, risk management and internal control. This review is informed by the work of the internal auditors, both previous Accounting Officers who were part of the organisation's governance during the year and directors of Companies House who have responsibility for the development and maintenance of the governance structures, internal control framework and comments made by the external auditors in their management letter and other reports. The Governance Statement represents the product of the review of the effectiveness of the governance framework, risk management and internal control.

The Alexander review of the tax arrangements of public sector appointees published in May 2012 made several recommendations to ensure that the highest standards of integrity could be demonstrated in the tax arrangements of public sector appointees. Companies House used the services of contractors to support its business strategy and estate requirements during the year. Companies House has procedures in place to ensure we comply with the recommendations of the report.

The review of quality assurance of government analytical models undertaken by Sir Nicholas Macpherson and published by HM Treasury in March 2013 made several recommendations for government departments and their arm's length bodies. Companies House reviewed its use of analytical modelling and concluded that there is only one business model used that could be classed as business critical: Companies House Information Processing System (CHIPS); this is the system all company information is recorded on. The model is owned by a single 'Senior Responsible Owner'. The model's design & meta structure has been reviewed by an appropriately-qualified BEIS statistician and deemed fit for purpose, is subject to challenge, and has been re-iterated on several occasions for example to scope in additional responsibilities placed on the Registrar by new legislation. The working assumptions provided by the model are challenged by a dedicated and diverse group of subject specialists, on a quarterly basis, with their work then reviewed by a senior panel.

In my role as Chief Executive and Registrar I have relied on the Board's support to assist me in the assessment of assurance of the Companies House control structure. I have considered the evidence provided with regards to the production of the annual governance statement as well as the reports provided by Internal and External Audit and I am confident that the organisation and its Board operated in accordance with the "Corporate Governance in central government departments: Code of good practice 2011."

L. C Smyth

Louise Smyth
Accounting Officer
Chief Executive and Registrar
11th July 2018

2.2

Remuneration and staff report

Remuneration

Remuneration policy
The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Senior Salaries Review Body.

In reaching its recommendations, the review body has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- government policies for improving the public services, including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the government's departmental expenditure limits;
- the government's inflation target.

The review body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the review body can be found at: www.ome.uk.com

Service contracts
Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit based on fair and open competition, but also acknowledges circumstances when appointments may otherwise be made. Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended until they reach the normal retiring age. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil-Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at: www.civilservicecommission.independent.gov.uk

Salary
Salary includes gross salary, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, private-office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by Companies House and thus recorded in these accounts.

Benefits in kind
No director received a benefit in kind in 2017/18 (2016/17: Nil).

Performance pay
All staff are eligible to participate in the corporate efficiency award scheme. The scheme is available to all staff not subject to formal disciplinary letters within the period. Senior civil servants' performance pay is determined by the senior pay committee of the Department for Energy and Industrial Strategy (BEIS).

Performance-related awards are assessed annually by the Remuneration Committee. The one-off payments are determined by individual performance and criteria associated with Companies House's performance management process and aligned to the policy for public-sector pay.

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015, a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date, all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60, and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within ten years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the members earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate in 2.32%. In all cases members, may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes but note that part of that pension may be payable from different ages.

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

Senior managers

Senior managers have been defined using the definition of 'Key Management' contained within the IAS 24 Related Party Disclosures. They are the persons having authority and responsibility for planning, directing, and controlling the major activities of the reporting entity.

Non-executive salaries

This section has been audited.

	2017/18 £'000	2016/17 £'000
Jeff Lynn	10 - 15	10-15
Mike Taylor	10 - 15	10-15
Vanessa Sharp	10 - 15	5-10 (FYE10-15)
Kathryn Cearns	10 - 15	0-5 (FYE10-15)
Martin Hagen	10 - 15	0-5 (FYE10-15)
Niamh McBreen (Resigned 31st May)1	nil	nil
Ed Westhead (Joined 1st June 2017)1	nil	n/a
Lesley Cowley	25- 30	0-5 (FYE25-30)

* FYE Full year effect

Niamh McBreen and Ed Westhead are a public servants. He works for the UKGI and is not remunerated for serving on the board.

Executive pay disclosure

This section has been audited

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in Companies House in the financial year 2017/18 was £95k - £100k (2016/17: £125k - £130k). This was 4.50 times (2016/17: 5.48). The ratio for the purpose presented here is the total remuneration of the highest paid director (taking the mid-point of the range disclosed) and the median FTE remuneration of all other Companies House employees.

The median remuneration of the workforce, which was £21,676 (2016/17: £23,285). Remuneration ranged from £3k to £103k (2016/17: £14k - £125k).

Total remuneration includes salary, performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions, pension benefits and the cash equivalent transfer value of pensions.

		2017/18	2016/17	% Change
Highest paid director remuneration	£'000	**95-100**	125-130	(23%)
Median remuneration	£	**21,676**	23,285	(7%)
Ratio		**4.50**	5.48	(18%)
Range of staff remuneration (including temporary and agency staff)	£'000	**3 - 103**	14-125	

The organisation has changed the composition of the workforce and more staff have been employed at lower grades and due to flexible working part time staff numbers are increasing. This has decreased the median remuneration, and range of remuneration.

The highest paid director salaries have decreased this year. The highest paid member of staff last year was a specialist brought in to cover on a temporary basis and this has not been done this year.

Single total figure of remuneration

This section has been audited.

Name	Salary		Bonus (Performance Payments)		Pension		Total Remuneration	
	2017/18 £'000	2016/17 £'000	**2017/18 £'000**	2016/17 £'000	**2017/18 £'000**	2016/17 £'000	**2017/18 £'000**	2016/17 £'000
Robert McNeil 1 Appointed as interim director 1st Jan 17	70 - 75	15 – 20 (FYE 70 – 75)	0 - 5	n/a	58	5 (FYE 15-20)	130 - 135	20-25 FYE 90 – 95)
Tim Moss 2	5 – 10 (FYE 85 – 90)	85 – 90	0 - 5	5 – 10	2	33	5 – 10 (FYE 90 – 95)	125 – 130
Ann Lewis 3	75 – 80	70 - 75	0 - 5	0 - 5	81	nil	150 – 155	70 - 75
Neil Hartley 4 (50%)	25 - 30 (FYE 35 – 40)	35 – 40	0 – 5	0 – 5	7.5	12	30 – 35 (FYE 40– 45)	50 – 55

Louise Smyth 5	45 – 50 (FYE 95 – 100)	n/a	n/a	n/a	44	n/a	95 – 100 (FYE 140 – 145)	n/a
Ceri Witchard (75%) 6	50 – 55	50 – 55	0 – 5	0 – 5	16	29	60 - 64	80-85
Michelle Wall 7	0 – 5 (FYE 70 – 75)	n/a	n/a	n/a	1	n/a	0 – 5 (FYE 70 – 75)	n/a
Angela Lewis 8	10 – 15 (FYE 75 – 80)	n/a	n/a	0 - 5	8	n/a	15 – 20 (FYE 80 – 85)	n/a
Stuart Morgan 9	20-25 (FYE 65 – 70)	n/a	0 - 5	n/a	30	n/a	30 - 35 (FYE 95 – 100)	n/a

	Real increase in Pension and related lump sum at pension age	Accrued pension at Pension as at 31/03/18 and related lump sum	CETV at 31/03/18	CETV at 31/03/17	Real increase (decrease) in CETV funded by employer
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Robert McNeil	0 – 2.5 plus, lump sum of 2.5 - 5	20 – 25 plus, lump sum of 70 - 75	523	453	39
Tim Moss	Nil, plus, lump sum of nil	10 – 15 plus, lump sum of 40 - 45	299	298	1
Ann Lewis	2.5 - 5 plus, lump sum of 10 - 12.5	35-40plus, lump sum of 155-120	886	757	78
Neil Hartley 4	0 – 2.5 Plus, lump sum of nil	30 – 35 plus, lump sum of nil	527	495	4
Louise Smyth	2.5 – 5 plus, lump sum of 5 - 7.5	30 – 35 plus, lump sum of 100 - 105	681	605	38
Ceri Witchard 6	0 – 2.5 plus, lump sum of nil	10 -15 plus, lump sum of 40 - 45	251	228	6
Michelle Wall	Nil plus, lump sum of nil	nil plus, lump sum of nil	155	154	0
Angela Lewis	0 – 2.5 plus, lump sum of nil	15 – 20 plus, lump sum of nil	279	272	5
Stuart Morgan	0 – 2.5 plus, lump sum of 0 – 2.5	0 – 2.5 plus, lump sum of 65 - 70	412	387	17

Richard Lee was appointed on a temporary basis to cover the role of Director of Finance whilst recruiting for a permanent full time Director of Finance. Richard Lee was paid as a contractor during his employment in Companies House between the 4th January and 27th April 2018. The cost for this is banded £55k - £60k. He was the only off payroll engagement on the board during the financial year.

1. On the 1st January 2017 Robert McNeil started a role as acting Director of Digital Services. The total remuneration package reflects the amount charged for this role.
2. Tim Moss left Companies House on the 30th April 2017.

3. Ann Lewis, Director of Operations and Customer Delivery, was acting CEO and Registrar for the period 1st May 2017 - 17th September 2017
4. On the 1st April 2015 Neil Hartley started a dual role where 50% of his time is with the Intellectual Property Office (IPO) and 50% with Companies House. Although he is employed at Companies House the IPO is charged for the work undertaken on its behalf. The total remuneration package reflects the amount for this role. It is not possible to determine what portion of the Cash Equivalent Transfer Value (CETV) relates to IPO or Companies House. These values are also reported in full in the IPO annual report and accounts for 2017/18. On the 31st December Neil Hartley left Companies House for a full-time role in IPO.
5. Louise Smyth joined Companies House as the CEO on the 18th September 2017.
6. On 7th September 2015 Ceri Witchard started a dual role with 25% of her time spent as the regulator of Communities Interest Companies (CIC), and 75% with Companies House. The total remuneration package reflects the amount for this role. It is not possible to determine what portion of the Cash Equivalent Transfer Value (CETV) relates to CIC or Companies House.
7. Michelle Wall joined Companies House on the 26th March 2018.
8. Angela Lewis was appointed Director of People Transformation on 5th February 2018
9. Stuart Morgan became acting Director of Operations and Customer Delivery during the period that Ann Lewis became CEO, 1st May 2017 – 17th September 2017. The amount reflected is his total cost and not the amount he received over and above his usual remuneration for undertaking this role.

