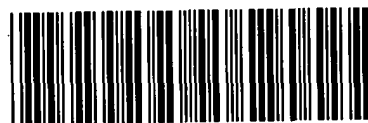


Company Registration No. 02845397 (England and Wales)

CAPITA COMMERCIAL INSURANCE SERVICES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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CAPITA COMMERCIAL INSURANCE SERVICES LIMITED

COMPANY INFORMATION

Directors

J D Vincent
A R MacTaggart
R J Montague-Fuller (Appointed 13 July 2018)
C S Ashburn (Appointed 24 August 2018)
P I Wooldridge (Appointed 16 July 2019)

Secretary

Capita Group Secretary Limited

Company number

02845397

Registered office

30 Berners Street
London
England
W1T 3LR

Auditor

KPMG LLP
15 Canada Square
London
E14 5GL

CAPITA COMMERCIAL INSURANCE SERVICES LIMITED

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CAPITA COMMERCIAL INSURANCE SERVICES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present their Strategic report, Directors' report and financial statements for the year ended 31 December 2018.

Review of the business

Capita Commercial Insurance Services limited ("the Company") is a wholly owned subsidiary (indirectly held) of Capita plc. Capita plc along with its subsidiaries are hereafter referred as "the Group". The Company operates within the Group's Specialist Services Division.

The principal activity of the Company continued to be that of the provision of insurance services to Corporates, General Insurers and the London Insurance Market. 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.

The Company has adopted IFRS 15 from 1 January 2018 using the full retrospective method, thereby restating the 2017 comparatives, in line with Group's strategy of simplifying the business and improving transparency.

As shown in the Company's Income statement on page 8, revenue has decreased from £24,319,375 (restated) in 2017 to £21,052,761 in 2018 and operating profit decreased from £6,247,097 (restated) in 2017 to £6,154,179 in 2018.

The balance sheet on page 9 & 10 of the financial statements shows the Company's financial position at the year end. Net assets have increased from £13,318,144 (restated) in 2017 to £18,235,935 in 2018. Details of amounts owed by/to its parent Company and fellow subsidiary undertakings are shown in note 13 and 15 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 the Specialist Services Division 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 an internal control framework

CAPITA COMMERCIAL INSURANCE SERVICES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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



.....
C S Ashburn

Director

27 September 2019

CAPITA COMMERCIAL INSURANCE SERVICES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present their annual report and financial statements for the year ended 31 December 2018.

Results and dividends

The results for the year are set out on page 8.

No interim or final dividend was paid during the year (2017: £nil).

Directors

J D Vincent	
A J Bowman	(Resigned 14 February 2018)
A R MacTaggart	
R J Montague-Fuller	(Appointed 13 July 2018)
N N Bedford	(Appointed 14 February 2018 and resigned 28 June 2018)
C S Ashburn	(Appointed 24 August 2018)
P I Wooldridge	(Appointed 16 July 2019)

Disable Person

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

Employee involvement

The Company is committed to involving all employees in the performance and development of the Company. Employees are distributed with frequent newsletters and internal notice board statements. The Company maintains a strong communication network and employees are encouraged to discuss with management matters of interest to the employee and subjects affecting the day to day operations of the Company.

The Company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests. Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Group's performance.

Political donation

The Company made no political donations and incurred no political expenditure during the year (2017: £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.

CAPITA COMMERCIAL INSURANCE SERVICES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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 estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

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 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



.....
C S Ashburn

Director

27 September 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CAPITA COMMERCIAL INSURANCE SERVICES LIMITED

Opinion

We have audited the financial statements of Capita Commercial Insurance Services Limited (the 'company') for the year ended 31 December 2018 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including 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 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS101 Reduced Disclosures 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 sufficient and appropriate to provide a basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardized firm-wide approach in response to that uncertainty when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CAPITA COMMERCIAL INSURANCE SERVICES LIMITED

Strategic report and directors' report

The directors are responsible for the other information, which comprises the strategic report, the directors' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information 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 other information;
- in our opinion the information given in the strategic report and the directors' report 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.

Directors' responsibilities

As explained more fully in their statement set out on pages 4, 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.

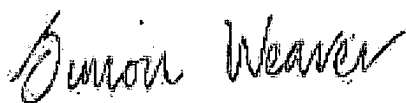
A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CAPITA COMMERCIAL INSURANCE SERVICES LIMITED

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
27 September 2019

CAPITA COMMERCIAL INSURANCE SERVICES LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

		2018	Restated*
	Notes	£	2017
			£
Revenue	3	21,052,761	24,319,375
Cost of sales		(12,217,076)	(13,153,583)
Gross profit		8,835,685	11,165,792
Administrative expenses		(2,573,534)	(4,738,429)
Other operating expenses	5	(107,972)	(180,266)
Operating profit	4	6,154,179	6,247,097
Impairment		-	(1,562,314)
Finance income	6	5,395	-
Profit before tax		6,159,574	4,684,783
Income tax charge	7	(1,224,377)	(1,535,842)
Total profit for the year		4,935,197	3,148,941

*Restated from prior year. See note 25.

The statement of profit and loss and comprehensive income has been prepared on the basis that all operations are continuing operations.

The notes and information on pages 13 to 43 form an integral part of these financial statements.

CAPITA COMMERCIAL INSURANCE SERVICES LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	Restated*
	£	2017
		£
Profit for the year	4,935,197	3,148,941
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Net changes in the fair value of investments at fair value through OCI	(37,548)	-
Currency translation differences	20,142	88,401
Total items that will not be reclassified to profit or loss	(17,406)	88,401
Total comprehensive income for the year	4,917,791	3,237,342

*Restated from prior year. See note 25.

The statement of profit and loss and comprehensive income has been prepared on the basis that all operations are continuing operations.

The notes and information on pages 13 to 43 form an integral part of these financial statements.

