

Company Registration No. 06041965 (England and Wales)

CAPITA INSURANCE SERVICES HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017



CAPITA INSURANCE SERVICES HOLDINGS LIMITED

COMPANY INFORMATION

Directors	C S Ashburn J D Vincent
Secretary	Capita Group Secretary Limited
Company number	06041965
Registered office	17 Rochester Row London SW1P 1QT
Auditor	KPMG LLP 15 Canada Square London E14 5GL
Banker	Barclays Bank PLC 1 Churchill Place London E14 5HP
Solicitors	Herbert Smith Freehills Exchange House Primrose Street London EC2A 2HS

CAPITA INSURANCE SERVICES HOLDINGS LIMITED

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CAPITA INSURANCE SERVICES HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors present the Strategic report and financial statements for the year ended 31 December 2017.

Review of the business

Capita Insurance Services Holdings Limited ("the Company") is a wholly owned subsidiary of Capita plc. Capita plc along with its subsidiaries are hereafter referred to as "the Group". The Company operates within the Group's Private Sector Partnership division.

The principal activity of the Company is that of carrying on the business of a holding and investment Company. There have not been any significant changes in the Company's principal activities in the year under review. The Directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

As shown in the Company's income statement on page 6, the operating profit has decreased from £15,769,894 to £nil in 2017.

The balance sheet on page 7 of the financial statements shows the Company's financial position at the year end. Net assets have increased from £87,761,517 to £87,777,589. Details of amounts owed by/to its parent Company and fellow subsidiary undertakings are shown in notes 8 and 10 to the financial statements.

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

Principal risks and uncertainties

The Company is subject to various risks and uncertainties during the ordinary course of its business many of which result from factors outside of its control. The Company's risk management framework provides reasonable (but cannot provide absolute) assurance that significant risks are identified and addressed. An active risk management process identifies, assesses, mitigates and reports on strategic, financial, operational and compliance risk.

The principal themes of risk for the Company are:

- *Strategic:* changes in economic and market conditions such as contract pricing and competition.
- *Financial:* significant failures in internal systems of control and lack of corporate stability.
- *Operational:* including recruitment and retention of staff, maintenance of reputation and strong supplier and customer relationships, operational IT risk, and failures in information security controls.
- *Compliance:* non-compliance with laws and regulations. The Company must comply with an extensive range of requirements that govern its business.

To mitigate the effect of these risks and uncertainties, the Company adopts a number of systems and procedures, including:

- Regularly reviewing trading conditions to be able to respond quickly to changes in market conditions.
- Applying procedures and controls to manage compliance, financial and operational risks, including adhering to a strict internal control framework.

Capita plc, has also implemented appropriate controls and risk governance techniques across all of its businesses which are discussed in the Group's annual report which does not form part of this report.

On behalf of the Board



J D Vincent

Director

27 September 2018

CAPITA INSURANCE SERVICES HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors present their Strategic report, Directors' report and financial statements for the year ended 31 December 2017.

Results and dividends

The results for the year are set out on page 6.

No dividends were paid during the year (2016: £nil).

Directors

The Directors who held office during the year and up to the date of signature of the financial statements were as follows:

A J Bowman
C S Ashburn
J D Vincent

(Resigned 3 July 2018)
(Appointed 3 July 2018)

Political donations

The Company made no political donations and incurred no political expenditure during the year (2016: £nil).

Auditor

KPMG LLP, having indicated its willingness to continue in office, will be deemed to be reappointed as auditor under section 487(2) of the Companies Act 2006.