Cash equivalent transfer values

A cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme.

A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member because of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Compensation for loss of office

This section has been audited.

Companies House did not run an exit release scheme during 2017/18. This means that no members of staff left (2016/17: nil) during the year under a voluntary exit scheme, and no compensation payments (2016/17: nil) were made during the year. Prior year departure costs were paid in accordance with the provisions of the Civil Service Compensation Scheme applicable at that time and they related to previous exit schemes.

During the year five employees received compensation payments following their dismissal which totalled £187,642 (2016/17: £130k). The payments were banded as follows:

Exit package cost band	2017/18 Number of compulsory redundancies	2017/18 Number of other departures agreed	2017/18 Total number of exit packages by cost band
<£10,000	0	2 (-)	2 (-)
£10,000 - £25,000	0	2 (1)	2 (1)
£25,000 - £50,000	0	1 (3)	1 (3)
£50,000 - £100,000	0	2 (-)	2 (-)
£100,000 - £150,000	0	-	-
£150,000 - £200,000	0	-	-
Total number of exit packages	0	7 (4)	7 (4)
Total Cost 2016/17 /£	0	£130k	£130k
Total Cost 2017/18 /£	0	£188k	£188k

Within this information there are two exit packages, 2 in band <£10,000 which relate to additional payments made in this year to staff who left in prior years.

Staff

This section has been audited.

Analysis of staff numbers and costs

The number of senior civil service staff (or equivalent) by band:

Senior civil service staff band	2017/18 Number of senior service staff	2016/17 Number of senior service staff
Band 1	**5**	4
Band 2	**1**	1
Total	**6**	5

The average number of employees during the period was as follows:.

Staff numbers by location	2017/18 Total Employees	2017/18 Full Time Equivalent Posts (FTE)	2016/17 Total Employees	2016/17 Full Time Equivalent Posts (FTE)
Cardiff	**878**	**802**	859	783
Belfast	**15**	**15**	16	17
Edinburgh	**28**	**27**	23	24
London	**5**	**5**	8	8
Total	**926**	**849**	906	832

Staff numbers by activity	**2017/18** **Total Employees**	**2017/18** **Full Time Equivalent Posts (FTE)**	2016/17 Total Employees	2016/17 Full Time Equivalent Posts (FTE)
Customer Delivery Directorate and Late Filing Penalties	**577**	**518**	557	500
Digital Services	**181**	**178**	184	180
Corporate Services	**105**	**95**	100	91
Strategy	**45**	**42**	46	45
Chief Executive and Registrar and Legal	**18**	**16**	19	16
Total	**926**	**849**	906	832
Staff who worked on capital projects (also included above)		**83**	106	

In addition, there were a total number of contract staff of 41 (2016/17: 31) of which 10 (2016/17: 21) were included on projects.

Staff Costs (for the above persons)	**2017/18** **£'000**	2016/17 £'000
Salaries	**25,394**	23,901
National Insurance	**2,402**	2,269
Voluntary Exit Scheme (VES) costs	**-**	202
Pension costs	**4,761**	4,556
Contract staff	**2,233**	1,804
Capitalised staff costs (included above)	**(1,762)**	(1,898)
Capitalised contract staff project costs (included above)	**(680)**	(956)
Staff costs per operating account	**32,348**	29,878

Pensions

For 2017/18 the banded charges averaged 20.53% of pensionable pay for permanent staff (2016/17: 20.6%). This equates to a charge for the year of £4.8m (2016/17: £4.6m), at 1 of the 4 rates in the range 20% to 24.5% (2016/17: 20% to 24.5%) of pensionable pay, based on salary bands.

Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The date of the last actuarial valuation was 31 March 2014 (prior date was 31 March 2010).

The contribution rates are set to meet the cost of the benefits accruing during 2017/18 to be paid when the member retires and not the benefits paid during this period to existing pensioners. Companies House has provided for early retirement / voluntary exit costs, which are disclosed more fully in note 13 of the financial statements. All other liabilities incurred in the year were satisfied by the year end. This is an unfunded multi-employer defined benefit scheme, but Companies House is unable to identify its share of the underlying assets and liabilities.

New career average pension arrangements were introduced from 1 April 2015 and the majority of classic, premium, classic plus and nuvos members joined the new scheme. Further details of this new scheme are available at: www.civilservicepensionscheme.org.uk/members/the-new-pension- scheme-alpha

Off-payroll engagements

Off-payroll appointments as of 31 March, for more than £245 per day and that last longer than six months are shown below:

	2017/18	2016/17
The total number of existing engagements	**13**	11
The number that have existed for less than one year	**6**	6
The number that have existed for between one and two years	**2**	1
The number that have existed for between two and three years	**1**	2
The number that have existed for between three and four years	**2**	2
The number that have existed more than 4 years	**2**	0
Declaration that all the above appointments have been subject to a risk-based assessment regarding the payment of correct tax	**Yes**	Yes

For all new off-payroll appointments, or those that reach six months in duration, between 1 April and 31 March for more than £245 per day and will last for longer than six months:

	2017/18	2016/17
The number of new engagements or those that reached six months during the period	**17**	13
The number of these engagements which were assessed as caught by IR35	**17**	13
The number of these engagements which were assessed as not caught by IR35	**0**	n/a
The number that were engaged directly (via PSC contracted to department) and are on the departmental payroll	**0**	n/a
The number that were reassessed for consistency / assurance purposes during the year whom assurance has been requested but not received; and	**0**	n/a
The number that saw a change to IR35 status following the consistency review	**0**	n/a
The number of off-payroll engagements of board members and/or senior officials with significant financial responsibility, during the financial year	**1**	n/a
Details of the length of time each of these exceptional engagements lasted	**4 months**	n/a
The total number of individuals both on and off-payroll that have been deemed "board members and/or senior officials with significant financial responsibility", during the financial year.	**6**	n/a

A contractor was brought in as Director of Finance when Neil Hartley left. They worked for Companies House whilst the recruitment process was undertaken, and the new Director of Finance was employed.

Consultancy and the use of contingent labour

	2017/18	2016/17
	£'000	£'000
Consultancy expenditure	355	464
Contingent labour expenditure	2,233	1,822

Staff numbers

Staff numbers by contract type (average headcount)	2017/18	2016/17
Permanent	926	906
Contractor/agency/temporary	36	21
Inward secondment	1	1
Total	**963**	928

Permanent employees (average headcount)	2017/18			2016/176		
	Female	Male	Total	Female	Male	Total
Directors (senior civil servants)	3	2	5	2	3	5
Employees	513	408	921	401	500	901
Total	**516**	**410**	**926**	403	503	906

Companies House Main Board
There were 7 independent Non-Executive Board Members as at 31 March 2018 (2016/17: 6).

Pension liabilities
Employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). Further information on the treatment of pension liabilities is included in the accounting policies (note 1 of the financial statements).

Employees
We are committed to being a responsible business and to support the people that work with us and the communities in which we work. All employees have equal access to training, career development and promotional opportunities, with reasonable adjustments being made to cater for disabilities. We continue with our guaranteed interview scheme which means that all disabled people who meet the minimum requirements of a job vacancy, are interviewed and considered on their abilities.

We continue to promote a proactive approach to managing long term health issues with individuals, with the aim of sustaining them within, or facilitating their return to work. This incorporates provision of a comprehensive occupational health support function, including access to an occupational health provider and Employee Assistance Programme, tailored case conferencing and robust support for the implementation of reasonable adjustments to aid the individual.

We use various methods of corporate and local communication to advise employees of issues which affect them. These include business plan presentation sessions, digital forms of communication such as the intranet site, digital screens, face to face discussions and awareness sessions.

The level of sickness absence was 7.56 average working days lost per person (2016/17: 7.9 days).

2.3

Parliamentary accountability and audit report

Parliamentary accountability

Segmental reporting

All significant activities of Companies House are derived from a single legislative requirement, the Companies Act, and consequently are considered for segmental purposes to be one single class of business. The assets and liabilities of Companies House are reviewed by senior management on a total basis and not on a segmental reporting basis. For reporting purposes, therefore, management considers that there is only one operating segment.

Fees and charges

This section has been audited.

The following information on the main activities of Companies House is produced for fees and charges purposes and does not constitute segmental reporting under IFRS 8.

	Income		Cost of services[4]		Surplus/ (Deficit)	
	2017/18 £m	2016/17 £m	**2017/18 £m**	2016/17 £m	**2017/18 £m**	2016/17 £m
Registration activities [1.]	**64.4**	62.0	**65.9**	59.2	**(1.5)**	2.8
Dissemination activities [2.]	**3.2**	3.9	**3.2**	4.6	**0.0**	(0.7)
Other Services [3.]	**1.5**	1.4	**1.1**	0.1	**0.4**	1.3
Total as per operating account	**69.1**	67.3	**70.2**	63.9	**(1.1)**	3.4

1. Registration activities—includes incorporation, annual registration, change of name, mortgage registration, dissolution, liquidation and recharges of costs incurred in the administration of late filing penalties.
2. Dissemination activities—includes searches delivered on paper, electronically and to bulk customers.
3. Other services—includes income from rentals and surplus office space.
4. Cost of services includes interest payable, interest receivable and dividends payable in accordance with the cost recovery principles of the Treasury's "Managing Public Money". Support costs are apportioned based on the usage made by the main service providers. Costs are directly attributable to services where possible.

Long term expenditure trends
Longer-term expenditure plans are being driven by the key strands of our strategy for 2017 to 2020, namely: making sure customers can transact fully online, making sure our services are simple and easy to use, working with others to identify data issues, designing out scope for error in our services and helping companies provide current, complete and correct information. We will also invest in building a high performing culture to support customer service by ensuring our staff have the necessary skills and infrastructure.

Further efficiencies and savings are expected to be derived as the organisation transforms the way it works in line with the strategy and especially as paper transactions reduce over this period.

Special payments and losses
This section has been audited.

There were no payments made under this category.

Contingent liabilities
This section has been audited.

During 2017/18, VAT errors dating back to 2014/15 were identified and a voluntary disclosure to HMRC will be made. HMRC has the right to impose penalties in respect of this disclosure of up to 30% of the value of the error. Companies House is actively working to mitigate any likelihood of penalties being levied and we believe at the moment that any penalties will be able to be suspended by agreeing to put into effect any actions required..