CAPITA COMMERCIAL INSURANCE SERVICES LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2018

	Notes	2018 £	Restated* 2017 £
Non-current assets			
Property, plant and equipment	8	8,185	7,664
Intangible asset	9	21,105,760	21,105,760
Investments in subsidiary	10	-	2
Contract fulfilment assets	11	3,033,443	4,489,495
Financial assets	12	400,000	437,548
Trade and other receivables	13	716,998	716,998
Deferred tax	7	-	346,040
		<u>25,264,386</u>	<u>27,103,507</u>
Current assets			
Trade and other receivables	13	5,119,894	6,678,281
Cash	14	21,250,004	14,768,048
		<u>26,369,898</u>	<u>21,446,329</u>
Total assets		<u><u>51,634,284</u></u>	<u><u>48,549,836</u></u>
Current liabilities			
Trade and other payables	15	1,495,135	2,624,260
Deferred income	16	2,326,181	1,802,619
Provisions	18	731,291	1,433,713
Income tax payable		1,928,943	955,385
		<u>6,481,550</u>	<u>6,815,977</u>
Non-current liabilities			
Deferred income	16	1,776,171	3,415,715
Financial liabilities	17	25,000,000	25,000,000
Deferred tax	7	140,628	-
		<u>26,916,799</u>	<u>28,415,715</u>
Total liabilities		<u><u>33,398,349</u></u>	<u><u>35,231,692</u></u>
Net assets		<u><u>18,235,935</u></u>	<u><u>13,318,144</u></u>

CAPITA COMMERCIAL INSURANCE SERVICES LIMITED

BALANCE SHEET (CONTINUED)

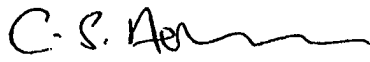
AS AT 31 DECEMBER 2018

	Notes	2018 £	Restated* 2017 £
Capital and reserves			
Issued share capital	19	3,494,175	3,494,175
Foreign currency translation reserve		(790,194)	(810,336)
Other equity		(37,548)	-
Retained earnings		15,569,502	10,634,305
Total equity		18,235,935	13,318,144

*Restated from prior year. See note 25.

The notes on pages 13 to 43 form an integral part of these financial statements.

Approved by Board and authorised for issue on 27 September 2019



 C S Ashburn
 Director

Company Registration No. 02845397

CAPITA COMMERCIAL INSURANCE SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

Other Equity	Share capital	Other comprehensive Income Reserve		Retained earnings	Total equity
		FCTR	FVOCI		
	£	£	£	£	£
At 1 January 2017	3,494,175	(898,737)	-	8,065,611	10,661,049
Impact of changes in accounting standards - IFRS 15	-	-	-	(580,247)	(580,247)
At 1 January 2017 (restated*)	3,494,175	(898,737)	-	7,485,364	10,080,802
Total comprehensive income/(expense) for the year	-	88,401	-	3,148,941	3,237,342
Contribution in respect of share based payment charge	-	-	-	1,101	1,101
Settlement of share based payment charged by intercompany	-	-	-	(1,101)	(1,101)
At 31 December 2017 (restated*)	3,494,175	(810,336)	-	10,634,305	13,318,144
Total comprehensive income for the year	-	20,142	(37,548)	4,935,197	4,917,791
At 31 December 2018	3,494,175	(790,194)	(37,548)	15,569,502	18,235,935

*Restated from prior year. See note 25.

a) **Share capital** – The balance classified as share capital is the nominal proceeds on issue of the Company's equity share capital, comprising 3,494,175 ordinary shares of £1 each.

b) **Retained earnings** – Net profits kept to accumulate in the Company after dividends are paid and retained in the business as working capital.

c) **Foreign currency translation reserve (FCTR)** - Gains or losses resulting from the process of expressing amounts denominated or measured in one currency in terms of another currency by use of the exchange rate between the two currencies. This process is required to include the financial statements of foreign affiliates into the total Company financial statements and to recognise the conversion of foreign currency into Company's reporting currency.

d) **Fair Value Changes through Other Comprehensive Income (FVOCI)** - Represents fair value changes in the value of investments held at FVOCI.

The notes on pages 13 to 43 form an integral part of these financial statements.

CAPITA COMMERCIAL INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

1.1 Basis of preparation

Capita Commercial Insurance Services Limited is a company incorporated and domiciled in the United Kingdom.

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. Consequently, 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 foreseeable future. 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 prepared and presented these financial statements by applying the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but made amendments, where necessary, in order to comply with the Companies Act 2006. The Company has applied FRS 101 – Reduced Disclosure Framework in the preparation of its financial statements and these are contained on pages 12 to 42.

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 Company'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;
- Certain disclosures regarding IFRS 15 Revenue from Contracts with Customers
- 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:

- 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;
- Disclosures required by IFRS 7 Financial Instrument Disclosures.

CAPITA COMMERCIAL INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.3 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of IFRS 15 Revenue from Contracts with Customers and Clarifications: Revenue from Contracts with Customers and IFRS 9 Financial Instruments. In addition, the Company has adopted the new amendments to standards and new IFRIC as detailed below.

Initial adoption of IFRS 15 Revenue from Contracts with Customers

The Company has decided to adopt this standard with a date of initial application to the Company of 1 January 2018 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 5 step model:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- 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 in accordance with paragraph C3 (a) of the standard, restating the prior period's comparatives and electing to use the following expedients:

- in respect of completed contracts, the Company will not restate contracts that begin and end within the same annual reporting period; or
- in respect of completed contracts that have variable consideration, the Company will use the transaction price at the date the contract was completed rather than estimating variable consideration amounts in the comparative periods (para. C5(b)); and
- for all reporting periods presented before the date of initial application, the Company will not disclose the amount of the transaction price allocated to the remaining performance obligations or an explanation of when the Company expects to recognise that amount as revenue (para C5(c)).

Details of the change in the Company's accounting policy in respect of revenue recognition, related matters consequent upon the adoption of IFRS 15 and an explanation of the impact on the Company's prior period financial statements are set out in note 25.

CAPITA COMMERCIAL INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.3 Change in accounting policies (continued)

Initial adoption of IFRS 9 Financial Instruments

Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement and impairment. The Company has applied IFRS 9 retrospectively, with the initial application date of 1 January 2018. There has been no restatement to the comparative balances for the period beginning 1 January 2017 as there are no requirements under the standard to restate comparatives.

The Company has performed an assessment to understand the requirements of IFRS 9 and how these differ from IAS 39 and has concluded there is no significant impact on the financial statements from the date of adoption. There were no differences between previous carrying amounts and consequently no adjustment has been made to opening retained earnings. The updated account policy is set out in 1.11.

Annual improvements to IFRS Standards 2014–2016 Cycle

As part of its annual improvements cycles, the International Accounting Standards Board amended various standards primarily with a view to removing inconsistencies and clarifying wording.

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions

The amendments are intended to eliminate diversity in practice, are narrow in scope and address three specific areas of classification and measurement.

IFRIC 22: Foreign Currency Transactions and Advance Consideration

These amendments are intended to eliminate diversity in practice when recognising the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration received or paid in a foreign currency.