Statement of Directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

CAPITA INSURANCE SERVICES HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

Statement of disclosure to auditor

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

Qualifying third party indemnity provisions

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

On behalf of the Board



J D Vincent

Director

27 September 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CAPITA INSURANCE SERVICES HOLDINGS LIMITED

Opinion

We have audited the financial statements of Capita Insurance Services Holdings Limited ("the company") for the year ended 31 December 2017 which comprise the Income Statement, Balance Sheet, and Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CAPITA INSURANCE SERVICES HOLDINGS LIMITED

Directors' responsibilities

As explained more fully in their statement set out on page 2, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

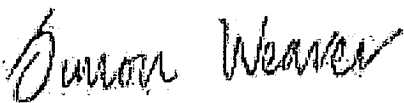
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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



Simon Weaver (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

28 September 2018

CAPITA INSURANCE SERVICES HOLDINGS LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £	2016 £
Investment income	4	-	12,500,000
Other operating income		-	3,269,894
Profit before tax		-	15,769,894
Income tax credit/(expense)	5	16,072	(524,002)
Total comprehensive income for the year		16,072	15,245,892

The Income statement is prepared on the basis that all operations are continuing operations.

There are no recognised gains or losses other than those recognised in the income statement.

The accompanying notes and information on pages 9 to 20 form an integral part of these financial statements.

CAPITA INSURANCE SERVICES HOLDINGS LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2017

	Notes	2017 £	2016 £
Non-current assets			
Investment in subsidiaries	6	71,123,501	71,123,501
Deferred tax asset	5	119,183	102,548
		71,242,684	71,226,049
Current assets			
Trade and other receivables	7	20,768,175	20,882,796
Income tax receivable		-	197,669
		20,768,175	21,080,465
Total assets		92,010,859	92,306,514
Current liabilities			
Trade and other payables	8	78,915	343,816
Financial liabilities	9	2,333,477	1,091,933
Income tax payable		384,158	-
Provisions	10	1,436,720	1,714,858
		4,233,270	3,150,607
Non-current liabilities			
Provisions	10	-	1,394,390
		-	1,394,390
Total liabilities		4,233,270	4,544,997
Net assets		87,777,589	87,761,517
Capital and reserves			
Issued share capital	11	256,581,017	256,581,017
Retained deficit		(168,803,428)	(168,819,500)
Total equity		87,777,589	87,761,517

The accompanying notes and information on pages 9 to 20 form an integral part of these financial statements.

Approved by the Board and authorised for issue on 27 September 2018

J D Vincent
Director



Company Registration No. 06041965

CAPITA INSURANCE SERVICES HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital	Retained deficit	Total equity
	£	£	£
At 1 January 2016	256,581,017	(184,065,392)	72,515,625
Total comprehensive income for the year	-	15,245,892	15,245,892
Contribution in respect of share based payment charge	-	(1,285)	(1,285)
Settlement of share based payment charge by intercompany	-	1,285	1,285
At 1st January 2017	256,581,017	(168,819,500)	87,761,517
Total comprehensive expense for the year	-	16,072	16,072
At 31 December 2017	256,581,017	(168,803,428)	87,777,589

a) Share capital

The balance classified as share capital is the nominal proceeds on issue of the Company's equity share capital, comprising 2,56,581,017 ordinary shares of £1 each.

b) Retained deficit

The balance pertains to net losses accumulated in the Company.

The accompanying notes and information on pages 9 to 20 form an integral part of these financial statements.

CAPITA INSURANCE SERVICES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

1.1 Basis of preparation

Capita Insurance Services Holdings Limited is a company incorporated and domiciled in the UK.

The financial statements are prepared under the historical cost basis except where stated otherwise and in accordance with applicable accounting standards.

The Company has sufficient financial resources together with long standing relationships with clients and suppliers. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully. After making enquires, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the 12 months from approval of accounts. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

1.2 Compliance with accounting standards

The Company has applied FRS101 – Reduced Disclosure Framework in the preparation of its financial statements. The Company has prepared and presented these financial statements by applying the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("EU-IFRSs"), but made amendments, where necessary, in order to comply with The Companies Act 2006.

From the year ended 31 December 2017, the Company has elected to present its financial statements under IAS 1 format to be in line with the consolidated financial statements published by the Group. Accordingly, the comparatives for the year ended 31 December 2016 have been reclassified to the revised format. Refer to Note 17 for a reconciliation between IAS 1 presentation and presentation as previously reported.