Contingent liabilities (2016/17: Nil)

L. C Smyth

Louise Smyth
Accounting Officer
Chief Executive and Registrar
11th July 2018

The certificate and report of the Comptroller and Auditor General to the Houses of Parliament

Opinion on financial statement
I certify that I have audited the financial statements of Companies House for the year ended 31 March 2018 under the Government Trading Funds Act 1973. The financial statements comprise: Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of affairs of Companies House as at 31 March 2018 and of its net operating surplus for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions issued thereunder.

Opinion on regularity
In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions
I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of Companies House in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Accounting Officer for the financial statements
As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements
My responsibility is to audit, certify and report on the financial statements in accordance with the Government Trading Funds Act 1973.

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. 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.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Companies House's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Companies House's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Other Information

The Chief Executive as Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Trading Funds Act 1973;
- in the light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General
16th July 2018

National Audit Office
157 – 197 Buckingham Palace Road
Victoria
London
SW1W 9SP

3

Financial Statement **2017/2018**

Statement of comprehensive income for the year ended 31 March 2018

	Notes	2017/18 £'000	2016/17 £'000
Operating income	2	**69,093**	67,280
Administration costs:			
Staff costs	3	**(32,348)**	(29,878)
Non-staff administration costs	4	**(32,297)**	(30,246)
Exceptional VAT charge relating to prior years	5	**(1,403)**	-
Gross administration costs		**(66,048)**	(60,124)
Operating surplus before interest		**3,045**	7,156
Interest receivable	6	**95**	99
Interest payable and finance costs	6	**(113)**	-
Net operating surplus before dividend		**3,027**	7,255
Dividend	7	**(4,087)**	(3,861)
Net operating (deficit)/surplus		**(1,060)**	3,394
Other Comprehensive Income			
Net gain on revaluation of land and buildings	8, 14	**694**	313
Comprehensive income /(expenditure) for the year		**(366)**	3,707

All income and expenditure is derived from continuing operations

The notes on Pages 51 – 64 form part of these accounts.

Statement of financial position as at 31 March 2018

	Note	**31 March 2018 £'000**	31 March 2017 £'000
Non-current assets			
Property, plant and equipment	8	**25,132**	23,524
Intangible assets	9	**15,912**	16,711
Total non-current assets		**41,044**	40,235
Current assets			
Trade and other receivables	11	**7,926**	6,114
Cash and cash equivalents	12	**43,270**	44,564
Total current assets		**51,196**	50,678
Total assets		**92,240**	90,913
Current liabilities			
Trade and other payables	12	**(12,014)**	(11,794)
Provisions	13	**(1,551)**	(42)
Total current liabilities		**(13,565)**	(11,836)
Non-current assets plus net current assets		**78,675**	79,077
Non-current liabilities			
Provisions	13	**(2)**	(38)
Total non-current liabilities		**(2)**	(38)
Assets less liabilities		**78,673**	79,039
Taxpayers' equity			
Public dividend capital		**15,889**	15,889
General Fund		**54,585**	55,645
Revaluation reserve	14	**8,199**	7,505
Total		**78,673**	79,039

L. C Smyth

Louise Smyth
Accounting Officer
Chief Executive and Registrar
11th July 2018

The notes on Pages 51 – 64 form part of these accounts.

Statement of cash flows for the year ended 31 March 2018

	Note	2017/18 £'000	2016/17 £'000
Cash flows from operating activities			
Net operating surplus before Interest		**3,045**	7,156
Net interest receivable (payable)		**(17)**	99
Unwinding of discount on provisions		**(1)**	-
Net operating surplus before dividend		**3,027**	7,255
Adjustment for non-cash transactions	8,9	**6,011**	5,860
Decrease/(increase) in trade and other receivables	10	**(1,812)**	713
Movements in payables relating to items not passing through the operating account	8, 9	**(1,061)**	(1,463)
Increase/(decrease) in trade payables & other current liabilities		**(8)**	529
Dividend paid		**(3,861)**	(3,840)
(Decrease)/increase in current provisions	13	**1,509**	(6,377)
(Decrease) in non-current provisions	13	**(36)**	(42)
Net cash inflow from operating activities		**3,769**	2,635
Cash flows from investing activities			
Purchase of property, plant and equipment	8	**(1,821)**	(1,918)
Purchase of intangible assets	9	**(3,242)**	(3,255)
Net cash outflow from investing activities		**(5,063)**	(5,173)
Net (decrease)/increase in cash and cash equivalents in the period		**(1,294)**	(2,538)
Cash and cash equivalents at the start of the period	11	**44,564**	47,102
Cash and cash equivalents at the end of the period	11	**43,270**	44,564

The notes on Pages 51 – 64 form part of these accounts.

Statement of changes in taxpayers' equity for the year ended 31 March 2018

	Public Dividend Capital £'000	General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000
Balance at 1 April 2016	**15,889**	**52,251**	**7,192**	**75,332**
Recognised in statement of comprehensive income		3,394	313	3,707
Balance as at 31 March 2017	15,889	**55,645**	7,505	79,039
Balance at 1 April 2017	15,889	**55,645**	7,505	79,039
Recognised in statement of comprehensive income		(1,060)	694	(366)
Balance as at 31 March 2018	**15,889**	**54,585**	**8,199**	**78,673**

The General Fund serves as the chief operating fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

The Revaluation Reserve records the unrealised gain or loss on revaluation of assets.

The notes on Pages 51 – 64 form part of these accounts.

Notes to the accounts for the year ended 31 March 2018

1. Principal accounting policies

Statement of accounting policies
The accounts have been prepared in accordance with the historical cost convention modified to include the revaluation of property, plant and equipment (where material) in a form determined by HM Treasury in accordance with section 4(6) of the Government Trading Funds Act 1973. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted and interpreted by the 2017/18 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounts conform to, insofar as is practicable and appropriate, IFRS, the FReM and specific Treasury guidance.

Dividend
The dividend is calculated in accordance with the Treasury minute (Appendix A) and is not discretionary.

Significant accounting judgements, estimates and assumptions
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and judgements that affect the reported assets, liabilities, revenue and expenditure. Actual results can differ from those estimates. The accounting policy descriptions set out those areas where judgement needs exercising. The most significant in management's view are intangible assets (capitalisation of internal development costs), provisions, and amortisation of intangible assets.

Property, plant and equipment
The minimum value for capitalisation of expenditure is £2,000 for an individual asset. Where appropriate, assets falling below the individual asset threshold are capitalised as groups.

All research expenditure is written off as incurred.

Companies House has adopted depreciated historical cost as a proxy for fair value. The difference between these is not considered material to the accounts.

Any revaluation gains or losses are treated in accordance with IAS 16 Property, Plant and Equipment.

Land and buildings are externally valued on the basis of existing use in accordance with RICS (Royal Institution of Chartered Surveyors) Valuation standards.

Intangible assets
In accordance with IAS 38 Intangibles, the policy on expenditure incurred on the replacement of the core information processing system (CHIPS) is to capitalise only costs directly attributable to creating and developing the platform.

Intangible assets acquired separately are measured on initial recognition at cost. For purchased application software, cost includes contractors' charges, materials, directly attributable labour and directly attributable overheads. Capitalisation ceases when substantially all the activities that are necessary to prepare the asset for use are complete. Amortisation commences at the point of commercial deployment over the asset's estimated useful economic life.

CHIPS	**12 years**
IT Projects	**3 to 10 years**

Further additions to the CHIPS Intangible assets will be amortised over the remaining useful life of the parent asset.

Depreciation and amortisation

Depreciation is provided on property, plant and equipment, except freehold land, at rates calculated to write off the cost or valuation of each asset on a straight-line basis over its expected useful life as follows:

Freehold buildings	**50 years**
Leasehold improvements	**3 years**
IT equipment	**2 to 5 years**
Plant and machinery	**4 to 10 years**

Depreciation will be charged for the full month in which the asset is capitalised.

Software development

Software development expenditure (covering the costs of third party work and the direct costs of in-house staff effort) is capitalised when it is both material (greater than £250,000) and incurred on projects which will deliver economic benefits over several years.

Review of capitalised costs

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. Impairment losses are charged to the income statement on recognition.

Leases

Operating lease rentals are charged to the income statement on a straight-line basis over the term of the lease. There are no finance leases.

Financial instruments

There are no derivative financial instruments, financial instruments held for trading or financial instruments classified as held for sale.

Revenue recognition

Income, which excludes VAT, represents fees and charges in respect of services provided.

Other operating income includes an amount recovered from BEIS for running costs incurred by Companies House in respect of the charging, administration and collection of penalties raised on companies because of the late filing of accounts. Income is recognised when expenditure is incurred.

Any miscellaneous income, for example rent receivable, is classed as other operating income, and is recognised in the period to which it relates.

Taxation

As a Trading Fund, Companies House is not liable for Corporation Tax.

Companies House is not registered separately for VAT but falls within BEIS' registration. Irrecoverable VAT on expenditure is charged to the income statement and is capitalised in relation to the purchase of fixed assets.

Pension costs

Past and future employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded. The Office recognises the expected cost of providing pensions on a systematic basis over the period in which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of defined contribution schemes, the Office recognises the contributions payable for the year.

Provisions

Companies House makes provision for liabilities and charges where a legal or constructive liability exists (e.g. as a present obligation arising from past events), where the transfer of economic benefits is probable, and a reasonable estimate can be made.

Where the time value of money is material, Companies House discounts the provision to its present value using a discount rate of 0.10%, the government standard rate, (2016/17: 0.24%). Each year the financing charges in the income statement include the adjustment to amortise 1 year's discount and restate liabilities to current price levels.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Any outstanding monetary assets and liabilities at the year-end are translated into sterling at the rates ruling at 31 March. Translation differences are dealt with in the income statement.

Staff costs

Under IAS 19 Employee Benefits all staff costs must be recorded as an expense as soon as the organisation is obligated to pay them. This includes the cost of any untaken leave as at the year end. The cost of untaken leave has been determined using data from leave records.

Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2018 and have not been applied in these financial statements

IFRS 9 Financial Instruments includes a number of improvements to the previous IAS 39 such as classification and measurement including a new forward-looking ‘expected loss’ impairment model of financial instruments. IFRS 9 is to be included in the 2018-19 FReM, for public sector adaptations and interpretations. Companies House are currently assessing the impact on the Financial Statements, however, due to the limited exposure to financial instruments do not believe it will have a material impact.