CAPITA COMMERCIAL INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.4 Revenue recognition

Revenue is earned within the United Kingdom.

The revenue and profits recognised in any period are based on the delivery of performance obligations and an assessment of when control is transferred to the customer.

In determining the amount of revenue and profits to record, and related balance sheet items (such as contract fulfilment assets, capitalisation of costs to obtain a contract, trade receivables, accrued income and deferred income) to recognise in the period, management is required to form a number of key judgements and assumptions. This includes an assessment of the costs the Company incurs to deliver the contractual commitments and whether such costs should be expensed as incurred or capitalised. These judgements are inherently subjective and may cover future events such as the achievement of contractual milestones, performance KPIs and planned cost savings. In addition, for certain contracts, key assumptions are made concerning contract extensions and amendments, as well as opportunities to use the contract developed systems and technologies on other similar projects.

Revenue is recognised either when the performance obligation in the contract has been performed (so 'point in time' recognition) or 'over time' as control of the performance obligation is transferred to the customer.

For all contracts, the Company determines if the arrangement with a customer creates enforceable rights and obligations. This assessment results in certain Master Service Agreements ('MSA's') not meeting the definition of a contract under IFRS 15 and as such the individual call-off agreements, linked to the MSA, are treated as individual contracts.

The Company enters into contracts which contain extension periods, where either the customer or both parties can choose to extend the contract or there is an automatic annual renewal, and/or termination clauses that could impact the actual duration of the contract. Judgement is applied to assess the impact that these clauses have when determining the appropriate contract term. The term of the contract impacts both the period over which revenue from performance obligations may be recognised and the period over which contract fulfilment assets and capitalised costs to obtain a contract are expensed.

For contracts with multiple components to be delivered such as transformation, transitions and the delivery of outsourced services, management applies judgement to consider whether those promised goods and services are (i) distinct - to be accounted for as separate performance obligations; (ii) not distinct - to be combined with other promised goods or services until a bundle is identified that is distinct or (iii) part of a series of distinct goods and services that are substantially the same and have the same pattern of transfer to the customer.

At contract inception the total transaction price is estimated, being the amount to which the Company expects to be entitled and has rights to under the present contract. This includes an assessment of any variable consideration where the Company's performance may result in additional revenues based on the achievement of agreed KPIs. Such amounts are only included based on the expected value or the most likely outcome method, and only to the extent that it is highly probable that no revenue reversal will occur.

CAPITA COMMERCIAL INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.4 Revenue recognition (continued)

The transaction price does not include estimates of consideration resulting from change orders for additional goods and services unless these are agreed.

Once the total transaction price is determined, the Company allocates this to the identified performance obligations in proportion to their relative stand-alone selling prices and recognises revenue when (or as) those performance obligations are satisfied. The Company infrequently sells standard products with observable standalone prices due to the specialised services required by customers and therefore the Company applies judgement to determine an appropriate standalone selling price. More frequently, the Company sells a customer bespoke solution, and in these cases the Company typically uses the expected cost-plus margin or a contractually stated price approach to estimate the standalone selling price of each performance obligation.

The Company may offer price step downs during the life of a contract, but with no change to the underlying scope of services to be delivered. In general, any such variable consideration, price step down or discount is included in the total transaction price to be allocated across all performance obligations unless it relates to only one performance obligation in the contract.

For each performance obligation, the Company determines if revenue will be recognised over time or at a point in time. Where the Company recognises revenue over time for long term contracts, this is in general due to the Company performing and the customer simultaneously receiving and consuming the benefits provided over the life of the contract.

For each performance obligation to be recognised over time, the Company applies a revenue recognition method that faithfully depicts the Company's performance in transferring control of the goods or services to the customer. This decision requires assessment of the real nature of the goods or services that the Company has promised to transfer to the customer. The Company applies the relevant output or input method consistently to similar performance obligations in other contracts.

When using the output method, the Company recognises revenue on the basis of direct measurements of the value to the customer of the goods and services transferred to date relative to the remaining goods and services under the contract. Where the output method is used, for long term service contracts where the series guidance is applied (see below for further details), the Company often uses a method of time elapsed which requires minimal estimation. Certain long-term contracts use output methods based upon estimation of number of users, level of service activity or fees collected.

If performance obligations in a contract do not meet the overtime criteria, the Company recognises revenue at a point in time (see below for further details).

The Company disaggregates revenue from contracts with customers by contract type, as management believe this best depicts how the nature, amount, timing and uncertainty of the Company's revenue and cash flows are affected by economic factors. Categories are: 'Long-term contractual- greater than two years'; and 'short-term contractual- less than two years'. Years based from service commencement date.

CAPITA COMMERCIAL INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.4 Revenue recognition (continued)

Long term contractual - greater than 2 years

The Company provides a range of services in various segments under customer contracts with a duration of more than two years.

The nature of contracts or performance obligations categorised within this revenue type is diverse and includes (i) long term outsourced service arrangements in the public and private sectors; and (ii) active software licence arrangements (see definition below).

The Company considers that the services provided meet the definition of a series of distinct goods and services as they are (i) substantially the same and (ii) have the same pattern of transfer (as the series constitutes services provided in distinct time increments (e.g., daily, monthly, quarterly or annual services)) and therefore treats the series as one performance obligation. Even if the underlying activities performed by the Company to satisfy a promise vary significantly throughout the day and from day to day, that fact, by itself, does not mean the distinct goods or services are not substantially the same.

For the majority of long service contracts with customers in this category, the Company recognises revenue using the output method as it best reflects the nature in which the Company is transferring control of the goods or services to the customer.

Active software licences are those where the Company has a continuing involvement after the sale or transfer of control to the customer, which significantly affects the intellectual property to which the customer has rights. The Company is in a majority of cases responsible for any maintenance, continuing support, updates and upgrades and accordingly the sale of the initial software is not distinct. The Company's accounting policy for licences is discussed in more detail below.

Short term contractual - less than 2 years

The nature of contracts or performance obligations categorised within this revenue type is diverse and includes (i) short term outsourced service arrangements in the public and private sectors; and (ii) software maintenance contracts.

The Company has assessed that maintenance and support (i.e. on-call support, remote support) for software licences is a performance obligation that can be considered capable of being distinct and separately identifiable in a contract if the customer has a passive licence. These recurring services are substantially the same as the nature of the promise is for the Company to 'stand ready' to perform maintenance and support when required by the customer. Each day of standing ready is then distinct from each following day and is transferred in the same pattern to the customer.