The Company's ultimate parent undertaking, Capita plc, includes the Company in its consolidated statements. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU (EU-IFRS) and are available to the public and may be obtained from Capita plc's website on <http://investors.capita.com>.

In these financial statements, the Company has applied the disclosure exemptions available under FRS 101 in respect of the following disclosures:

- A cash flow statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- An additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy; and
- Disclosures in respect of the compensation of key management personnel.

As the consolidated financial statements of Capita plc include equivalent disclosures, the Company has also taken the disclosure exemptions under FRS 101 available in respect of the following disclosure:

CAPITA INSURANCE SERVICES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies (continued)

1.2 Compliance with accounting standards (continued)

- Certain disclosures required by IFRS 2 Share Based Payments in respect of group settled share based payments;
- Certain disclosures required by IAS 36 Impairments of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company, in the current and prior periods including the comparative period reconciliation for goodwill; and
- Disclosures required by IFRS 7 Financial Instrument Disclosures.

1.3 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except for the early adoption of IFRS 15 Revenue from Contracts with Customers and Clarifications: Revenue from Contracts with Customers.

Initial adoption of IFRS 15 Revenue from Contracts with Customers

The standard has an effective date of 1 January 2018 but the Company has decided to early adopt this standard with a date of initial application to the Company of 1 January 2017 using the full retrospective method. IFRS 15 replaces all existing revenue requirements in IFRS and applies to all revenue arising from contracts with customers unless the contracts are within the scope of other standards such as IAS 17 Leases.

The standard outlines the principles entities must apply to measure and recognise revenue with the core principle being that entities should recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to a customer.

The principles in IFRS 15 must be applied using the following five step model:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations

The standard requires entities to exercise considerable judgement taking into account all the relevant facts and circumstances when applying each step of this model to its contracts with customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract, as well as requirements covering matters such as licences of intellectual property, warranties, principal versus agent assessment and options to acquire additional goods or services.

The Company has applied IFRS 15 fully retrospectively and early adoption of IFRS 15 does not have any impact on the Company's prior period financial statements.

CAPITA INSURANCE SERVICES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies (continued)

1.4 Investments in subsidiaries

All investments are initially recorded at their cost. Subsequently, they are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

1.5 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of three months or less. Bank overdrafts are shown within current liabilities.

1.6 Taxation

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

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

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of goodwill;
- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised, except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

CAPITA INSURANCE SERVICES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies (continued)

1.7 Group accounts

The financial statements present information about the Company as an individual undertaking and not about its group. The Company has not prepared group accounts as it is fully exempt from the requirement to do so by section 400 of the Companies Act 2006 as it is a subsidiary undertaking of Capita plc, a company incorporated in England and Wales, and is included in the consolidated accounts of that company.

1.8 Financial instruments: disclosure and presentation

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, and trade and other payables.

Trade and other receivables- Trade and other receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Trade and other payables - Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

1.9 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost. The Company provides, on a discounted basis, for the future rent expense and related cost of leasehold property (net of estimated sub-lease income) where the space is vacant or currently not planned to be used for ongoing operations.

1.10 Pensions

The Company participates in defined contribution pension schemes and contributions are charged to the Income Statement in the year in which they are due. These schemes are funded and the payment of contributions is made to separately administered trust funds. The assets of these schemes are held separately from the Company. The Company remits monthly pension contributions to Capita Business Services Limited, a fellow subsidiary undertaking, which pays the Group liability centrally. Any unpaid contributions at the year end have been accrued in the accounts of that Company.

CAPITA INSURANCE SERVICES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies (continued)

1.11 Share based payments

The Company participates in various share option and share save schemes operated by Capita plc, the ultimate parent undertaking. Details of these schemes are contained in the Group's annual report.

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

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

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

In accordance with IFRS 2, share option awards of the ultimate parent Company's equity instruments in respect of settling grants to employees of the Company are disclosed as a charge to the Income Statement and a credit to equity. The Company's policy is to reimburse its ultimate parent Company through the inter Company account for charges that are made to it. Hence the credit to equity has been eliminated, rather reflecting a credit to inter-Company which better describes the underlying nature of the transaction.