IFRS 15 covers the recognition of revenues from contracts with customers. HM Treasury have included this in the 2018-19 FReM. We have performed a review of our income streams and concluded there will not be a material change in the revenue recognised.

FRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset has a low value. It is not yet clear when or with what degree of adaptation this standard will be reflected in the FReM. The probable impact is that there will be earlier recognition of expenditure in relation to leases (amortisation and interest). Given the scale of Companies House contracts currently treated as operating leases, the standard is unlikely to have a material effect.

2. Income

The following information on the main activities of Companies House is produced for fees and charges purposes and does not constitute segmental reporting under IFRS 8.

The assets and liabilities of Companies House are reviewed by senior management on a total basis and not on a segmental reporting basis.

Income	**2017/ 2018**	**2016/ 2017**
	£'m	£'m
Confirmation Statement	44.2	42.1
Incorporations	7.4	8.1
Other	8.0	8.4
LFP Activity	4.8	3.4
Sub Total	**64.4**	**62.0**
Companies House Direct	1.4	1.9
Certified Copies	1.6	1.7
Other	0.2	0.3
Sub Total	**3.2**	**3.9**
Rent and rates from tenants	1.0	1.0
Other	0.5	0.4
Sub Total	**1.5**	**1.4**
Total as per Operating Account	**69.1**	**67.3**

3. Staff costs

Staff Costs	**2017/18** **£'000**	2016/17 £'000
Salaries	**25,394**	23,901
National Insurance	**2,402**	2,269
Voluntary Exit Scheme (VES) costs	**-**	202
Pension costs	**4,761**	4,556
Contract staff	**2,233**	1,804
Capitalised staff costs (included above)	**(1,762)**	(1,898)
Capitalised contract staff project costs (included above)	**(680)**	(956)
Staff costs per operating account	**32,348**	29,878

3a. Pensions

For 2017/18 the banded charges averaged 20.5% of pensionable pay for permanent staff (2016/17: 20.6%). This equates to a charge for the year of £4.8m (2016/17: £4.6m), at 1 of the 4 rates in the range 20.0% to 24.5% (2016/17: 20.0% to 24.5%) of pensionable pay, based on salary bands. Employer contributions are to be reviewed every 4 years following a full scheme valuation by the Government Actuary. The date of the last actuarial valuation was 31 March 2014 (prior date was 31 March 2010). The contribution rates are set to meet the cost of the benefits accruing during 2017/18 to be paid when the member retires and not the benefits paid during this period to existing pensioners. Companies House has provided for early retirement / voluntary exit costs, which are disclosed more fully in note 13. All other liabilities incurred in the year were satisfied by the year end. This is an unfunded multi-employer defined benefit scheme, but Companies House is unable to identify its share of the underlying assets and liabilities.

New career average pension arrangements were introduced from 1 April 2015 and the majority of classic, premium, classic plus and nuvos members joined the new scheme. Further details of this new scheme are available at:

www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha

4. Non-staff administration costs

	2017/18 £‘000	2016/17 £‘000
Audit remuneration		
Audit services	**55**	48
Other services	**-**	-
Subtotal	**55**	48
Administration costs		
Chief Executive and senior managers' travel and subsistence	**31**	34
Other employees travel and subsistence	**296**	285
Staff related costs	**662**	539
Recruitment and training	**770**	654
Printing and stationery	**4,638**	4,902
Communications and awareness	**888**	654
Maintenance contracts/leases	**3,215**	2,915
Repair and maintenance—buildings	**2,230**	2,276
Accommodation cost	**2,470**	2,304
Property rental	**552**	602
Office equipment	**353**	1,022
Software	**1,541**	396
Professional services (including contact centre, debt recovery and costs of litigation)	**7,161**	6,720
Other administration costs	**1,435**	1,035
Subtotal	**26,242**	24,338

	2017/18 £‘000	2016/17 £‘000
Non-cash Items		
Depreciation and amortisation (includes disposal of assets)	**6,000**	5,860
Impairment	**0**	0
Subtotal	**6,000**	5,860
Total non-staff administration costs	**32,297**	30,246

Included in audit services is £15,000 for work carried out on LFP Trust Statement (2016/17: £12,000).

5. VAT

Following an internal review it was found that for a number of years, VAT relating to certain types of transactions had not been properly accounted for. All invoices (Input and Output VAT) for the financial year 2017/18 have been inspected as part of this investigation and the VAT returns completely redone. Evidence showed that errors on input VAT were in (mainly) two categories allowable for recovery COS 14 and 52. Software, which had been previously interpreted as being allowable in this category, because it was deemed bespoke to our services was, following investigation, not modified sufficiently to qualify. The second which concerns “Professional services”. Guidance from HMRC makes it clear that only “advice” is recoverable under this category, whereas “implementation of that advice” is not. The interpretation of this guidance was incorrect. Adjustments for VAT errors for 2014/15 to 2017/18 in the accounts are as follows;

Income statement:

VAT charge from prior years	£1.403m
Interest Charge	£0.112m

Statement of financial position as at 31 March 2018:

Provisions:	£1.515m

	2014/15 £’000	2015/16 £’000	2016/17 £’000	2017/18 £’000	TOTAL
Output VAT	115	5	13	-	133
Input VAT	364	409	472	25	1,270
Total	**479**	**414**	485	25	**1,403**
Estimated Interest	13	21	34	44	**112**
Total provision	**429**	**435**	519	69	**1,515**

6. Interest and finance costs

	2017/18	2016/17
	£'000	£'000
Short-term daily interest receivable from the Government Banking Service and National Loans Fund	**95**	99
Unwinding of discount of early retirement scheme	**(1)**	-
Interest payable for VAT errors	**(112)**	-
Total Interest Payable	**(113)**	-

7. Dividend

A dividend of £4.1m (2016/17: £3.9m) payable to BEIS. The dividend is calculated as a return on the average capital employed in accordance with the Treasury Minute dated 14 May 2014 (see appendix A). Dividends are paid to BEIS in arrears after the year end.

8. Property, plant and equipment

Property, plant and equipment (2017/18)

	Land	Buildings	Leasehold Improvement	Plant and Machinery	Computer Equipment [1.]	**Total**
	£'000	£'000	£'000	£'000	£'000	**£'000**
Cost or revaluation						
At 1 April 2017	**3,445**	**14,655**	**653**	**6,559**	**13,638**	**38,950**
Additions	-	-	-	762	2,120	2,882
Revaluation (Note 14)	135	265	-	-	-	400
Disposal/assets written off	-	-	-	(70)	(337)	(407)
At 31 March 2018	**3,580**	**14,920**	**653**	**7,251**	**15,421**	**41,825**
Depreciation						
At 1 April 2017	**-**	**-**	**653**	**2,968**	**11,805**	**15,426**
Charged in year	-	294		530	1,134	1,958
Revaluation (Note 14)	-	(294)	-	-	-	(294)
Disposal/assets written off	-	-	-	(70)	(327)	(397)
At 31 March 2018	**-**	**-**	**653**	**3,428**	**12,612**	**16,693**
Net book value at 31 March 2018	**3,580**	**14,920**	**-**	**3,823**	**2,809**	**25,132**
Net book value at 31 March 2017	3,445	14,655	-	3,591	1,833	23,524

The land and buildings were independently valued as at 31 March 2018 by Cushman & Wakefield (Chartered surveyors) on the basis of existing use as set out in the RICS Appraisal and Valuation Manual. This basis is appropriate for use when valuing, for financial statements, property that is occupied for the purpose of the business operating within it.

7,747m2 (2016/17: 7,747m2) of 29,862m2 net internal space of the Crown Way building was rented to other government departments.

Property, plant and equipment (2016/17)

	Land £'000	Buildings £'000	Leasehold Improvement £'000	Plant and Machinery £'000	Computer Equipment £'000	**Total £'000**
Cost or revaluation						
At 1 April 2016	**3,435**	**14,645**	**653**	**4,778**	**13,078**	**36,589**
Additions	-	-	-	1,834	891	2,725
Revaluation (Note 14)	10	10	-	-	-	20
Disposal/assets written off	-	-	-	(53)	(331)	(384)
At 31 March 2017	**3,445**	**14,655**	**653**	**6,559**	**13,638**	**38,950**
Depreciation						
At 1 April 2016	**-**	**-**	**653**	**2,614**	**10,858**	**14,125**
Charged in year	-	293		407	1,278	1,978
Revaluation (Note 14)	-	(293)	-	-	-	(293)
Disposal/assets written off	-	-	-	(53)	(331)	(384)
At 31 March 2017	**-**	**-**	**653**	**2,968**	**11,805**	**15,426**
Net book value at 31 March 2017	**3,445**	**14,655**	**-**	**3,591**	**1,833**	**23,524**
Net book value 31 March 2016	3,435	14,645	-	2,164	2,220	22,464

9. Intangible assets

Intangible assets (2017/18)

Intangible assets are software and the associated implementation costs

	Software £`000	Assets under construction £'000	**Total £'000**
Cost			
At 1 April 2017	**65,509**	**2,051**	**67,560**
Additions	-	3,242	3,242
Disposals	(52)	-	(52)
Impairment	-	-	-
Asset transfer	1,394	(1,394)	-
As at 31 March 2018	**66,851**	**3,899**	**70,750**
Amortisation			
At 1 April 2017	**50,849**	**-**	**50,849**
Charged in year	4,041	-	4,041
Disposal	(52)	-	(52)
Impairment	-	-	-
As at 31 March 2018	**54,838**	**-**	**54,838**
Net book value at 31 March 2018	**12,013**	**3,899**	**15,912**
Net book value at 31 March 2017	14,660	2,051	16,711

£2.6m (2017: £3.8m) of the closing Net Book Value (NBV) relates to Companies House Information Processing System (CHIPS) and £0.7m (2016: £1.1m) for Companies Act Programme (CAP).

£8.7m of the closing NBV relates to Companies House Service (CHS) and other small in-house projects. The remaining amortisation period for these assets is 3-12 years.

In accordance with Companies House policy, all intangible assets were reviewed at year end for impairment.