Transactional (Point in time) contracts

The Company delivers a range of goods or services in all reportable segments that are transactional services for which revenue is recognised at the point in time when control of the goods or services has transferred to the customer. This may be at the point of physical delivery of goods and acceptance by a customer or when the customer obtains control of an asset or service in a contract with customer-specified acceptance criteria.

CAPITA COMMERCIAL INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.4 Revenue recognition (continued)

Contract modifications

The Company's contracts are subject to changes in contract specifications and requirements. Contract modifications exist when the amendment either creates new or changes the existing enforceable rights and obligations.

The effect of a contract modification on the transaction price and the Company's measure of progress for the performance obligation to which it relates, is recognised as an adjustment to revenue in one of the following ways:

- a. prospectively as an additional separate contract;
- b. prospectively as a termination of the existing contract and creation of a new contract;
- c. as part of the original contract using a cumulative catch up; or
- d. as a combination of (b) and (c).

For contracts for which the Company has decided there is a series of distinct goods and services that are substantially the same and have the same pattern of transfer where revenue is recognised over time, the modification will always be treated under either (a) or (b); (d) may arise when a contract has a part termination and a modification of the remaining performance obligations. The facts and circumstances of any contract modification are considered individually as the types of modifications will vary contract by contract and may result in different accounting outcomes.

Judgement is applied in relation to the accounting for such modifications where the final terms or legal contracts have not been agreed prior to the period end as management need to determine if a modification has been approved and if it either creates new or changes existing enforceable rights and obligations of the parties. Depending upon the outcome of such negotiations, the timing and amount of revenue recognised may be different in the relevant accounting periods. Modification and amendments to contracts are undertaken via an agreed formal process. For example, if a change in scope has been approved but the corresponding change in price is still being negotiated, management use their judgement to estimate the change to the total transaction price. Importantly any variable consideration is only recognised to the extent that it is highly probable that no revenue reversal will occur.

Contract related assets and liabilities

As a result of the contracts which the Company enters into with its customers, a number of different assets and liabilities are recognised on the Company's balance sheet. These include but are not limited to:

- Property, plant and equipment*
- Intangible assets*
- Contract fulfilment assets^
- Contract assets derived from costs to obtain a contract^
- Trade receivables*
- Accrued income^
- Deferred income^

* No change in the accounting policies for these assets as a result of the adoption of IFRS 15

^ Refer below for the accounting policy applied following the adoption of IFRS 15

CAPITA COMMERCIAL INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.4 Revenue recognition (continued)

Contract fulfilment assets

Contract fulfilment costs are divided into (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Company firstly considers any other applicable standards. If those other standards preclude capitalisation of a particular cost, then an asset is not recognised under IFRS 15.

Utilisation, derecognition and impairment of contract fulfilment assets and capitalised costs to obtain a contract

The Company utilises contract fulfilment assets and capitalised costs to obtain a contract to cost of sales over the expected contract period using a systematic basis that mirrors the pattern in which the Company transfers control of the service to the customer. The utilisation charge is included within cost of sales. Judgement is applied to determine this period, for example whether this expected period would be the contract term or a longer period such as the estimated life of the customer relationship for a particular contract if, say, renewals are expected. A contract fulfilment asset or capitalised costs to obtain a contract is derecognised either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

Management is required to determine the recoverability of contract related assets within property, plant and equipment, intangible assets as well as contract fulfilment assets, capitalised costs to obtain a contract, accrued income and trade receivables. At each reporting date, the Company determines whether or not the contract fulfilment assets and capitalised costs to obtain a contract are impaired by comparing the carrying amount of the asset to the remaining amount of consideration that the Company expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Company uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant contracts or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific KPIs that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

Capitalisation of costs to obtain a contract

The incremental costs of obtaining a contract with a customer are recognised as an asset if the Company expects to recover them. The Company incurs costs such as bid costs, legal fees to draft a contract and sales commissions when it enters into a new contract.

Judgement is applied by the Company when determining what costs qualify to be capitalised in particular when considering whether these costs are incremental and whether these are expected to be recoverable. For example, the Company considers which type of sales commissions are incremental to the cost of obtaining specific contracts and the point in time when the costs will be capitalised.

The Company has determined that the following costs may be capitalised as contract assets (i) legal fees to draft a contract (once the Company has been selected as a preferred supplier for a bid); and (ii) sales commissions that are directly related to winning a specific contract. Costs incurred prior to selection as preferred supplier are not capitalised but are expensed as incurred.

CAPITA COMMERCIAL INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.4 Revenue recognition (continued)

Deferred and accrued income

The Company's customer contracts include a diverse range of payment schedules dependent upon the nature and type of goods and services being provided. The Company often agrees payment schedules at the inception of long term contracts under which it receives payments throughout the term of the contracts. These payment schedules may include performance-based payments or progress payments as well as regular monthly or quarterly payments for ongoing service delivery. Payments for transactional goods and services may be at delivery date, in arrears or part payment in advance.

Where payments made are greater than the revenue recognised at the period end date, the Company recognises a deferred income contract liability for this difference. Where payments made are less than the revenue recognised at the period end date, the Company recognises an accrued income contract asset for this difference.

At each reporting date, the Company assesses whether there is any indication that accrued income assets may be impaired by considering whether the revenue remains highly probable that no revenue reversal will occur. Where an indicator of impairment exists, the Company makes a formal estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Onerous contracts

The Company reviews its long-term contracts to ensure that the expected economic benefits to be received are in excess of the unavoidable costs of meeting the obligations under the contract. The unavoidable costs are the lower of the net costs of termination or the costs of fulfilment of the contractual obligations. The Company recognises the excess of the unavoidable costs over economic benefits due to be received as an onerous contract provision.

1.5 Goodwill

Goodwill is stated at cost less accumulated impairment losses. It is not amortised but is tested annually for impairment which is in accordance with FRS 101.A2.8. This is not in accordance with the Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008 which requires that all goodwill be amortised. The Directors consider that this would fail to give a true and fair view of the profit for the period and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. It is not practicable to quantify the effect on the financial statements of this departure. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

CAPITA COMMERCIAL INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Freehold land is not depreciated. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Fixtures, fittings & equipment	4 - 5 years
Computer equipment	3 - 10 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

1.7 Leasing

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

CAPITA COMMERCIAL INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.8 Pensions

The Company participates in a number of defined contribution schemes and contributions are charged to the profit and loss account in the year in which they are due. These schemes are funded and contributions are paid to separately administered 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 Capita Business Services Limited.