1.12 Leasing

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

2 Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires the Directors to make judgements and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported income and expense during the reported periods. Although these judgements and assumptions are based on the Directors' best knowledge of the amount, events or actions, actual results may differ.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year is impairment of investments in subsidiaries. The Company determines whether investments are impaired based on any impairment indicators. This involves estimation of the enterprise value of the investee which is determined based on the greater of discounted future cash flows at a suitable discount rate or through the recoverable value of investments held by the investee Company.

CAPITA INSURANCE SERVICES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

3 Operating profit for the year

	2017	2016
	£	£

Operating profit for the year is stated after charging:

Loss on disposal of property, plant and equipment	-	857
Operating lease rentals - other assets	826,409	1,110,254

The total amount of costs charged in the income statement during 2017 was £1,672,528 mainly comprising of lease rentals, repairs and other expenses (2016: £2,516,219). These expenses are adjusted against utilisation of restructuring provisions. (refer Note 11)

Audit fees are borne by the ultimate parent undertaking, Capita plc. The audit fee for the current period was £5,250 (2016: £5,000). The Company has opted for the exemption provided by regulations 6(2)(b) of The Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 not to provide information in respect of fees for other (non-audit) services as this information is required to be given in the company accounts of the ultimate parent undertaking, which it is required to prepare in accordance with the Companies Act 2006.

4 Investment income

	2017	2016
	£	£
Income from shares in company undertakings	-	12,500,000
	-	12,500,000

CAPITA INSURANCE SERVICES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

5 Taxation

The major components of income tax expense for the years ended 31 December 2017 and 2016 are:

	2017 £	2016 £
Income statement:		
Current income tax charge	589	627,516
Adjustment in respect of prior years	(25)	(3,328)
	564	624,188
Deferred income tax		
Origination and reversal of temporary differences	59	(93,669)
Adjustment in respect of prior years	(16,695)	(6,517)
	(16,636)	(100,186)
Total tax (credit)/expense in income statement	(16,072)	524,002

The reconciliation between tax credit and the product of accounting profit multiplied by the UK corporation tax rate for the years ended 31 December 2017 and 2016 is as follows:

	2017 £	2016 £
Profit before tax	-	15,769,894
Profit before taxation multiplied by standard rate of UK corporation tax of 19.25% (2016 - 20.00%)	-	3,153,979
Taxation impact of factors affecting tax charge:		
Expenses not deductible in determining taxable profit	655	402,900
Income not taxable	-	(3,040,143)
Effect of change in UK corporation tax rate	(7)	17,111
Adjustments in respect of current income tax of prior years	(25)	(3,328)
Adjustments in respect of deferred income tax of prior years	(16,695)	(6,517)
Total adjustments	(16,072)	(2,629,977)
Total tax (credit)/ expense reported in the income statement at effective tax rate of nil% (2016: 3.32%)	(16,072)	524,002

	Balance sheet		Income statement	
	2017 £	2016 £	2017 £	2016 £
Decelerated capital allowances	298	238	(61)	-
Other timing differences	118,885	102,310	(16,575)	(100,186)
Deferred tax asset	119,183	102,548	(16,636)	(100,186)

The UK corporation tax rate will decrease from 20% to 19% from 1 April 2017 with a further reduction to 17% from 1 April 2020. The deferred tax balance has been adjusted to reflect this change.