9.a. Intangible assets (2016/17)

Intangible assets are software and the associated implementation costs

	Software	Assets in the course of construction	**Total**
	£'000	£'000	**£'000**
Cost			
At 1 April 2016	**60,357**	**3,313**	**63,670**
Additions	-	3,890	3,890
Disposals	-	-	-
Impairment	-	-	-
Asset transfer	5,152	(5,152)	-
As at 31 March 2017	**65,509**	**2,051**	**67,560**
Amortisation			
At 1 April 2016	**49,967**	**-**	**49,967**
Charged in year	3,882	-	3,882
Disposal	-		-
Impairment	-	-	-
As at 31 March 2017	**50,849**	**-**	**50,849**
Net book value at 31 March 2017	**14,660**	**2,051**	**16,711**
Net book value at 31 March 2016	13,390	3,313	16,703

10. Trade receivables and other current assets

	31 March 2018	31 March 2017
	£'000	£'000
Trade receivables	**5,056**	3,475
Other receivables	**810**	1,187
Prepayments and accrued income	**1,613**	1,291
Amounts due from BEIS	**447**	161
Total	**7,926**	6,114

No amounts fall due after more than one year (2016/17: Nil).

11. Cash and cash equivalents

	31 March 2018 £'000	31 March 2017 £'000
Balance at 1 April	**44,564**	47,102
Net change in cash and cash equivalent balances	**(1,294)**	(2,538)
Balance at 31 March 2018	**43,270**	44,564

	£'000	£'000
The following balances at 31 March were held at:		
Government Banking Service (GBS) / RBS	**43,421**	28,473
Commercial banks and cash in hand	**(151)**	16,091
Balance at 31 March 2018	**43,270**	44,564

Surplus balances held in commercial banks are deposited with the National Loan Fund.

12. Trade payables and other current liabilities

	31 March 2018 £'000	31 March 2017 £'000
Amounts falling due within one year		
Trade payables	**64**	1,479
Accruals and customer prepayments	**7,688**	6,433
Other payables	**175**	21
Dividend payable	**4,087**	3,861
Total	**12,014**	11,794

No amounts fall due after more than 1 year (2016/17: Nil).

13. Provisions for liabilities and charges

	VAT £'000	Voluntary retirement schemes [1] £'000	Total £'000
Balance at 1 April 2017		**80**	**80**
Provided in the year	**1,515** [2]	**-**	**1,515**
Provisions utilised in the year	**-**	**(43)**	**(43)**
Unwinding of discount	**-**	**1**	**1**
Balance at 31 March 2018	**1,515**	**38**	**1,553**
Analysis of expected timings of provisions			
Amounts due within 1 year	**1,515**	**36**	**1,551**
Amounts due within 2 – 5 years	**-**	**2**	**2**
Total	**1,515**	**38**	**1,553**

1. Treasury guidance requires that the full cost of early retirement and severance schemes should be recognised in the accounts when early-departure decisions are made. The operating account has accordingly been charged with the full liability of new decisions taken and a balance sheet provision has been made which will be offset against the amount paid to retirees in respect of pension and related payments as they fall due between 2012 and 2020. In accordance with IAS 37, the provisions are net of the effect of discounting at a real rate of 0.10% (2016/17: 0.24%), in line with the PES.
2. Following a review of VAT Companies House has made a voluntary disclosure to HMRC for prior years errors in VAT returns arising out of incorrect interpretation of VAT rules for eligible VAT reclaim. In accordance with IAS8 consideration has been given to the provisions materiality and judged not to require prior year adjustment.

14. Revaluation reserve

	Land and Buildings £'000	Total £'000
Balance brought forward 1 April 2016	**7,192**	**7,192**
Revaluation of property, plant and equipment at 31 March 2016	313	313
Transfer to general fund at 31 March 2017	7,505	7,505
Balance brought forward 1 April 2017	**7,505**	**7,505**
Revaluation of property, plant and equipment at 31 March 2017	694	694
Balance carried forward 31 March 2018	**8,199**	**8,199**

15. Operating lease commitments

Total future minimum lease payments under non-cancellable operating leases are given in the table below for each of the following periods:

	31 March 2018 £'000	31 March 2017 £'000
Amounts due		
Not later than one year	**505**	350
Later than one year and not later than five years	**1,266**	1,121
Later than five years	**234**	514
Total	**2,005**	1,985

These leases relate to the offices in Belfast, Edinburgh and London.

16. Future income due under non-cancellable operating leases

	2017/18 £'000	2016/17 £'000
Land and buildings:		
Receivable within 1 year	**420**	430
Receivable within 2–5 years	**122**	356
Total	**542**	786

The lease information above relates to the sub-letting of surplus space in the Cardiff Office. Companies House has 6 tenants (2016/17: 6). This reflects the cash payments expected over the remaining non-cancellable term of each lease. A separate rates and service charge is also levied (and is included in other income in note 2) to recover the cost of utilities and other facilities costs borne by Companies House. This charge is not included within the figures above as it is charged when it is incurred.

17. Financial commitments

Companies House has entered into non-cancellable contracts (which are not leases, PFI or other service concession arrangement contracts), for a variety of services such as debt collection service, IT maintenance, contact centre and printing and mail services.

The total payments to which the agency is committed are as follows:

	2017/18 £000	2016/17 £000
Not later than one year	**6,797**	6,202
Later than one year and not later than five years	**1,083**	1,450
Total	**7,880**	7,652

18. Financial instruments

IAS 39 requires Companies House to disclose information on the significance of financial instruments to its financial position and performance.

Companies House is exposed to credit risk resulting from the non-payment of debts relating to private sector customers.

We review our debtors on a frequent basis to ensure that we minimise this risk and provide for debts we believe not to be fully recoverable.

As a Trading Fund, we have cash balances held with The Government Banking Service and also with a commercial bank. We do not have any loans currently outstanding. We do not believe we are exposed to market or liquidity risk.

We do not believe that have a foreign exchange rate risk as all material assets and liabilities are denominated in sterling, so we are not exposed to any significant currency risk.

19. Contingent liabilities

During 2017/18, VAT errors dating back to 2014/15 were identified and a voluntary disclosure to HMRC required. There is a potential for HMRC to impose penalties in respect of this disclosure of up to 30% of the value of the error. The penalty is not certain to be imposed, the value is uncertain (possible range £0 - £0.4m), as is the timing of any payment.

The Directors are not aware of any other contingent liabilities at 31 March 2018.

20. Related party transactions

Companies House is an Executive Agency of BEIS with Trading Fund status. BEIS is regarded as a related party and during the year Companies House has had various material transactions with the divisions of the Department. In addition, Companies House had a number of material transactions with other central government bodies, most of which have been with the Treasury Solicitor, Financial Reporting Council (FRC) and HMRC. None of the Board members or senior managers has undertaken any material transactions with Companies House during the year.

Neil Hartley was the Director of Finance for Companies House and the Intellectual Property Office (IPO) during the year; IPO is a related party. Details of Neil Hartley's remuneration and that of all the Companies House directors are available in the Remuneration and Staff Report.

Ceri Witchard is the Director of Corporate Strategy for Companies House and Regulator of Community Interest Companies (CIC); CIC is a related party. Details of Ceri Witchard's remuneration and that of all the Companies House directors are available in the Remuneration and Staff Report.

Related organisation	**Income £'000**	**Amounts owed by related party £'000**
Intellectual Property Office	383	319
Community Interest Companies	31	4

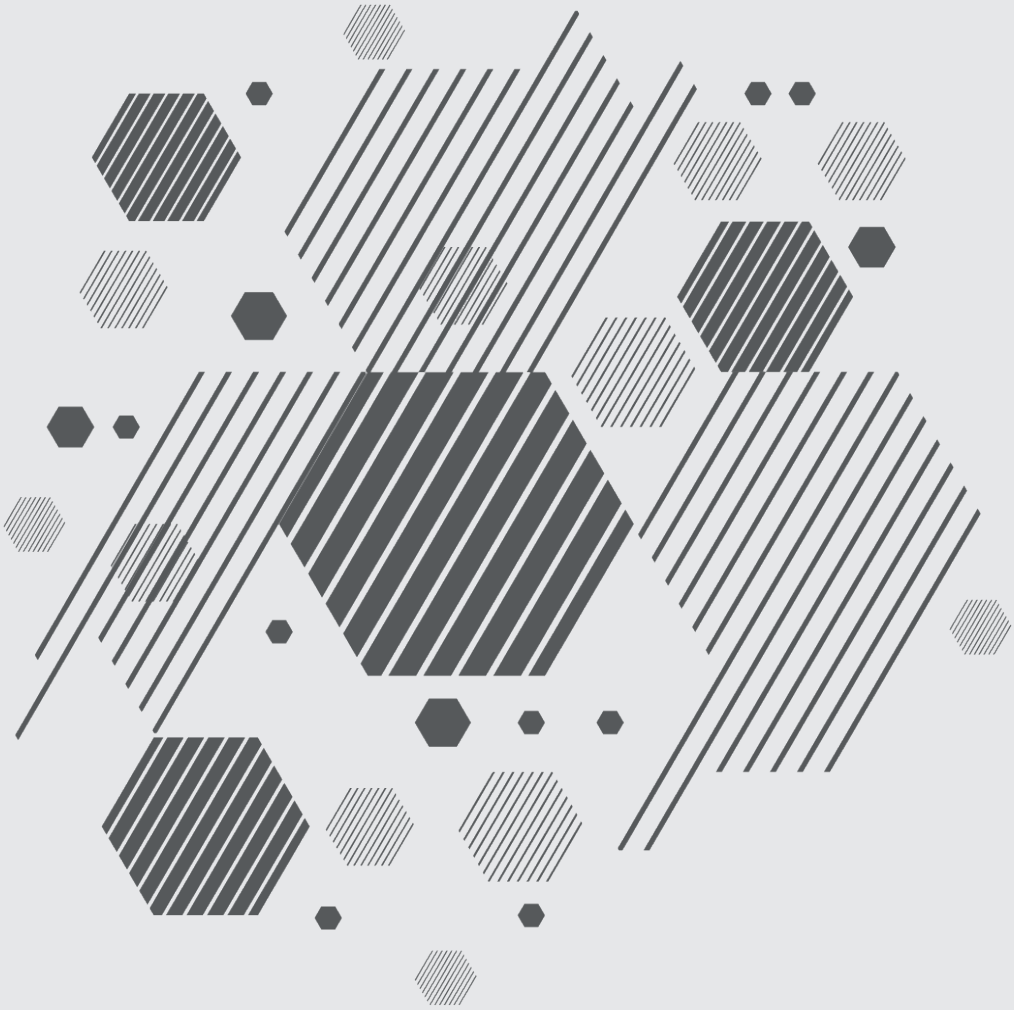
21. Subsequent events

There have been no significant events between the Statement of Financial Position and the date of authorising these financial statements.