The Company also has employees who were members of a defined benefit scheme operated by the Group – the Capita Pension & Life Assurance Scheme (the “Capita DB Scheme”).

The Capita DB Scheme closed to future accrual of benefit on 30 November 2017 for the majority of active members. Consequently, all of the Company’s employees who had been active members of the Capita DB Scheme on 30 November 2017 were offered membership of the Group’s principal defined contribution scheme. As the Company ceased to employ any active members in the Capita DB Scheme a section 75 debt fell due to the trustees of the Capita DB Scheme and this was settled by Capita Business Services Limited, a fellow subsidiary undertaking, in early 2018. As a result, the Company is no longer a participating employer in the Capita DB Scheme.

As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the Capita DB Scheme to participating entities, the net defined benefit cost of the Capita DB Scheme is recognised fully by the principal employer (Capita Business Services Limited, a fellow subsidiary undertaking). The Company then recognises a cost equal to its contribution payable for the period. The contributions payable by the participating entities are determined on the following basis:

-The Capita DB Scheme provides benefits on a defined benefit basis funded from assets held in a separate trustee-administered fund.

-The Capita DB Scheme is a non-segregated scheme but there are around 200 different sections in the scheme where each section provides benefits on a particular basis (some based on final salary, some based on career average earnings) to particular groups of employees.

-At each funding assessment of the Capita DB Scheme (carried out triennially), the contribution rates for those sections containing active members are calculated. These are then rationalised such that sections with similar employer contribution rates (when expressed as a percentage of pensionable pay) are grouped together and an average employer contribution rate for each of the rationalised groups calculated.

-The Company’s contribution is consequently calculated by applying the appropriate average employer contribution rates to the pensionable pay of its employees participating in the Capita DB Scheme.

A full actuarial valuation of the Capita DB Scheme is carried out every three years by an independent actuary for the Trustee, with the last full valuation carried out at 31 March 2017. The next scheme funding assessment is expected to be carried out with an effective date of 31 March 2020.

CAPITA COMMERCIAL INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.9 Taxation

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

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

Deferred 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
- 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 COMMERCIAL INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.10 Share-based payments

The Company participates in various share option and sharesave 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 profit and loss account 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 profit and loss account and a credit to equity. The Company's policy is to reimburse its ultimate parent Company through the intercompany 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.

CAPITA COMMERCIAL INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.11 Financial instruments

Investments and other financial assets

Classification

Applicable from 1 January 2018, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date (that is, the date on which the Company commits to purchase or sell the asset). Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Impairment

From 1 January 2018, the Company assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach permitted by IFRS 9, resulting in trade receivables recognised and carried at original invoice amount less an allowance for any uncollectible amounts based on expected credit losses.

Accounting policies applied until 31 December 2017

The Company has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Company's previous accounting policy, as shown below:

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

Investment loans are measured at amortised cost using the effective interest method.

Available-for-sale financial assets are measured at their fair value with unrealised gains or losses being recognised directly in equity. When the investment is disposed of, the cumulative gain or loss previously recorded in equity is recognised in the income statement.

Financial assets at fair value through the income statement (disclosed in investment income) include financial assets designated upon initial recognition as at fair value through the income statement.

CAPITA COMMERCIAL INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.11 Financial instruments (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

(i) Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in income statement and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in income statement.

(ii) FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to income statement and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses), and impairment expenses are presented as a separate line item in the income statement.

(iii) FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in income statement and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to income statement following the derecognition of the investment. Dividends from such investments continue to be recognised in income statement as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

CAPITA COMMERCIAL INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.11 Financial instruments (continued)

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the assets are part of a Company of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy.

Trade and other receivables

The Company assesses on a forward looking basis the expected credit losses associated with its receivables carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach permitted by IFRS 9, resulting in trade receivables recognised and carried at original invoice amount less an allowance for any uncollectible amounts based on expected credit losses.

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.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of 3 months or less. Bank overdrafts are shown within current liabilities.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at their fair value less any directly attributable transaction costs.

After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

1.12 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.

CAPITA COMMERCIAL INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.13 Foreign exchange

The functional and presentation currency of the company is the pound sterling (£). Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the consolidated income statement.

Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of overseas operations include the euro and Danish Krone. As at the reporting date, the assets and liabilities of the overseas operations are retranslated into the presentation currency of the company at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rate for the year. The exchange differences arising on the retranslation are taken directly to a separate component of equity. On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular foreign operation shall be recognised in the income statement.

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 from these estimates.

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 are the measurement and impairment of goodwill, provisions, revenue and profit recognition on certain contractual arrangements. The Company determines whether goodwill is impaired on an annual basis and thus requires an estimation of the value in use of the cash-generating units to which the intangible assets are allocated. This involves estimation of future cash flows and choosing a suitable discount rate. The measurement of revenue and resulting profit recognition - due to the size and complexity of some of the Company's contracts, there are judgements to be applied, including the measurement and timing of revenue recognition and the recognition of assets and liabilities, including an assessment of onerous contract, that result from the performance of the contract. The measurement of provisions reflects management's assessment of the probable outflow of economic benefits resulting from an existing obligation. Provisions are calculated on a case by case basis and involve judgement as regards the final timing and quantum of any financial outlay.

3 Revenue

	2018	Restated 2017
	£	£
United Kingdom	21,052,761	24,319,375
Total revenue	<u>21,052,761</u>	<u>24,319,375</u>

CAPITA COMMERCIAL INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

4 Operating profit

	2018	2017
	£	£
Operating profit for the year is stated after (crediting)/charging:		
Net foreign exchange loss	107,972	180,266
Depreciation of property, plant and equipment	4,644	14,641
Contract fulfilment asset utilisation and release	1,456,052	1,456,052
Operating lease rentals - plant and machinery	-	759

Audit fees are borne by the ultimate parent undertaking, Capita plc. The audit fee for the current period was £15,450 (2017: £11,550). The Company has taken advantage of the exemption provided by regulations 6(2)(b) of The Companies (Disclosure of Auditor Remuneration and liability Limitation Agreement) 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.