CAPITA INSURANCE SERVICES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

6 Investment in subsidiaries

	2017	2016
	£	£
Cost		
Opening balance	124,434,024	146,510,432
Disposals	-	(22,076,408)
Total cost	124,434,024	124,434,024
Provision for diminution in value		
Opening balance	53,310,523	53,310,523
Total impairment	53,310,523	53,310,523
Net book value	71,123,501	71,123,501

The details of investments directly and indirectly held by the Company are mentioned below:

Company	Registered office address	Ordinary shares held (%)	Nature of business
Capita Insurance Services Limited	30 Berners Street, London, England, W1T 3LR	100%	Services to general insurance
Capita Specialist Insurance Solutions Limited (#)	55 Bishopsgate, London, England, EC2N 3AS	100%	General insurance
Capita Aurora Limited	30 Berners Street, London, England, W1T 3LR	100%	General insurance
Capita Commercial Insurance Services Limited	Sue Colwill, PO Box 1219, The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, England, GL50 9WS	100%	General insurance
Capita Managing Agency Limited	17 Rochester Row, London, United Kingdom, SW1P 1QT	100%	General insurance
Fish Financial Solutions Limited	17 Rochester Row, London, SW1P 1QT	100%	General insurance
Aghoco 1018 Limited	1 More London Place, London, SE1 2AF	100%	Holding company
Aghoco 1005 Limited	30 Berners Street, London, England, W1T 3LR	100%	Holding company
Capita (06243477) Limited (*)	30 Berners Street, London, England, W1T 3LR	100%	Dormant
Capita Insurance Services Asia Pte Ltd (*)	50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623	100%	Service company

CAPITA INSURANCE SERVICES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

6 Investment in subsidiaries

(Continued)

Company	Registered office address	Ordinary shares held (%)	Nature of business
Capita Aurora Leasing Limited (*)	1 More London Place, London, SE1 2AF	100%	Dormant
Capita Inverita Limited (*)	1 More London Place, London, SE1 2AF	100%	Dormant
CMGL Group Limited (*)	30 Berners Street, London, England, W1T 3LR	100%	Dormant
CMGL Holdings Limited (*)	17 Rochester Row, London, United Kingdom, SW1P 1QT	100%	Holding company
Cobex Corporate Member No. 1 Limited (*)	Mr S Fisher, The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8YQ	50.1%	Insurance
Repair Management Services Holdings Limited (*)	1 More London Place, London, SE1 2AF	100%	Holding company
Brokers Educational Supply Teachers Claims (*)	55 Bishopsgate, London, England, EC2N 3AS	100%	Claims handling services

(#) : The Company has ceased to have control over Capita Specialist Insurance Solutions Limited with effect from 14 June 2018

(*) : indirectly held

CAPITA INSURANCE SERVICES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

7 Trade and other receivables

	2017	2016
	£	£
Trade receivables	4,023	-
Other taxes	5,805	10,912
Prepayments	76,268	159,059
Amount due from parent and subsidiary undertakings	20,682,079	20,712,825
	20,768,175	20,882,796

8 Trade and other payables

	2017	2016
	£	£
Trade payables	-	220,338
Amount due to parent and fellow subsidiary undertakings	78,915	123,478
	78,915	343,816

9 Financial liabilities

	2017	2016
	£	£
Bank overdraft	2,333,477	1,091,933
	2,333,477	1,091,933

10 Provisions

Current	Restructuring provision	Others	Total
			£
At 1 January 2017	1,565,213	149,645	1,714,858
Utilisation of provision	(258,443)	(19,695)	(278,138)
At 31 December 2017	1,306,770	129,950	1,436,720
Non-current	Restructuring provision	Others	Total
			£
At 1 January 2017	1,394,390	-	1,394,390
Utilisation of provision	(1,394,390)	-	(1,394,390)
At 31 December 2017	-	-	-

As at 1 January 2017, £2,959,603 of the above provisions relates to the restructuring provision for unavoidable costs which will be incurred due to the Group's decision to dispose of its insurance distribution business. £1,652,833 of this provision was utilised during the period. The remaining balance of £1,306,770 as at 31 December 2017 for this provision is expected to be utilised by 31 December 2018.

As at 1 January 2017, £149,645 of other provisions relates to costs of delivering the transitional services agreement, IT decommissioning activity and staff costs on the disposal of National Dental Plan Limited and Fish Insurance Services Limited. £19,695 of this provision was utilised during the period. The remaining balance of £129,950 at 31 December 2017 for this provision is expected to be utilised by 31 December 2018.