The accounts were authorised for issue on the date of the certificate and report of Comptroller and Auditor General.

4

Appendix A
Treasury minute



Dated 14 May 2014

1. Section 4(1) of the Government Trading Funds Act 1973 ("the 1973 Act") provides that a trading fund established under that Act shall be under the control and management of the responsible Minister and, in discharge of his function in relation to the fund it shall be his duty:

(a) to manage the funded operations so that the revenue of the fund:

(i) consists principally of receipts in respect of goods or services provided in the course of the funded operations, and

(ii) is not less than sufficient, taking one year with another, to meet outgoings which are properly chargeable to revenue account; and

(b) to achieve such further financial objectives as the Treasury may from time to time, by minute laid before the House of Commons, indicate as having been determined by the responsible Minister (with Treasury concurrence) to be desirable of achievement.

2. The Trading Fund for Companies House was established on 1 October 1991 under the Companies House Trading Fund Order 1991 (SI 1991 No.1795).

3. The Secretary of State for the Department for Business, Innovation and Skills, being the responsible Minister for the purposes of section 4(1)(b) of the 1973 Act, has determined (with Treasury concurrence) that a further financial objective desirable of achievement by the Companies House Trading Fund to achieve, over the period from 1 April 2014 to 31 March 2019, a return, averaged over the period as a whole, of at least 3.5 per cent real 1 in accordance with Managing Public Money. This will take the form of an operating surplus on ordinary activities post exceptional items and interest (payable and receivable), but before dividends, expressed as a percentage of average capital employed. Capital employed shall equate to the total assets from which shall be deducted the total liabilities.

4. This Minute supersedes that dated 21 July 2009.

5. Let a copy of this Minute be laid before the House of Commons pursuant to section 4(1)(b) of the Government Trading Funds Act 1973.

[1] 3.5% real will be calculated annually as 3.5% plus the latest inflation estimate for that year, provided by ONS. By way of a worked example, for the fiscal year 2013-2014 the financial target will be 5.5%. This has been calculated as (1+3.5%+2.0%), where 2.0% is the ONS 2013-14 inflation estimate. National Accounts figures from the ONS: www.gov.uk/government/publications/gdp-deflators-at-market-prices-and-money-gdp-march-2013

5

Trust Statement
Late Filing Penalties 2017/2018

Accounting Officer’s foreword to the Trust Statement

Scope
This Trust Statement reports on the revenue, expenditure, assets and liabilities required for, or generated by the operation of, the late filing penalty scheme during the financial year. The penalties collected are paid into HM Treasury’s Consolidated Fund.

The Department for Business, Energy & Industrial Strategy (BEIS) funds the costs of issuing, collecting and enforcing late filing penalties. Companies House invoices BEIS for the cost of administering the scheme.

Statutory background
The purpose of the late filing penalty scheme is to promote the timely delivery of accounts to Companies House. Penalties were first introduced in 1992 in response to increasing public concern about the number of companies that failed to file their accounts on time or at all. It was thought that the prospect of incurring a penalty would be an incentive for companies to file on time.

A company that delivers its accounts late is liable to a late filing penalty (LFP). This is a civil penalty that arises automatically by operation of law (Section 453(1) of the Companies Act 2006 (the ‘Act’)). The amount of penalty due is calculated by reference to the date upon which the accounts are finally delivered: the longer the period of default, the greater the penalty. A public company is liable to pay a greater penalty than a private company for the same period of default. A company which is late in filing its accounts in 2 consecutive years incurs in the second year twice the penalty to which it would otherwise be liable. The Companies (Late Filing Penalties) and Limited Liability Partnerships (Filing Periods and Late Filing Penalties) Regulations 2008 (SI 2008/497) prescribe the penalties payable.

LFPs are collected by the Registrar under (Section 453(3) of the Companies Act 2006). As Registrar of Companies for England and Wales, I collect the penalties incurred by companies registered in England and Wales.
The Registrar of Companies for Scotland and the Registrar of Companies for Northern Ireland collect the penalties in Scotland and Northern Ireland respectively. The three Registrars pay the penalties recovered into the Consolidated Fund (Section 453(3)).

Neither I nor my fellow Registrars have the power to cancel a penalty once it has accrued. There is limited discretion not to collect an LFP (Section 453(3) says that a penalty may be recovered by the Registrar). This discretion is exercised only in exceptional circumstances. If the discretion is exercised in favour of a company so that it is not required to pay, the penalty not collected is offset against penalty income in the Statement of Revenue and Expenditure.

Limited liability partnerships (LLPs) are also subject to the LFP scheme (The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (SI 2008/2011)). The LFP scheme is operated in the same way for companies and LLPs; this report uses ‘company’ to cover both.

Financial background
The income collected by way of LFPs is not used to meet the expenditure incurred by Companies House in administering the LFP scheme. The expenditure incurred is disclosed as a note to the accounts.

On 1 February 2009, the penalty regime was amended. The penalties were increased and, at the same time, the period allowed for filing accounts at Companies House was shortened. Double penalties were also introduced: where a company files its accounts late in 2 successive years, it is liable to double the penalty otherwise due in the second year.

Unlike previous Companies Acts, the Act extended to companies registered in Northern Ireland with effect from 1 October 2009. On that date, the Northern Ireland Companies Registry joined Companies House.
The LFPs collected by the Registrar of Northern Ireland have been included in the results and appropriations.

From 1 February 2009 to date as per Companies Act 2006

How late are the accounts delivered	Penalty: Private Company / LLP	Penalty: PLC
Not more than 1 month	£150	£750
More than 1 month but not more than 3 months	£375	£1,500
More than 3 months but not more than 6 months	£750	£3,000
More than 6 months	£1,500	£7,500

The above table shows the initial penalty value levied.

Business review
During the financial year 218,884 penalties were levied (2016/17: 206,575), which was an increase of 12,309 on the previous year. There was an increase in the value of the penalties issued to £93.7m (2015/16: £90.7m).

During 2017/18 a total of 45,299 double penalties (2016/17: 42,789) were levied with a value of £39.8m (2016/17: £38.7m) against companies which had filed their accounts late in successive years.

Performance
59% of the penalties levied in 2017/18 were collected in full. Those penalties which either I or my fellow Registrars exercised our discretion not to collect are excluded from these figures.

Penalties and any associated court costs which were written off during the financial year as uncollectable amounted to £38.6m (2016/17: £26.6m). There was a decrease in the impairment of receivables due to bad and doubtful debt of £9.2m (2016/17: £5.7m increase in impairment). A total impairment of £66.6m reducing the carrying value of net receivables to £21m. This follows an overall reduction of receivables due of £13.8m through the introduction of the new accounting policy to write off debt where all current strategies have been exhausted following court action, which had previously been subject to the provision for bad debts. There was also a performance increase in successful collection of debt following internal process reviews during the year which has increased the volume of debt moving through the debt recovery process.

Results and appropriations
The net revenue for the Consolidated Fund was £63.7m (2016/17: £56.8m). The transfer of receipts to the Consolidated Fund from the Trust in the year was £70.5m (2016/17: £51m), which left a balance due to the Consolidated Fund of £21.9m (2016/17: £28.7m) at 31 March 2018. Please refer to the necessary financial statements pages 75 to 77.

Case handling
During the financial year 33,180 (2016/17: 30,670) appeals were received against penalties levied. Having levied a penalty, I and my fellow Registrars have applied limited discretion not to collect 2% of penalties (2016/17: 2%) under Section 453(3) of the Companies Act 2006, and this is offset against penalty income in the Statement of Revenue and Expenditure..

Bad and doubtful debts
It is the legal responsibility of the company's officers to ensure that accounts are prepared and delivered to Companies House on time under section 441. Under section 453 of the Act it is the company not the individual officers which incurs a late filing penalty. Any enforcement action that is taken is against the company.

Companies House has engaged a debt collection agency to take enforcement action in respect of outstanding LFPs. Companies may be taken to court to enforce the penalty levied and any additional costs incurred are sought to be recovered from this process.

In addition to the amounts not collected due to the exercise of each Registrar's discretion, penalties are written off as unrecoverable where a company has been struck off or dissolved. There is no economic benefit in pursuing a debt from a defunct company. Penalties (and associated court costs) are also written off as unrecoverable where the debt is over 6 years old. In 2017/18 the total debt written off was £38.6m (2016/17: £26.6m) of which 55% related to dissolved companies (2016/17: 87%). The increase in debt written off relates to the write off of debt where all strategies have been exhausted, and the debt has been deemed uncollectable.

The impairment for the year has decreased by £9.2m to £66.6m (2016/17: £75.8m) and has been constructed in line with the accounting policy (note 1).

Independent adjudicators
The independent adjudicators' principal role is to deal with appeals against late filing penalties once they have passed through the first two stages which are internal to Companies House. The adjudicators also investigate complaints about delay, discourtesy and mistakes and the way in which complaints have been handled by the Registrar. The Adjudicators' Report is published annually and is available on the Companies House website.

Court costs
Court costs awarded are shown within other income and in 2017/18 amounted to £1.8m (2016/17: £0.6m). On receipt of the payment for the court costs the money collected is transferred to Companies House to use in the further pursuit of companies via the courts. 2017/18: £0.6m (2016/17: £0.3m). The Registrars of Scotland and Northern Ireland exercise their discretion outside England and Wales against the companies on their respective registers.

Funding
The costs of administering the scheme are provided by BEIS which provides the funds to support the costs of running the LFP Scheme and the costs incurred in enforcing collection. The costs incurred by Companies House and invoiced to BEIS note 9.

Cash balances
Net cash inflow from revenue activities for the year was £63.7m (2016/17: £57.2m). After payments of £70.5m to the consolidated fund (2016/17: £51m), the net decrease in cash for the year was £6.8m, taking cash balances at the year end to £1.7m. Cash balances are managed in accordance with Treasury guidelines. Companies House transfers to the Consolidated Fund, on a monthly basis, the penalty income receipted.

Audit service
The statutory external audit was performed by the Comptroller and Auditor General at a cost of £15,000 (2016/17: £12,000).