5 Other operating expenses

	2018	2017
	£	£
Net foreign exchange loss	107,972	180,266
	<u>107,972</u>	<u>180,266</u>

6 Finance income

	2018	2017
	£	£
Interest received	5,395	-
Total interest	<u>5,395</u>	<u>-</u>

CAPITA COMMERCIAL INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

7 Income tax

The major components of income tax charge for the years ended 31 December 2018 and 2017 are:

	2018 £	Restated 2017 £
Current tax		
UK Corporation tax	439,263	1,189,015
Adjustments in respect of prior periods	298,446	249,867
	<u>737,709</u>	<u>1,438,882</u>
Deferred tax		
Origination and reversal of temporary differences	656,950	20,792
Adjustments in respect of prior periods	(170,282)	76,168
	<u>486,668</u>	<u>96,960</u>
Total tax charge reported in the income statement	<u><u>1,224,377</u></u>	<u><u>1,535,842</u></u>

The reconciliation between tax charge/(credit) and the accounting profit multiplied by the UK corporation tax rate for the years ended 31 December 2018 and 2017 is as follows:

	2018 £	Restated 2017 £
Profit/(loss) before taxation	<u>6,159,574</u>	<u>4,684,783</u>
Notional charge at UK corporation tax rate of 19% (2017: 19.25%)	<u>1,170,319</u>	<u>901,821</u>
Adjustments in respect of current income tax of prior periods	298,446	249,867
Adjustments in respect of deferred income tax of prior periods	(170,282)	76,168
Expenses not deductible for tax purposes	3,182	310,739
Impact of changes in statutory tax rates	(77,288)	(2,753)
Total adjustments	<u><u>54,058</u></u>	<u><u>634,021</u></u>
Total tax charge reported in the income statement	<u><u>1,224,377</u></u>	<u><u>1,535,842</u></u>

CAPITA COMMERCIAL INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

7 Income tax

(Continued)

	Balance sheet		Income statement	
	2018	Restated 2017	2018	Restated 2017
	£	£	£	£
Deferred tax (assets)/liabilities				
Accelerated/(decelerated) capital allowances	(204,401)	(248,786)	44,385	12,497
Other short timing differences	(170,656)	(374)	(170,282)	62,497
Contract fulfilment assets	515,685	763,214	(247,529)	(247,529)
Deferred income liability	-	(860,094)	860,094	269,495
Net deferred tax liability/(asset)	140,628	(346,040)		
Deferred income tax charge/(credit)			486,668	96,960

Deferred tax

The UK corporation tax rate decreased from 20% to 19% on 1st April 2017 and will decrease further to 17% from 1 April 2020. The deferred tax balances have been adjusted to reflect this change.

Due to the changes in assets, liabilities, income and expenses recognised as a result of the application of IFRS 15, there are consequent IAS 12 Income taxes differences that arise, and are reflected in the restated 31 December 2017 balances.

Due to the changes in the pattern and timing of revenue recognition under IFRS 15, a deferred income liability was recognised on the balance sheet from 1 January 2017, which will be recognised through the income statement in subsequent periods. The impact of these revenue recognition changes is only recognised for tax purposes via a one-off transitional tax adjustment on 1 January 2018, so no tax deduction was available in 2017 for the reduction in historic revenue recognised.

Contract fulfilment assets were also recognised on the balance sheet from 1 January 2017, which will be charged to the income statement in subsequent periods. Under IAS 12, the tax base of an asset is the amount that will be deductible for tax purposes against any taxable economic benefits that will flow to an entity when it recovers the carrying amount of the asset. The tax base of the contract fulfilment asset recognised on the balance sheet prior to 1 January 2018 is therefore reduced by the amounts for which tax deductions have already been taken, creating a temporary difference.

Under the principles of IAS 12, the restated balance sheet for 31 December 2017 reflects a net movement of £96,880, arising from an increase in deferred tax assets of £860,094, and increase in deferred tax liability of £763,214 as a result of the transition to IFRS 15.

CAPITA COMMERCIAL INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

8 Property, plant and equipment

	Fixtures, fittings & equipment £	Computer equipment £	Total £
Cost			
At 1 January 2018	45,221	31,278	76,499
Additions	-	5,165	5,165
Foreign currency adjustments	-	14	14
Asset retirement	-	(2,263)	(2,263)
At 31 December 2018	45,221	34,194	79,415
Depreciation and impairment			
At 1 January 2018	45,221	23,614	68,835
Depreciation	-	4,644	4,644
Foreign currency adjustments	-	14	14
Asset retirement	-	(2,263)	(2,263)
At 31 December 2018	45,221	26,009	71,230
Net book value			
At 31 December 2017	-	7,664	7,664
At 31 December 2018	-	8,185	8,185

9 Intangible fixed assets

	Goodwill £
Cost	
At 1 January 2018	30,152,565
At 31 December 2018	30,152,565
Amortisation and impairment	
At 1 January 2018	9,046,805
At 31 December 2018	9,046,805
Net book value	
At 31 December 2017	21,105,760
At 31 December 2018	21,105,760

CAPITA COMMERCIAL INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

10 Investment in subsidiary	Shares in subsidiary undertakings £'000
Cost	
At 1 January 2018	2
Additions	-
Disposals	(2)
At 31 December 2018	-
Impairment	
At 1 January 2018 and 31 December 2018	-
Net book value	
At 31 December 2018	-
At 31 December 2017	2

During the year, the Company disposed of its investments in Capita Insurance Services Asia Pte Ltd for £2.

11 Contract fulfilment assets	£
At 1 January 2017	5,945,547
Released during the year	(1,456,052)
As at 31 December 2017	4,489,495
Utilised during the year	(1,456,052)
At 31 December 2018	3,033,443

In preparing these financial statements, the Company has undertaken a review to identify indicators of impairment of contract fulfilment assets. The Company determined whether or not the contract fulfilment assets were impaired by comparing the carrying amount of the asset to the remaining amount of consideration that the Company expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Company used the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price were removed for the impairment test.

In line with the accounting policy, as set out in note 1.4, if a contract or specific performance obligation exhibited marginal profitability or other indicators of impairment, judgement was applied to ascertain whether or not the future economic benefits from these contracts were sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific KPIs that could trigger variable consideration, or service credits.

CAPITA COMMERCIAL INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

12 Financial assets

	2018 £
Investment held at fair value through OCI	
At 1 January	437,548
Impairment	
Impairment during the year*	(37,548)
Net book value at 31 December	<u><u>400,000</u></u>

In 2018, the Company had adopted IFRS 9: Financial Instruments and Available For Sale Assets in statutory accounts of 2017 are now shown as investments held at fair value through other comprehensive income (FVOCI).

*The Company impaired its full value of investments in Cobalt Insurance Holdings Limited.