CAPITA INSURANCE SERVICES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

11 Issued share capital

	Number of shares		£	
	2017	2016	2017	2016
Allotted, called up and fully paid				
Ordinary shares of £1 each				
At 1 January	256,581,017	256,581,017	256,581,017	256,581,017
At 31 December	256,581,017	256,581,017	256,581,017	256,581,017

12 Employees

The average monthly number of employees (including non-executive directors) were:

	2017	2016
	Number	Number
Administration	1	5
Operations	-	4
	1	9

Their aggregate remuneration comprised:

	2017	2016
	£	£
Employment costs		
Wages and salaries	100,423	332,974
Social security costs	12,933	43,156
Pension costs	10,465	17,452
Share based payments	-	1,285
	123,821	394,867

Employment costs are recharged to Capita Plc. and therefore the net impact on the income statement is £nil.

13 Director's remuneration

The Directors have not provided qualifying services to the Company and are paid by other companies within the Capita Group. Such remuneration has not been allocated to the Company. Also, the Directors of the Company were reimbursed for the expenses incurred by them whilst performing business responsibilities.

14 Events after the reporting date

There are no significant events which have occurred post the reporting date.

15 Controlling party

The Company's immediate parent undertaking is Capita Holdings Limited, a Company incorporated in England and Wales. The Company's ultimate undertaking is Capita plc, a Company incorporated in England and Wales. The financial statements of Capita plc are available from the registered office at 30, Berners Street, London, England, W 1 T 3LR.

CAPITA INSURANCE SERVICES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

16 Reconciliation for 2016

Following is the reconciliation between IAS 1 presentation and presentation as previously reported for the comparative period of 2016:

Income statement restatement for the year ended 31 December 2016:

Income statement requirement for the year ended 31 December 2016:					
Schedule I	Footnote	2016 £	Reclass from Schedule I to IAS 1	IAS 1	2016 £
	A		12,500,000	Investment income	12,500,000
Administrative expenses	A	3,269,894	-	Other operating income	3,269,894
Operating profit		3,269,894	(12,500,000)	Operating profit	15,769,894
Investment income	A	12,500,000	(12,500,000)		-
Profit before taxation		15,769,894	-	Profit before tax	15,769,894
Tax on profit		(524,002)	-	Income tax expense	(524,002)
Profit and comprehensive loss/income for the financial year		15,245,892	-	Total comprehensive income for the year	15,245,892

Balance sheet restatement as on 31 December 2016

Schedule I	Footnote	2016 £	Reclass from Schedule I to IAS 1	2016 £
Fixed assets				Non-current assets
Investments	B	71,123,501	-	Investment in subsidiaries
			102,548	Deferred tax
		71,123,501	102,548	
Current assets				Current assets
Debtors	B	21,183,013	(300,217)	Trade and other receivables
		-	197,669	Income tax recoverable
		21,183,013	(102,548)	
				Total assets
				92,306,514
				Current liabilities
Creditors: amounts falling due within one year	C	(1,435,749)	1,091,933	Trade and other payables
	C	-	(1,091,933)	Financial liabilities
	C	-	(1,714,858)	Provisions
Total assets less current liabilities		90,870,765	(1,714,858)	
Provisions for liabilities	C	(3,109,248)	1,714,858	Non-current liabilities
				Provisions
		(3,109,248)	1,714,858	Total liabilities
		87,761,517	-	Net assets
Capital and reserves				Capital and reserves
Called up share capital		256,581,017	-	Issued share capital
Profit and loss account		(168,819,500)	-	Retained deficit
Shareholders' funds		87,761,517	-	Total equity

Footnotes to reconciliation:

Note A: As per IAS 1 format, investment income is now being presented as part of operating profit.

Note B: As per the IAS 1 format, income tax receivable which was earlier included in debtors has now been presented on the face of balance sheet. Additionally, deferred tax asset which was earlier included in debtors has now been presented separately on the face of the balance sheet.

Note C: As per the IAS 1 format, overdrafts have been classified under the head financial liabilities. Further, provisions have been classified into non current and current provisions under the IAS 1 format.