Registrars

England and Wales

Louise Smyth—Chief Executive and Registrar of Companies House (Appointed 18 September 2017)

Ann Lewis—Acting Chief Executive and Registrar of Companies House (1 May – 17 September 2017)

Tim Moss CBE—Chief Executive and Registrar of Companies House (Resigned 30 April 2017)

Scotland

Lisa Davis—Registrar of Companies for Scotland (Appointed 24 July 2017)

Nick Riddle—Interim Registrar of Companies for Scotland (5 July – 23 July)

Aoife Martin—Registrar of Companies for Scotland (Resigned 4 July 2017)

Northern Ireland

Helen Shilliday—Registrar of Companies for Northern Ireland

L. C Smyth

Louise Smyth
Accounting Officer
Chief Executive and Registrar
11th July 2018

Statement of Accounting Officer’s responsibilities

Under section 4(6)(a) of the Government Trading Funds Act 1973 HM Treasury has appointed the Accounting Officer to prepare, for each financial year, a Trust Statement in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Trust Statement and of its: Statement of revenue, other income and expenditure; Statement of financial position; and Statement of cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual (FReM) and in particular to:

- observe the Accounts Direction issued by HM Treasury including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the FReM have been followed, and disclose and explain any material departures in the Trust Statement; and
- prepare the Trust Statement on a going concern basis.

The Treasury has appointed the Chief Executive of Companies House as the Accounting Officer for the Trust Statement. Her relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping records and for safeguarding the Companies House assets, are set out in the Accounting Officers’ memorandum issued by HM Treasury and published in Managing Public Money.

Accounting Officer’s confirmation

As Accounting Officer, as far as I am aware, there is no relevant audit information of which the agency’s auditors are unaware. I have taken all of the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the National Audit Office are aware of that information.

The annual report and accounts as a whole is fair, balanced and understandable and I take personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

Performance report and accountability report

1. The Agency's Performance Report covering both the Trading Fund and the Trust Statement, is shown on page 3.
2. The Agency's Accountability Report covering both the Trading Fund and the Trust Statement, is shown on page 18.
3. A separate disclosure note covering losses incurred in the Trust Statement is included below.

The Agency's Governance Statement covering both the Trading Fund and the Trust Statement, is shown on page 22.

Parliamentary accountability disclosure

Losses and special payments

This section has been audited

Losses	**2017/18**		2016/17	
	Volumes	**Values £'000**	**Volumes**	**Values £'000**
Debt written off – dissolved Companies	**28,322**	**21,380**	28,541	23,294
Other write-offs 1	**22,365**	**17,242**	7,173	3,266
	50,687	**38,622**	35,714	26,560

In accordance with managing public money (A4.10.7) total losses over £300k should be disclosed. No single item exceeded £300k within that total. Companies House has gained HMT approval in relation to the above write off.

1. The Registrar also writes off penalties and any associated court costs after 6 years or as deemed uncollectable following exhaustion of debt collection strategies and court action, in line with the accounting policy (note 1).

L. C Smyth

Louise Smyth
Accounting Officer
Chief Executive and Registrar
11th July 2018

The certificate and report of the Comptroller and Auditor General to the House of Parliament

Opinion on financial statements
I certify that I have audited the financial statements of the Companies House Trust Statement for the year ended 31 March 2018 under the Government Trading Funds Act 1973. The financial statements comprise the Statement of Revenue, Other Income and Expenditure, the Statement of Financial Position, the Statement of Cash Flows and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

In my opinion:

- The financial statements give a true and fair view of the state of affairs of the Companies House Trust Statement as at 31 March 2018 and of the net revenue for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions issued thereunder.
  Opinion on regularity

Opinion on regularity
In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinion
I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Companies House Trust Statement in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Accounting Officer for the audit of the financial statements As explained more fully in the Statement of Accounting Officer's responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements
My responsibility is to audit, certify and report on the financial statements in accordance with the Government Trading Funds Act 1973. 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. 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.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Companies House Trust Statement's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Companies House Trust Statement's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General
16th July 2018

National Audit Office
157 – 197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Statement of revenue, other income and expenditure for the year ended 31 March 2018

	Note	2017/18 £'000	2016/17 £'000
Revenue			
Penalties	2	**93,657**	90,717
Discretion applied under section 453(3) Companies Act 2006		**(1,693)**	(2,010)
Total		**91,964**	88,707
Other income			
Recoverable court costs		**1,779**	643
Total revenue		**93,743**	89,350
Expenditure			
Court costs transferred		**(610)**	(285)
Bad and doubtful debts	4	**(29,438)**	(32,250)
Total expenditure		**(30,048)**	(32,535)
Net revenue for the consolidated fund as at 31st March	7	**63,695**	56,815

There were no recognised gains or losses accounted for outside the above Statement of revenue, other income and expenditure (2016/17: Nil).

The notes on pages 78 – 83 form part of this statement.

Statement of financial position as at 31 March 2018

	Note	31 March 2018 £'000	31 March 2017 £'000
Current assets			
Trade and other receivables	3	**20,972**	20,964
Cash and cash equivalents	8	**1,725**	8,560
Total current assets		**22,697**	29,524
Total assets		**22,697**	29,524
Current liabilities			
Trade and other payables	6	**(796)**	(818)
Total current liabilities		**(796)**	(818)
Assets less liabilities		**21,901**	28,706
Balance on consolidated fund account as at 31 March	7	**21,901**	28,706

L. C Smyth

Louise Smyth
Accounting Officer
Chief Executive and Registrar
11th July 2018

The notes on pages 78 – 83 form part of this statement.

Statement of cash flows for the year ended 31 March 2018

	Note	2017/18 £'000	2016/17 £'000
Net cash flow from revenue activities		**63,665**	57,203
Cash paid to consolidated fund	7	**(70,500)**	(51,000)
(Decrease)/increase in cash and cash equivalent		**(6,835)**	6,203

Notes to the statement of cash flows

Reconciliation of net cash flow to movement in net funds

Net revenue for consolidated fund		**63,695**	56,815
(Increase) in non-cash assets	3	**(8)**	415
Increase in liabilities	6	**(22)**	(27)
Net cash flow from revenue activities		**63,665**	57,203

Analysis of changes in net funds

(Decrease)/increase in cash in this period		**(6,835)**	6,203
Net funds as at 1 April (opening cash at bank)	8	**8,560**	2,357
Net cash as at 31 March (closing cash at bank)		**1,725**	8,560

The notes on pages 78 – 83 form part of this statement.

Notes to the accounts for the year ended 31 March 2018

1. Principal accounting policies

Basis of accounting

The Trust Statement is prepared in accordance with the accounts' directions issued by HM Treasury under section 7 of the Government Resources and Accounts Act 2000. The Trust Statement is prepared in accordance with the accounting policies detailed below. These have been agreed between Companies House and HM Treasury and have been developed with reference to International Financial Reporting Standards and other relevant guidance.

The accounting policies have been applied consistently in dealing with items considered material to the accounts.

The income and associated expenditure contained in this statement are those flows of funds which Companies House handles on behalf of the Consolidated Fund and Treasury where it is acting as an agent rather than principal.

The financial contained in the statement and in the notes is rounded to the nearest £'000

Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and judgements that affect the reported assets, liabilities, revenue and expenditure. Actual results can differ from those estimates. The accounting policy descriptions set out those areas where judgement needs exercising. The most significant in management's view are the impairment of receivables for doubtful debts and the exercise of discretion under S453(3) of the Companies Act 2006.

Accounting convention

The Trust statement has been prepared in accordance with the historical cost convention.

Revenue recognition

- Penalties are measured in accordance with IAS 18. Revenue is recognised when:
- A penalty is validly imposed and an obligation to pay arises;
- Recoverable court costs are recognised once awarded by the courts and shown as other income;
- When the court costs are fully recovered, they are treated as an expense and transferred to Companies House against previously incurred court action costs.

Discretion under section 453 Companies Act 2006

Section 453(3) of the Companies Act 2006 states that the penalty "may be recovered by the Registrar". Discretion can only be applied in exceptional circumstances, for example, where Companies House has contributed to the late filing or where an unforeseen catastrophe strikes the company immediately before the filing deadline. Where discretion is given, this is offset against penalty receipts in the statement of revenue, other income and expenditure.

Receivables

Receivables are shown net of impairments in accordance with the requirements of IAS 39.The impairment of receivables for doubtful debts and debts written off are treated as an expense in the statement of revenue, other income and expenditure.

Penalties are written off as uncollectable when a company is dissolved, the penalty exceeds 6 years or all debt collection strategies have been exhausted and Companies House and the debt collector deem the penalty uncollectable. At each balance sheet date Companies House evaluates the collectability of debtors and records an impairment against receivables for doubtful debts based on previous experience including the comparisons of the relative aged debt, collection rates and the consideration of actual write-off history.

The calculated impairment of receivables varies depending on position in the debt collection process and the ageing of the debt, for example, a debt is generally more highly impaired the older it is and if it has been transferred to a collection company.

Cost

The LFP Scheme is administered by the Registrar of Companies. Funding for the costs incurred in this administration is via funding from BEIS who are invoiced by Companies House on a cost-recovery basis.

Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2018 and have not been applied in these financial statements.

IFRS 9 Financial Instruments includes a number of improvements to the previous IAS 39 such as classification and measurement including a new forward-looking 'expected loss' impairment model of financial instruments. IFRS9 is to be included in the 2018-19 FReM, for public sector adaptations and interpretations. IFRS 9 requires an entity to recognise expected credit losses. The assessment of credit loss is a complex matter, dealing with uncertain outcomes, assumptions regarding probability and estimation of volatile contributing factors. Companies House are currently assessing the impact on the Financial Statements.

IFRS 15 covers the recognition of revenues from contracts with customers. HM Treasury have included this in the 2018-19 FReM. We have performed a review of our income streams and concluded there will not be a material change in the revenue recognised.

IFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less. There are no leases attributable to the trust statement.