Details of the Company's investments as participating interests are as follows:

Company	Country of registration or incorporation	Ordinary shares held (%)	Nature of business
Cobalt Insurance Holdings Limited	England & Wales	24.59	Holding company
Pardus Holdings Limited	England & Wales	13	Holding company

13 Trade and other receivables

	2018 £	Restated 2017 £
Current		
Trade receivables	731,356	955,116
Accrued income	925,044	2,238,298
Prepayments	8,225	22,342
Amounts due from parent & fellow subsidiary and associate undertaking	3,455,269	3,462,525
	<u><u>5,119,894</u></u>	<u><u>6,678,281</u></u>

CAPITA COMMERCIAL INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

13 Trade and other receivables (Continued)

Non-current	2018 £	2017 £
Other receivables	317,000	317,000
Amounts due from subsidiary undertakings	399,998	399,998
	<u>716,998</u>	<u>716,998</u>

There is no fixed term to the above non-current loan and thus, it is not fair valued.

14 Cash

	2018 £	2017 £
Cash at bank and in hand	21,250,004	14,768,048
	<u>21,250,004</u>	<u>14,768,048</u>

15 Trade and other payables

	2018 £	Restated 2017 £
Trade payables	397,189	632,816
Other payables	187,500	2,562
Other taxes and social security	16,165	120,093
Accruals	627,308	1,724,144
Amounts due to parent and fellow subsidiary undertaking	266,973	144,645
	<u>1,495,135</u>	<u>2,624,260</u>

Trade payables are non-interest bearing and are settled within terms agreed with suppliers.

CAPITA COMMERCIAL INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

16 Deferred income

	2018 £	Restated 2017 £
Current		
Deferred income	2,326,181	1,802,619
	<u>2,326,181</u>	<u>1,802,619</u>
Non-current		
Deferred income	1,776,171	3,415,715
	<u>1,776,171</u>	<u>3,415,715</u>

The deferred income balances solely relates to revenue from contracts with customers. Movements in the deferred income balances were driven by transactions entered into by the Company within the normal course of business in the year.

17 Financial liabilities

	2018 £	2017 £
Loans	25,000,000	25,000,000
	<u>25,000,000</u>	<u>25,000,000</u>

The loan for £25,000,000 was provided during 2009 by Capita plc, the ultimate parent undertaking. There is no interest payable on the loan, which cannot be repaid unless the prior written consent of the FCA has been obtained, and then only with two years' notice.

CAPITA COMMERCIAL INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

18 Provisions

Current	Redundancy provision £	Business exit provision £	Total £
As at 1 January 2018	888,699	545,014	1,433,713
Reclassification	-	733,720	733,720
Released in the year	-	(256,432)	(256,432)
Utilisation	(888,699)	(291,011)	(1,179,710)
At 31 December 2018	-	731,291	731,291

Business exit: The provisions relate to the cost of exiting businesses through disposal or closure. Additional provision was made in light of the programme of business exits completed or in an active sales process.

19 Issued share capital	2018 Numbers	2017 Numbers	2018 £	2017 £
Allotted, called up and fully paid ordinary of £1 each				
At 1 January 2018	3,494,175	3,494,175	3,494,175	3,494,175
At 31 December 2018	3,494,175	3,494,175	3,494,175	3,494,175

Share capital

The nominal proceeds on issue of the Company's equity share capital, comprising 3,494,175 ordinary shares of £1 each.

CAPITA COMMERCIAL INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

20 Employee benefits

The Company participates in both defined benefit and defined contribution pension schemes.

Contributions in respect of the defined contribution schemes payable by the Company during the year amounted to £479,354 (2017: £403,638)

The Company has current and former employees who were members of the Capita Pension and Life Assurance Scheme (the "Capita DB Scheme"), a defined benefit scheme.

The Capita DB Scheme is a non-segregated scheme but there are around 200 different sections in the scheme where each section provides benefits on a particular basis (some based on final salary, some based on career average earnings) to particular groups of employees.

The Capita DB Scheme closed to future accrual of benefit on 30 November 2017 for the majority of active members. Consequently, all of the Company's employees who had been active members of the Capita DB Scheme on 30 November 2017 were offered membership of the Group's principal defined contribution scheme. As the Company ceased to employ any active members in the Capita DB Scheme a section 75 debt fell due to the trustees of the Capita DB Scheme and this was settled by Capita Business Services Limited, a fellow subsidiary undertaking, in early 2018. As a result, the Company is no longer a participating employer in the Capita DB Scheme.

The pension charge for the Company in relation to the Capita DB Scheme for the year was £nil (2017: £11,898).

A full actuarial valuation of the Capita DB Scheme is carried out every three years by an independent actuary for the trustee, with the last full valuation carried out at 31 March 2017. Amongst the main purposes of the valuation is to agree a contribution plan such that the pension scheme has sufficient assets available to meet future benefit payments, based on assumptions agreed between the trustee and the principal employer. The 31 March 2017 valuation showed a funding deficit of £185m (31 March 2014: £1.4m). This equates to a funding level of 86.1% (31 March 2014: 99.8%).

As a result of the funding valuation, the principal employer and the trustee agreed the payment of additional contributions totaling £176m between November 2018 and 2021 with the intention of removing the deficit calculated as at 31 March 2017 by 2021.

In addition, the principal employer agreed an average employer contribution rate of 28.1% (excluding employee contributions made under a salary sacrifice arrangement) towards the expected cost of benefits accruing.

The next scheme funding assessment will be carried out with an effective date of 31 March 2020.

For the purpose of the consolidated accounts of Capita plc, an independent qualified actuary projected the results of the 31 March 2017 funding valuation to 31 December 2018 on the relevant accounting requirements.

The major assumptions for the valuations at 31 December 2018 were as follows: rate of price inflation RPI/CPI 3.2% pa/2.2% pa (2017: 3.2% pa/2.2% pa); rate of the salary increase - 3.2% pa (2017: 3.2% pa); rate of increase for pensions in payment (where RPI inflation capped at 5% pa applies - 3.1% pa (2017: 3.1% pa); discount rate - 2.85% pa (2017: 2.5% pa).

The Capita DB Scheme assets at fair value at 31 December 2018 totalled £1,136.0m (2017: £1,101.3m). The actuarially assessed value of Capita DB Scheme liabilities at 31 December 2018 was £1,342.7m (2017: £1,493.4m) indicating that the Capita DB Scheme had a net liability of £206.7m (2017: net liability of £392.1m). These figures are quoted gross of deferred tax. The full disclosure is available in the consolidated accounts of Capita plc.