2. Revenue and other income

Penalties

The following is information of late filing penalties by registry:

		2017/18		2016/17
	Number of Penalties		Number of Penalties	
	'000	£'000	'000	£'000
England and Wales	204	86,918	194	84,220
Scotland	11	5,130	10	4,879
Northern Ireland	4	1,609	3	1,618
Total	219	93,657	207	90,717

Discretion applied under section 453(3) Companies Act 2006

The Registrar has no discretion not to levy a penalty when accounts are delivered late. All companies which deliver accounts late will automatically incur a penalty. However, section 453(3) of the Companies Act 2006 states that the penalty "may be recovered by the Registrar". Discretion can only be applied in exceptional circumstances, for example, where Companies House has contributed to the late filing or where an unforeseen catastrophe strikes the company immediately before the filing deadline. Where the Registrar has applied discretion, this is offset against penalty income.

3. Receivables

Receivables falling due after more than one year

	31st March 2018	31st March 2017
	£'000	£'000
Penalties levied and court costs	-	89
Provision for doubtful debts		
Total	-	89

Receivables falling due within the year

	31st March 2018 £'000	31st March 2017 £'000
Penalties levied and court costs	**87,573**	96,660
Provision for doubtful debts	**(66,601)**	(75,785)
Total	**20,972**	20,875

Total receivables due

	31st March 2018 £'000	31st March 2017 £'000
Penalties levied and court costs	**87,573**	96,749
Provision for doubtful debts	**(66,601)**	(75,785)
Total	**20,972**	20,964

If a company has difficulty in paying the penalty outright the Registrar may accept payment in instalments over a short period depending on individual company circumstances.

The impairment for doubtful debts reflects the type of debt incurred and the length of time taken in collecting the debt. This is calculated in line with the policy in note 1.

4. Bad and doubtful debts

	31st March 2018 £'000	31st March 2017 £'000
Debt written off — dissolved companies	**21,380**	23,294
Other write offs	**17,242**	3,266
Revenue losses	**38,622**	26,560
Increase/(decrease) in provision for doubtful debt	**(9,184)**	5,690
Total	**29,438**	32,250

It is the legal responsibility of the company's officers to ensure that accounts are prepared and delivered to Companies House under section 441. Section 453 of the Act states that where company accounts are filed late, the company is liable to a civil penalty. This is in addition to any liability of the directors under section 451.

The Registrar pursues this penalty under section 453(3) against the company. Where the company is no longer in existence, this is written off as uncollectable. The Registrar also writes off penalties and any associated court costs after 6 years as uncollectable or when all debt collection strategies have been exhausted and Companies House and the debt collector deem the penalty uncollectable.

5. Change to impairments

	31st March 2018 £'000	31st March 2017 £'000
Balance as at 1 April 2017	**75,785**	70,095
Change in estimated value of impairments	**(9,184)**	5,690
Balance as at 31 March 2018	**66,601**	75,785

Receivables on the statement of financial position are reported after the deduction of the estimated value of Impairments. This estimate is based on the expected recoverability of outstanding penalties and associated costs in line with note 1.

5a. Sensitivity Analysis on the Impairment for Bad and Doubtful Debt

Sensitivity analysis has been conducted which has looked at the impact of movement in the collectable percentage rates applied to calculate the impairment of receivables of bad debts. The impairment has been spilt into three age categories with different collectable percentage rates. The key management assumption is that historic cash collection rates will continue in a similar pattern going forwards. Were this assumption to be incorrect and less cash collected, the impairment should be increased to reflect less debt collected. Conversely, should more cash be recovered the impairment should be decreased. The analysis has yielded the following results:

	2017/18	2016/17
	+/-	+/-
	£'000	£'000
1% Flex - impact on Net Receivables	**858**	950
Decrease in Cash Collected	**(858)**	(950)
Increase in Cash Collected		
2.5% Flex - impact on Net Receivables	**2,146**	1,788
Decrease in Cash Collected	**(2,146)**	(2,374)
Increase in Cash Collected		
5% Flex - impact on Net Receivables	**3,828**	2,814
Decrease in Cash Collected	**(4,292)**	(4,749)
Increase in Cash Collected		

The key assumption inherent in the model used to calculate the impairment for bad and doubtful debt is that the estimated future flow of payments reflects historical trends and, as such, there is inherent uncertainty in the estimated impairment. The impact of adjusting the estimated future flow of payments to arrive at reasonable alternatives to this assumption is reflected in the table above.

6. Trade and other payables

	31st March 2018	31st March 2017
	£'000	£'000
Other payables	**796**	818
Total	**796**	818

No amounts fall due after more than one year (2015/16: Nil).

7. Balance on consolidated fund

	31st March 2018	31st March 2017
	£'000	£'000
Balance on the consolidated fund as at 1 April	**28,706**	22,891
Net revenue for the consolidated fund	**63,695**	56,815
Less amounts paid to consolidated fund	**(70,500)**	(51,000)
Balance on the consolidated fund as at 31 March	**21,901**	28,706

8. Cash and cash equivalents

	31st March 2018	31st March 2017
	£'000	£'000
Balance with GBS	**929**	982
Balance with commercial banks	**796**	7,578
Total	**1,725**	8,560

	2017/18		2016/17	
	GBS	**Commercial**	GBS	Commercial
	£'000	**£'000**	£'000	£'000
Balance with GBS	**982**	**7,578**	1,666	691
Balance with commercial banks	**(53)**	**(6,782)**	(684)	6,887
Total	**929**	**796**	982	7,578

Since February 2011 Companies House has taken sole responsibility for the transfer of funds to the Consolidated Fund. In previous years, all penalties were transferred to BEIS who subsequently transferred in to the Consolidated Fund. Companies House remits to the Consolidated Fund on a monthly basis.

9. Expenditure

In managing the scheme Companies House incurred expenditure of £4.8m (2016/17: £3.5m). This expenditure is included in Companies House accounts because there is no express statutory provision for these costs to be deducted from the revenue collected and paid over to the Consolidated Fund.

	2017/18	2016/17
	£'000	£'000
Appeal administration		
Staff costs	**1,113**	1,093
Overheads	**94**	289
Debt collection		
Staff costs	**482**	589
Overheads	**3,147**	1,512
Total	**4,836**	3,483
Average employees FTE	**46.2**	48.2

10 Related party disclosures

Companies House is an Executive Agency of BEIS with Trading Fund status. BEIS is regarded as a related party and during the year Companies House received funding for the LFP scheme expenditure from BEIS, invoiced on a cost- recovery basis and this is reflected within the Companies House annual accounts. None of the board members or senior managers has undertaken any material transactions with Companies House during the year.

11. Subsequent events

Events after the reporting period date.

There have been no other significant events between the Statement of Financial Position and the date of authorising these financial statements.

The accounts were authorised for issue on the date of the certificate and report of Comptroller and Auditor General.

Glossary of terms

The definitions that follow are simplified. They are not a comprehensive statement of the full accounting meaning and nor do they fully reflect accounting policy within Companies House. The definitions are not a substitute for accounting standards, practices, laws and government guidelines as relevant to Companies House. For further information, please refer to a suitably qualified finance professional or to Companies House directly.

Asset
Asset has a broad but specific meaning in accounting terminology. An asset is something that Companies House has control over that it can use as part of the process of delivering its objectives. It may be tangible such as an item of office equipment or it may be intangible such as a computer system. Receivable balances and cash balances are also assets.

Cash equivalent transfer value
A cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time.

Contingent liabilities
Contingent liabilities are liabilities that are not yet certain because their existence can only be confirmed by a future event outside of Companies House's control.

Depreciation
Depreciation is an estimate of the value of an asset consumed in its use during the reporting period. For example, if Companies House bought a computer system for £1 million and expected it to be used for five years, the depreciation charge would be £200,000 each year.

Impairment and losses on disposal
Impairment is where the value of an asset has permanently fallen below its current recorded value. A loss on disposal refers to the situation where an asset is disposed of before it has been fully depreciated and any sales proceeds do not outweigh the remaining value.

Depreciated historical cost
Depreciated historical cost is the depreciation charge worked out on the historical cost.

Financial Reporting Manual (FReM)
The government's 'Financial Reporting Manual' ('FReM') is the technical accounting guide that complements guidance on the handling of public funds published separately by the relevant authorities. The manual is prepared following consultation with the Financial Reporting Advisory Board and it is issued by the relevant authorities in England and Wales, Scotland and Northern Ireland.

General fund
This is also known as the 'general reserve'. It is best thought of as the value held in Companies House that the taxpayer owns.

Historical cost
Historical cost is the purchase cost of an item. For example, if Companies House bought a computer system for £1 million two years ago, its historical cost would be £1 million.

Intangible asset
Intangible asset has a specific meaning in accounting. It is an identifiable asset under the control of Companies House that is not money and does not have physical substance. An example of an intangible asset is computer system software.

International Financial Reporting Standards (IFRS)
International Financial Reporting Standards refer to the rules and practices as issued by the International Accounting Standards board. These have been adapted for use by government bodies in the UK, as explained in the government's 'FReM' and it is these rules that Companies House applies in the preparation of its accounts.

Liabilities
Liabilities have a broad but specific definition in accounting terms. A liability is an obligation Companies House has that arises from past transactions or events. For example, if Companies House agrees to occupy a building for a certain period of time, it will have a liability to pay the rent. Liabilities are linked to the expenditure Companies House incurs and the value of liabilities in the accounts represents amounts that we have not yet paid. Payable balances, provisions and financial guarantee balances are all liabilities

Net assets
This refers to the total assets, less the total liabilities under Companies House's control.

Net book value (NBV)
The net book value of an asset is the original cost of the asset, less any depreciation that has been charged against it. For example, a computer system bought for £1 million and expected to last five years will have a net book value of £800,000 after the first year.

Provisions
Provisions are a type of liability but they have the characteristic of being less certain than other liabilities, so they are disclosed separately.

Year-end
The end of the financial year, which for Companies House runs from 1 April to the following 31 March.

Corporate governance
Corporate governance is the system of rules, practices and processes by which a company is directed and controlled.

Acronym	Meaning
BEIS	Department for Business, Energy & Industrial Strategy
CHS	Companies House Service
CIC	Community Interest Companies
FTE	Full-time equivalent
HMRC	Her Majesty's Revenue and Customs
kWH	kilowatt-hour(s)
NAO	National Audit Office
NEMB	Non Executive Board member
PCS	People with Significant Control
PCSPS	Principal Civil Service Pension Scheme
ROCE	Return on Capital Employed
SBEEA	Small Business Enterprise and Employment Act 2015
tCO2e	Tonnes of CO2
UKGI	UK Government Investments
UNCITRAL	United Nations Commission on International Trade Law
VAT	Value Added Tax

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