CAPITA COMMERCIAL INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

21 Employees

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

	2018 Number	2017 Number
Operations	254	245
Administration	4	4
	<u>258</u>	<u>249</u>

Their aggregate remuneration comprised:

	2018 £	2017 £
Employee costs		
Wages and salaries	6,825,425	6,606,069
Social security costs	645,559	622,987
Pension costs	479,354	415,536
Shared based payments (charged by intercompany)	-	1,101
	<u>7,950,338</u>	<u>7,645,693</u>

22 Directors' remuneration

The Directors remuneration, including reimbursement of expenses incurred by them, were paid by another subsidiary of Capita plc. As no significant amount of time was spent by the Directors on the Company's affairs, no Directors remuneration has been allocated to the Company.

23 Post balance sheet event

There are no significant events that occurred after the reporting period.

24 Controlling party

The Company's immediate parent undertaking is Capita Insurance Services Holdings Limited, a company incorporated in England and Wales. The Company's ultimate parent undertaking is Capita plc, a company incorporated in England and Wales. The accounts of Capita plc are available from the registered office at 30 Berners Street, London, England, W1T 3LR.

CAPITA COMMERCIAL INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

25 Reconciliation for 2017

The Company adopted IFRS 15 Revenue from Contracts with Customers on 1 January 2018 using the full retrospective method. Following note details the impact of IFRS 15 in the comparative period of 2017:

Restatement of Income statement for the year ended 31 December 2017:

Particulars	Foot notes	2017	Other adjustment	Impact of IFRS15	Restated 2017
		£		£	£
Revenue	A,I	22,734,113	-	1,585,262	24,319,375
Cost of sales	A,II	(11,697,531)	-	(1,456,052)	(13,153,583)
Gross profit		11,036,582	-	129,210	11,165,792
Administrative expenses	B	(4,918,695)	180,266	-	(4,738,429)
Other operating expenses	B		(180,266)		(180,266)
Operating profit/(loss)		6,117,887	-	129,210	6,247,097
Impairment		(1,562,314)	-	-	(1,562,314)
Profit/(loss) before taxation		4,555,573	-	129,210	4,684,783
Income tax expense		(1,513,876)	-	(21,966)	(1,535,842)
(Loss)/profit after taxation		3,041,697	-	107,244	3,148,941
Exchange differences on currency translation	C	88,532	(131)		88,401
Total comprehensive for the year		3,130,229	(131)	107,244	3,237,342

Footnotes to reconciliation:

Note B: In the 2017 financial statements of the Company, foreign exchange gain/(loss) was shown under administrative expenses instead of being presented separately on the face of the Income statement. The same has been corrected for 2017 by a reclassification journal. This had no impact on the net assets reported.

CAPITA COMMERCIAL INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

25 Reconciliation for 2017

Restatement of statement of financial position as on 31 December 2017:

Particulars	Foot- notes	2017	Other adjustments	Impact of IFRS15	Restated 2017
		£		£	£
Non-current assets					
Property, plant and equipment		7,664	-	-	7,664
Intangible assets		21,105,760	-	-	21,105,760
Investment in Subsidiaries		2	-	-	2
Contract fulfilment assets	A,II	-	-	4,489,495	4,489,495
Available for sale assets		437,548	-	-	437,548
Trade and other receivables	E	399,998	317,000	-	716,998
Deferred tax		249,292	(131)	96,879	346,040
Total non-current assets		22,200,264	316,869	4,586,374	27,103,507
Current assets					
Trade and other receivables	D,E	11,477,857	(4,799,576)	-	6,678,281
Cash		14,768,048	-	-	14,768,048
Total current assets		26,245,905	(4,799,576)	-	21,446,329
Total assets		48,446,169	(4,482,707)	4,586,374	48,549,836
Current liabilities					
Trade and other payables	D	7,106,836	(4,482,576)	-	2,624,260
Deferred income	A,III	158,957	-	1,643,662	1,802,619
Provisions		1,433,713	-	-	1,433,713
Income tax payable		955,385	-	-	955,385
Total current liabilities		9,654,891	(4,482,576)	1,643,662	6,815,977
Non-current liabilities					
Deferred income		-	-	3,415,715	3,415,715
Financial liabilities		25,000,000	-	-	25,000,000
Total non-current liabilities		25,000,000	-	3,415,715	28,415,715
Total liabilities		34,654,891	(4,482,576)	5,059,377	35,231,692
Net assets		13,791,278	(131)	(473,003)	13,318,144

CAPITA COMMERCIAL INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Capital and reserves				
Issued share capital		3,494,175	-	3,494,175
Foreign currency translation reserve	C	(810,205)	(131)	(810,336)
Retained earnings		11,107,308	-	10,634,305
			(473,003)	
Total equity		13,791,278	(131)	13,318,144

Footnotes to reconciliation:

Note A: The Company adopted IFRS 15 Revenue from contracts with customers in 2018 using a fully retrospective application which includes restatement of prior period comparatives. Refer below for explanatory notes in respect of adjustments made:

Adjustment I: Revenue recognition in line with output

Under the previous accounting, revenue for certain contracts was recognised under the percentage of completion method based upon costs incurred to date as a proportion of the estimated full cost of completing the contract, and applying the percentage to the total revenue expected to be earned.

Adjustment II: Recognition, utilisation and derecognition of contract fulfilment assets

IFRS 15 specifies that certain costs to fulfil a contract are to be capitalised as non-current contract fulfilment assets and current contract fulfilment assets if relevant criteria are met. Costs incurred were previously expensed and which related to resources to allow it to deliver services under its contracts and active software licence arrangements.

Adjustment III: Reclassification of trade and other payables

To provide relevant financial information, deferred income may be reclassified into its own primary statement line item reflecting the materiality and nature of this balance. The decrease in trade and other payables relates to the reclassification and restatement of this deferred income.

Adjustment IV: Tax

Due to the changes in assets, liabilities, income and expenses recognised as a result of the application of IFRS 15, there are consequent IAS 12 Income taxes differences that arise including deferred tax.

Note C: Foreign currency translation reserve has been adjusted to reflect correct restated tax balances.

Note D: Intercompany balances have now been net off to reflect correct balances payable and receivable.

Note E: Working capital loan of £317,000 to Cobalt Insurance Holdings Limited has been shown correctly as other non-current receivables which was shown as intercompany receivable as per 2017 stats.